

## BOARD OF DIRECTORS

Mr. Lalit Bhasin	Chairman
Mr. S.K. Jatia	Vice-Chairman
Mr. R.K. Jatia	
Mr. G.R. Divan	
Mr. Dinesh Chandra Kothari	
Mr. V.M. Kalambi	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 - 392 230, Gujarat (INDIA).

## WORKS

1. Village Dora, Taluka Amod,  
Dist. Bharuch, Gujarat.
2. Village Chokkahalli,  
Taluka Hoskote, Bangalore (Rural) - 562 114  
Karnataka (INDIA).

## REGISTRAR & SHARE TRANSFER AGENT

M/s. Intime Spectrum Registry Limited  
308, First Floor, Jaldhara Complex,  
Opp. Manisha Society, Off. Old Padra Road,  
Vasna Road, Vadodara - 390 015.

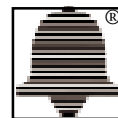
(In place of MCS Limited as per mutual agreement).

## MANAGEMENT TEAM

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

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## NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Friday, the 1st September, 2006 at 12.00 noon at the Registered Office of the Company at Village Dora, Taluka Amod, District Bharuch - 392230, Gujarat, to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2006, 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 S.K. Jatia who retires by rotation and being eligible offers himself for re-appointment.
4. 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. 5 - ORDINARY RESOLUTION

"RESOLVED THAT Shri Dinesh Chandra Kothari who was appointed as a Director at the meeting of Board of Directors held on 17.05.2006 to fill the casual vacancy arose due to resignation of Shri N. C. Mehta and who holds office as such upto the date of the ensuing Annual General Meeting of the Company and for the appointment of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Dinesh Chandra Kothari for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

#### Item No. 6 - SPECIAL RESOLUTION

"RESOLVED THAT in supersession of earlier resolution passed in this regard and pursuant to provisions of section 163 and other applicable provisions, if any of the Companies Act, 1956, and subject to such approvals or permissions as may be necessary, approval of the members of the Company, be and is hereby accorded to maintain the Register of Members, the Index of Members, Register and Index of Debenture Holders and copies of all Annual Returns prepared under section 159 and 160 together with the copies of certificates and documents required to be annexed thereto

under section 160 and 161 and other registers and documents as are permissible, at the office of the Company's Registrar and Share Transfer Agents, ie, Intime Spectrum Registry Ltd., 308, First Floor, Jaldhara Complex, Opp. Manisha Society, Off. Old Padra Road, Vasna Road, Vadodara-390 015".

Regd. Office:  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 17.05.2006

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

### NOTES:

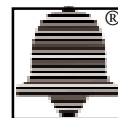
1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 28th August, 2006 to Friday, the 1st September, 2006 (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. 5

Shri Dinesh Chandra Kothari was appointed as a Director of the Company effective from 17.05.2006 to fill the casual vacancy arose due to resignation of Shri N. C. Mehta. He holds office up to the date of ensuing Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, a notice in writing along with a deposit of Rs. 500/- is received from a member signifying his intention to propose the candidature of Shri Dinesh Chandra Kothari for the office of a Director liable to retire by rotation.



Shri Dinesh Chandra Kothari is a Chartered Accountant, having 35 Years of experience in the Senior Management position with various industries/ institutes both within the country and abroad. As a Chartered Accountant, he has a wide exposure in the field of Corporate Finance, Project Consulting, Merchant Banking, Corporate Planning etc. His 35 years' long experience would be useful to the Company in its day to day management as also in taking strategic decisions by the Board. Considering his educational background, vast experience, the Board recommends passing resolution at item No. 5 of the accompanying notice.

Except Shri Dinesh Chandra Kothari, none of the other Directors is considered as concerned or interested in the resolution.

#### **Item No. 6**

The Company has appointed Intime Spectrum Registry Limited as its Registrar and Share Transfer Agent in place of MCS Limited consequent to the disinvestment of Registrar and Share Transfer business by MCS Ltd and accordingly, the Register of Members, the Index of Members, Register and Index of Debenture Holders and copies of all Annual Returns prepared under section 159 and 160 together with

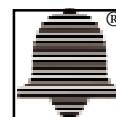
the copies of certificates and documents required to be annexed thereto under section 160 and 161 including all records pertaining to the shares, share transfers, etc shall be maintained by the Intime Spectrum Registry Limited.

Pursuant to provisions of section 163 of the Companies Act, 1956, approval of the members of the Company is required, to keep the said Registers, documents and records at the office of Intime Spectrum Registry Ltd at its office at Vadodara. The Board commends the Resolution for the approval of members.

None of the directors is in any way concerned or interested in this resolution.

Regd. Office:  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date : 17.05.2006

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



## DIRECTORS' REPORT

Your Directors submit herewith the Twentieth Annual Report and the Audited Accounts of the Company for the financial year ended 31 March 2006.

