



**Bell**  
CERAMICS LIMITED

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## Corporate Profile

- Started in 1985 with the aim of manufacturing world-class glazed ceramic tiles.
- ISO 9001:2000 and ISO 14001 manufacturing facilities strategically located near prime markets in India.
- Well spread and well connected distribution network comprising Depots, Dealers and Retailers.
- Nationally connected through world class ERP software.
- Manufacturing according to COMITE EUROPEAN DE NORMALISATION (CEN).
- Exhaustive product range with a wide range of designs, colours, patterns, surface finishes.
- Exports to some of the most demanding markets of the world.
- Feted by many awards for performance including Certificate of Merit conferred by the President of India for meritorious performance in Exports.
- Keeps in touch with end-users, influencers and channel partners with regularly organised events, exhibitions and meets.

**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. K. Ramaswamy	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  
 Punjab National Bank

**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	- 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 Nineteenth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Saturday, the 16<sup>th</sup> July, 2005 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, 2005, 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 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 - 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 :-

- Bank of India (BOI) for its term loan assistance of Rs.600 lakhs (Rupees Six Hundred Lakhs only) and
  - Punjab National Bank (PNB) for its term loan assistance of Rs.517 lakhs (Rupees five Hundred Seventeen Lakhs only).
- together with interest, commission, costs, charges, expenses and any other money payable by the Company to the Banks as above towards the financial assistance granted/to be granted by them to the Company.

AND

On the Second Charge basis in favour of:

- Bank of India (BOI) for the additional working capital fund based financial assistance of Rs.210 lakhs (Rupees two hundred ten lakhs only),

- Punjab National Bank (PNB) for the working capital assistance of Rs. 170 lakhs (fund based) and Rs. 110 lakhs (non fund based) aggregating to Rs. 280 lakhs (Rupees two hundred eighty lakhs only), and
- Small Industrial Development Bank of India (SIDBI) for the additional 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/ financial institution 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 and second charge basis shall be pari passu with the existing respective 1<sup>st</sup>/2<sup>nd</sup> charges 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.

#### Item No.7 - SPECIAL RESOLUTION

"RESOLVED THAT pursuant to the provisions of Section 81 (1A) and all other applicable provisions if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (the "Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions which the Board of Directors of the Company ( the Board) (which term shall be deemed to include any committees thereof) be and is hereby authorised to accept, the approval of the company be and is hereby accorded to the Board to create, offer and grant an aggregate of up to 461000 (four lakh sixty one thousand) options to the employees ( as defined under the Guidelines) of the Company during the Company's financial year 2005-06, each option convertible into 1 (one) Equity share of the value of Rs. 10 each on payment of such exercise price as may be decided by the Board and as per the terms and conditions framed/ to be framed by the Board with regard to the Employees Stock Option Scheme for the Company's financial year 2005-06 ("ESOS-2005-06")."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares as and when the options are exercised in accordance with the terms and conditions of the said ESOS-2005-06."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to modify or amend any terms and conditions of the

ESOS-2005-06 as and when deemed fit, in its absolute discretion, subject to the condition that such modification / amendment shall always be and in accordance with the provisions of the said Guidelines and the provisions of the Companies Act, 1956."

"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 do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle or resolve any question or difficulty or doubt that may arise in regard to the grant of options/ issue & allotment of shares and utilization of the proceeds and to finalize and execute all documents and writings as may be necessary, desirable or expedient, usual or proper or otherwise in the best interest of the Company.

Regd. Office:  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 27.04.2005

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 VOITE 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 12th July, 2005 to Saturday the 16th July, 2005 (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**

The Company has been sanctioned the following financial assistance by the banks/ financial institutions for the business of the company:

- Term loan of Rs. 600 lakhs from Bank Of India (BOI),

- Term loan of Rs. 517 lakhs from Punjab National Bank (PNB),
- Additional working capital facility of Rs. 210 lakhs (fund based) from BOI,
- Working capital facility of Rs 170 lakhs (fund based) and Rs. 110 lakhs (non fund based) from PNB and
- Additional bills discounting facility of Rs 50 lakhs from Small Industries Development Bank of India (SIDBI).

The term loans of Rs. 600 lakhs from BOI and Rs. 517 lakhs from PNB will be secured by first pari passu charge on the assets of the Company both present and future where as the working capital financial assistance from BOI, PNB and SIDBI as mentioned here in above will be secured by second pari passu charge on the said assets.

Creation of charge/mortgage on the assets requires approval of the shareholders under the provisions of Section 293(1)(a) of the Companies Act, 1956.

Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, provides that the consent of the members for sale of whole or substantially the whole of undertaking of a Company as specified under Sub-clause (a) of Sub-Section (1) of Section 293 (which also includes creation of charge/mortgage) is to be obtained by means of a postal ballot. However, since this is not pertaining to sale of the undertaking, no such formalities are required.

None of the Directors are interested in this resolution.

Resolution placed at item No 6 of the accompanying notice is recommended for your approval.

##### **Item No.7**

The Remuneration Committee of Directors has approved formulation of Stock Option Scheme for the Corporate Financial Year 2005-2006 ("ESOS 2005-2006"), in accordance with the provisions of the "Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999"("the Guidelines"). The salient features of the Scheme are as under:

##### **a) Number of Options:**

The Number of options to be granted shall not exceed 50,000 (Fifty Thousand) options per employee and 461000 (Four Lac Sixty One Thousand) in total.

##### **b) Classes of Employees / Eligible Employees:**

Employees under the management Grade of the Company (other than such Directors / employees who are excluded as per the Guidelines).

##### **c) Vesting of Options:**

The options shall be vested with the eligible employees on expiry of one year from the date of the grant of options.





**d) Exercise Price / Pricing Formula :**

The exercise price shall be the average of the daily closing price of equity shares of the company during the period of 15 (Fifteen) days immediately preceding the date on which the options are granted.

**e) Exercise Period:**

The options can be exercised within a period of 4 (Four) years from the date of vesting in one or more tranches.

**f) Appraisal Process:**

The appraisal process and the criteria to be followed in respect of grant of options shall be such as may be decided by the Remuneration Committee.

**g) Accounting Policy:**

The Company shall conform to the accounting policies specified in the aforesaid Guidelines of SEBI or any other policy as may be prescribed under the law in respect of the accounting for such options.

**h) Adjustments in case of Corporate Actions (e.g. Rights / Bonus issue, merger and sale of division etc.) :**

A fair and reasonable adjustment in the manner as provided in the said Guidelines shall be made to the number of options and to the exercise price in case of Corporate Actions (e.g. the rights / bonus issue, merger, sale of division etc.) by the company between the date of grant of options and the exercise of the options.

**i) Valuation of Options:**

The company shall use intrinsic value method as defined in the said guidelines to value its options or by any other method as may be decided by the Remuneration Committee of Directors within the SEBI Guidelines.

**j) Employee Compensation Cost:**

The Company shall calculate the employee compensation cost using the intrinsic value of the stock options or by any other method as may be decided by the Remuneration Committee of Directors within the SEBI Guidelines. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.

The Remuneration Committee of Directors will monitor the administration and superintendence of ESOS 2005-2006 once approved by the shareholders.

The company has employed certain technicians at its Hoskote plant on a contract basis through an engineering service provider company. It was felt by the Committee that the employees of such engineering service provider company could also be granted the Stock Options under ESOS. The Committee, therefore recommended for grant of options to the employees of the said engineering service provider company in the manner as the committee may deem appropriate.

The aggregate number of options to be offered to the employees of the engineering service provider company shall be within the overall limit of 4,61,000 (four lakhs sixty one thousand) options.

Approval of the shareholders is being sought for the ESOS for the Corporate Financial Year 2005-2006 for all the eligible employees of the company as well as for the employees of its engineering service provider company, by way of separate Special Resolutions required under the SEBI Guidelines.

As the ESOS will entail further shares to be offered to the persons other than existing shareholders of the company, consent of the members is also being sought pursuant to the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956.

None of the Directors are interested in this resolution.

Resolution placed at item No 7 of the accompanying notice is recommended for your approval.

**Documents for Inspection:**

Copy of the correspondence relating to sanction of financial assistance from Banks, institutions and the scheme of ESOS for the financial year 2005-06 approved by the Remuneration committee and the Board are available for inspection by the members at the Registered Office of the Company during usual working hours.

Regd. Office:  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 27.04.2005

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 Nineteenth Annual Report and the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March 2005.

## FINANCIAL RESULTS:

	Rs. in lacs	
	Current year	Previous year
	2004-05	2003-04
Sales & Other Income	16338.95	13861.61
Operating Profit	3200.68	3330.95
Interest	1171.80	1333.83
Profit Before Depreciation & Amortisation	2028.88	1997.12
Depreciation, Amortisation of Misc. Exp.	1067.77	1161.36
<b>Profit for the Year</b>	<b>961.11</b>	<b>835.76</b>
Less: Prior Period Expenses	+8.43	-229.21
Less: Extra Ordinary Items-		
Loss on sale of non-operative Assets	-99.21	0.00
Profit Before Tax	870.33	606.55
Less: Provision for Tax		
- Current year	-73.20	-52.00
- Deferred Income Tax	+134.00	-411.65
<b>Net Profit</b>	<b>931.13</b>	<b>142.90</b>
Profit B/F from previous year	-2586.56	-2586.56
Securities Premium Account adjusted as per order of the Guj High Court	+2019.44	0.00
Transfer to Debenture Redemption Reserve	-200.00	-142.90
<b>Profit (Loss) Available for Appropriation</b>	<b>164.01</b>	<b>-2586.56</b>
Transfer to General Reserve	-30.00	-
Proposed Dividend - Pref. shares	-118.15	-
Corporate Dividend Tax	-15.42	-
Profit (Loss) carried to Balance Sheet	0.44	-2586.56

## DIVIDENDS:

The Board has recommended Preference dividend of Rs. 118.15 lakhs out of the arrears of Preference dividend as at 31.3.2005.