## FINANCIAL RESULTS

	(Rs. in lacs)	
	Current Year	Previous Year
	2005-06	2004-05
Sales & Other Income	17120.08	16220.60
Operating Profit	2487.03	3200.68
Interest	1121.16	1171.80
Profit Before Depreciation & Amortisation	1365.87	2028.88
Depreciation & Amortisation & Misc. Exp.	1098.22	1067.77
<b>Profit for the Year</b>	<b>267.65</b>	<b>961.11</b>
Add : Prior Period Adjustments	11.15	8.43
Add/(Less) : Extra Ordinary Items- Depreciation written back/		
Loss on sale of Assets	50.95	-99.21
<b>Profit Before Tax</b>	<b>329.75</b>	<b>870.33</b>
Less : Provision for Tax		
- Current year	-30.00	-73.20
- Fringe Benefit Tax (FBT)	-28.31	0.00
- Deferred Income Tax	-160.00	134.00
<b>Net Profit</b>	<b>111.44</b>	<b>931.13</b>
Profit(Loss) b/f from previous year	0.44	-2586.56
Securities Premium Account adjusted as per order of the Gujarat High Court	0.00	2019.44
Amount Available for appropriation	111.88	364.01
Transfer to Debenture Redemption Reserve	-100.00	-200.00
Transfer to General Reserve	0.00	-30.00
Proposed dividend-Pref. shares	0.00	-118.15
Corporate Dividend Tax	0.00	-15.42
Profit carried to Balance Sheet	11.88	0.44

## DIVIDENDS

In absence of the adequate profits for the year, your Directors have not recommended any dividend on the Preference and Equity Share 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

As required under clause 49 of the Listing Agreement with the Stock Exchanges, the Report on "Corporate Governance" together with Auditors' Certificate regarding compliance of the code of Corporate Governance is annexed herewith.

## DIRECTORS' RESONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your directors hereby 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 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 31 March 2006 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.

## AUDITORS' REPORT

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

The Company has not accepted any deposits from the Public during the financial year ended 31 March 2006.

## DIRECTORS

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

During the financial year, Shri N. C. Mehta and Shri N. K. Ahuja, the Directors of the Company have resigned from the Board of Directors of the Company. Shri Dinesh Chandra Kothari, Chartered Accountant, has been appointed as a Director on the Board to fill up the casual vacancy created by resignation of Shri N. C. Mehta. He will hold the office till the date of ensuing Annual General Meeting. A resolution of his appointment on the Board is proposed in the notice for AGM. New appointment to fill the casual vacancy created due to resignation of Shri N. K. Ahuja is still to be made.

The Board placed on record its appreciation of the enormous contribution made by Shri N. C. Mehta and Shri N. K. Ahuja, the retiring Directors during their tenure as Directors of the Company and welcomes Shri Dinesh Chandra Kothari to be on the Board of the Company.

During the year, the Company has received an intimation from IDBI regarding the nomination of Shri V. M. Kalambi as Nominee Director on the Board of the Company wef. 17.08.2005 in place of Shri K. Ramaswamy. The Board takes note of the active participation and the valuable guidance provided by Shri K. Ramaswamy 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.

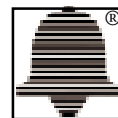
However, as per the provisions of Section 219(1)(b) of the Companies Act, 1956, the Report and Accounts are being circulated to the shareholders do not include the Statement of Particulars of Employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement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

## PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY ETC.

Information as per Section 217(1)(e) 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 annexed to and forming part of this report.

## AUDITORS

The Auditors M/s. R. P. Malhan & Company, Chartered



Accountants, New Delhi, shall retire at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment. A confirmation has been received from them that if reappointed, their reappointment shall be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

#### **ACKNOWLEDGEMENT**

Your Directors place on record their sincere appreciation of the continued co-operation and support extended by financial institutions, banks, suppliers, dealers, C&F Agents, customers, employees and various Central and State 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

Date : 17.05.2006

**Lalit Bhasin**

Place : New Delhi

Chairman

### **MANAGEMENT DISCUSSIONS & ANALYSIS**

#### **INDUSTRIAL SCENARIO**

The Indian Economy had noticed a mixed kind of behavior during the current year. Despite the satisfactory flow of foreign investment in the country, the continuous increase in the international prices of the crude has disturbed the industrial growth to some extent. In order to sustain the desired industrial growth, India needs to have sufficient quantity of the petroleum products. Our country is largely dependent on import of the crude to meet its domestic demand. Major portion of the foreign exchange outgo is on account of heavy import of the crude. The cost of manufacturing is going up due to increase in the transport charges both for the incoming raw materials and outgoing of the finished goods. The cost of power and fuel are also adversely affected with the increase in the prices of the crude products. In order to offset the adverse effects of the increase in the cost of manufacturing, the Government has continued with its policies with a clear focus for the overall economic growth in general. The custom duty structure has been changed wherever required to facilitate the industries. The good rain in most part of the country has maintained the growth in the agricultural sector. The growth in service sectors mainly IT Sector was higher than the other industries.