In absence of sufficient profits for the year, your Directors have not recommended any dividend on the 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 RESONSIBILITY 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 31<sup>st</sup> March 2005 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
- the annual accounts had been prepared on a going concern basis.

## AUDITOR'S REPORT:

Referring to the remarks printed in italic in the (vii) 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.

## PUBLIC DEPOSITS:

As on the 31.03.2005, the Company has not accepted any deposits from the Public.

## DIRECTORS:

At the ensuing Annual General Meeting, Shri Lalit Bhasin, Shri R K Jatia and Shri N. C. Mehta, the Directors of the Company shall retire by rotation and they being eligible offer themselves for re-appointment.

The Company has received an intimation from IDBI regarding the nomination of Shri K. Ramaswamy as Nominee Director on the Board of the Company w.e.f. 29.4.2005 in place of Shri P. Ojha. The Board takes note of the active participation and the valuable guidance provided by Shri P. Ojha during his association with the Company.

## 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 and on behalf of the Board  
**Lalit Bhasin**  
Chairman

Place: New Delhi  
Date : 27.04.2005



## MANAGEMENT DISCUSSIONS & ANALYSIS:

### INDUSTRIAL SCENARIO:

The year under review was the year of consolidation in the Indian economy for various activities carried out in the earlier years. There was a change in the Government at the Central level. The new Government decided to continue with policies with a clear focus for the overall economic growth in general. The second year with good rains in most part of the country has helped the growth in the agricultural sector. The improved consumer demand helped in the growth of industrial activities. The effect of the growth has been well noticed in service sectors like Banking and the IT sector.

As mentioned above the new Government 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 and stores at a very competitive prices from abroad.

Lower interest rate and easy availability of the housing loans from the private and public sector banks had helped the construction and its allied industries. The permission for foreign direct investment in the real estate market is a welcome step taken to further strengthen the economic growth. The construction industry has been providing employment on a very large scale through out the country.

### OUTLOOK OF THE INDUSTRY:

The overall improvement in the construction industry has to some extent helped to overcome the problem of excess production capacity in the ceramic tile industry. Competition between the organized vis-a-vis unorganized sector is no more a major issue in the Indian ceramic tile market. However the major threat is the cheaper import of ceramic tiles particularly from China. The competition in the global market has adversely affected export of the ceramic tiles from India. This has created a high pressure on the selling price of the product. Ceramic tile industry being fuel intensive industry, the steep increase in the international prices of crude has adversely affected the earnings of ceramic tile manufacturers. Almost 30% hike in the diesel prices over a period of last one year has increased the cost of manufacturing and selling expenses due to increase in the freight charges for the incoming and outgoing materials. The long awaited introduction of VAT has materialised in most part of the country and efforts are on for the left out states to implement the same. This will help the process of rationalization of the tax structure.

### REVIEW OF COMPANY'S OPERATIONS:

As in the Indian economy, the year 2004-05 was a year of consolidation for the company's operation due to increase in the installed capacity at Hoskote plant. Efforts for the optimum utilisation of the plant capacity and better management in the outbound logistic has helped in improving the turnover of the company. In order to manage the finished goods inventory at a reasonable level and thereby improving the cash flow position, there was a heavy pressure on selling prices. Distribution of the company's product through the established market network has resulted into increase in the sales quantity and speedy recovery of the receivables.

#### a. DORA (Baroda) Unit:

During the year under review, the improvement continued in the working of this plant. Controlling the cost of production at a

reasonable level has become a big exercise in the recent trend of rising input costs. Emphasis is more on the value addition to the products. Introduction of new designs were made to cater the requirements of various segments of the consumers. The products of this plant continue to get a good response in domestic and export market. This plant was operated at a capacity of almost 100% of its installed capacity.

### PROPOSED EXPANSION IN THE INSTALLED CAPACITY OF THE DORA UNIT:

As mentioned in the previous year report, the company has during the year enhanced the installed capacity of this plant from 3650000 m<sup>2</sup> p.a. to 4927500 m<sup>2</sup> p.a. The increase in the installed capacity was made effective from 01.12.2004. This capacity is further being enhanced from 4927500 m<sup>2</sup> to 6387500 m<sup>2</sup> p.a during the year 2005-06. The finance has been raised by way of loans from Punjab National Bank and Bank of India.

#### b. HOSKOTE (Bangalore) Unit:

During the year under review, the increase in the installed capacity from 3650000 m<sup>2</sup> p.a. to 8212500 m<sup>2</sup> p.a. was carried out. The capacity expansion was completed with 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 deferment from IDBI in its principal repayments.

Utilisation of the plant capacity was affected due to frequent disturbances in the operations and the teething problems from the new machines. Steep increase in the cost of power and fuel during the year has increased the cost of manufacturing at this unit. Despite such adverse conditions the overall performance of the unit remained satisfactory. Company can look forward for better results in the years to come.

### RISKS AND CONCERNS:

- (a) With the depletion in the availability of natural gas from the domestic sources, GAIL has started supply of the imported LNG (Liquidified Natural Gas). This has however increased the cost of fuel at the Gujarat plant of the company. LNG has been priced at almost 2.5 times higher than the natural gas prices being supplied from the domestic sources.
- (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) In the international market the prices of crude has reached the highest level and its impact is seen in the year ended 31.03.05. Such frequent increase in the prices of crude in the international market results into increase in the diesel and petrol prices in the Indian market. This will result into higher cost of freight for both the incoming and outgoing materials. Power and fuel cost at the Hoskote plant of the company will also likely to be affected due to frequent increase in the prices of HSD and LPG. The position on the supply price of crude is not likely to improve in the near future.



**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), company's accounting systems and for manufacturing activities 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 competitive market conditions, your Company could achieve the turnover of Rs. 16338 lakhs during the year as against the turnover of 13862 lakhs for the previous year which shows increase in turnover by 18% over the previous year.

For the year ended 31.03.2005, the Company has achieved cash profit of Rs. 2029lakhs (previous year Rs. 1998 lakhs) and the net profit before tax of Rs.870 lakhs (previous year Rs. 607 lakhs).

During the year under review, the Company was regular in payment of interest to all the financial institutions and banks.

The Company's request for reduction in the interest rate from 12.5% to 11% on the entire financial assistance has been favorably considered by IDBI w.e.f 01.04.2004. The bankers of the Company have 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. Punjab National Bank and Bank of India have sanctioned loans of Rs. 517 lakhs and Rs. 600 lakhs for part financing the expansion. These two banks have also sanctioned working capital finance to meet with the appraised gaps in the total working capital requirements for the expansion.

**MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS:**

The Company has been regularly monitoring 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.

**C> Research and Development (R&D):**

Following R&D activities were carried by the Company:

**a) Production Development:**

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 Frits for both the plants and outsourcing its production facilities resulted into considerable saving of foreign exchange outgo.

Development of local sources for spares for the imported machines to reduce dependence on import.

**b) Cost Reduction:**

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

**c) Benefits derived as a result of the above R&D:**

Better quality of the product helps in reducing the finished goods inventory level.

The Company has developed local substitutes for some of the imported components

Established quality assurance by adopting procedures to ensure international quality.

**d) Future Plan of Action:**

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

**e) Expenditure on R&D:**

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

**f) Foreign Exchange Earnings & Outgo:**

The information of foreign exchange earnings & outgo are contained in para 17, 18 and 19 of the notes to accounts in Schedule 15.

**CORPORATE GOVERNANCE-2004-2005**

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
II.	➤ Promoter and Executive Directors	a. Shri Ramesh Jatia-Managing Director
	➤ 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	a. Shri P Ojha-Nominee IDBI

- Attendance of Directors at the Meeting of Board of Directors ( BoD ) held during the financial year 2004 - 2005 and the Annual General Meeting ( AGM ) held on 19.06.2004 are as follows :

**❖ Details of Meeting of Board of Directors and AGM held during the year 2004 - 2005.**

Meeting	Date	No. of Directors Present
Board	12.05.2004	7 { Seven }
Board	19.06.2004	3 { Three }
Board	27.07.2004	5 ( Five )
Board	25.09.2004	5 ( Five )
Board	20.10.2004	6 ( Six )
Board	28.01.2005	6 ( Six )
AGM	19.06.2004	3 ( Three )

**❖ The record of attendance of Directors**

	Name of Director	No. of Board Meetings attended	Attendance at the AGM
a.	Shri Lalit Bhasin	6	Yes
b.	Shri S.K. Jatia	6	Yes
c.	Shri R.K. Jatia	2	No
d.	Shri Ramesh Jatia	5	No
e.	Shri N.K. Ahuja	2	No
f.	Shri G.R. Divan	5	Yes
g.	Shri N.C. Mehta	4	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	6 (six)	9 (nine)	3 (three)
b.	Shri S.K. Jatia	7 (seven)	1 (one)	Nil
c.	Shri R.K. Jatia	2 (two)	nil	Nil