During the later part of the financial year, the interest rates on the housing loan both from the private and public sector banks have been tightened. This is likely to disturb the construction and its allied industries. This construction industry has been providing employment on a very large scale throughout the country. The positive impact of permission for the foreign direct investment in the real estate market is yet to be seen in the economy.

#### **OUTLOOK OF THE INDUSTRY**

The growth in the construction industry continued due to the positive factors prevailed in the previous year. This has to some extent helped to overcome the problem of excess production capacity in the ceramic tile industry. The major threat to the domestic tile market 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. There is a continuous pressure on the selling price of the product. The increase in the international prices of crude has adversely affected the earnings of ceramic tile manufacturers. Higher diesel prices have increased the overall cost of manufacturing and

reduce the effective sales realisation due to increase in the freight charges for the incoming and outgoing materials. The VAT has now been made applicable in most part of the country. This will help the process of rationalization of the tax structure.

#### **REVIEW OF COMPANY'S OPERATIONS**

During the year, efforts were made for the optimum utilisation of the plant capacity. On account of efficient management in the outbound logistic the turnover of the Company has improved. However, in order to manage the fund flow position to support the increased operations of the plants, there was a heavy pressure on the selling prices of the finished goods. 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.

#### **DORA (BARODA) UNIT**

During the year under review, the installed capacity of the plant was increased from 13000 m2 per day to 17500 m2 per day. There was some delay in implementation of the expansion. Initially very heavy rainfall in the factory location forced closure of operation for a week's time. Then, an accident in the imported machine during the time of erection forced to rebuilt the same. This has delayed the entire expansion for a period of more than 3 months. The commercial production of the plant with the expanded capacity commenced from 21.11.2005. After overcoming the teething problem the plant has reached the production at 85% of the installed capacity by the year end. More and more emphasis is being made for manufacturing value added products to sustain increase in the cost of raw materials and power & fuel. New designs are being introduced at a regular interval to satisfy the requirements of various segments of the consumers. The products of this plant continue to get a good response in domestic and export market.

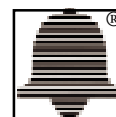
#### **HOSKOTE (BANGALORE) UNIT**

During the year under review the operation of the plant was satisfactory. The plant was operated at the optimum capacity. However increase in the prices of LPG and HSD which are used as the main source of power and fuel has increased the overall cost of manufacturing at this unit. Despite such adverse conditions, efforts are continued to improve the overall working by producing value added products and higher capacity utilisation.

#### **RISKS AND CONCERNS**

- (a) On account of the gradual depletion in the availability of natural gas from the domestic sources, GAIL has now been supplying imported LNG (Liquefied Natural Gas) along with the gas from the domestic supply. The prices of the natural gas supplied from the domestic source have been revised upward during the year. This has increased the cost of fuel at the Gujarat plant of the Company. The gap in the demand supply position of natural gas (including the imported gas) is widening and this is adversely affecting the supply of gas on a continuous basis.
- (b) The currency in Euro/ US 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 from China to a level of 6.5% the industry has been facing a big threat from cheaper imports from that country.





- (d) In the international market the crude prices continued to be on the upward trend. 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 has direct impact on the freight cost 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. 17120 lakhs during the year as against the turnover of Rs. 16220 lakhs for the previous year which shows increase in turnover by 5.5% over the previous year.

For the year ended 31.03.2006, the Company achieved cash profit of Rs. 1366 lakhs (previous year Rs. 2029 lakhs) and the profit before tax of Rs. 329 lakhs (previous year Rs. 870 lakhs).

During the year under review, the Company met with its obligations with the financial institutions and banks.

The working capital bankers of the Company have helped the Company in maintaining the effective rate of interest at a lower level by regularly considering conversion of its loans into foreign currency with forward coverage.

During the year, IDBI has considered reschedulement in the repayment schedule for all the financial assistance given to the company basically to support the operation of the plants with the enhanced installed capacity.

#### **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 DIRECTORS' 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 into 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 even for the expanded capacities. 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**

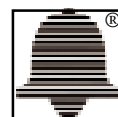
- Efforts continue to increase the production level and to concentrate on quality products.

##### **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.



## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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.

### 2. 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 7 Directors, 1 of whom is Executive or Whole Time Director (WTD) and 4 are Independent Directors.

Table hereunder gives the composition of Board

Sr. No.	Category	Name of Director
I.	Promoter and Non - Executive Directors	a. Shri S. K. Jatia - Vice Chairman b. Shri. R. K. Jatia
	Promoter and Executive Director	a. Shri Ramesh Jatia - Managing Director
II.	Independent and Non - Executive Directors	a. Shri Lalit Bhasin - Chairman b. Shri G. R. Divan c. Shri Dinesh Chandra Kothari (appointed on 17.05.2006 to fill up the casual vacancy of Shri N. C. Mehta, who resigned on 28.02.2006). d. Shri N. K. Ahuja (resigned wef. 17.05.2006)
III.	Nominee Director	a. Shri V. M. Kalambi - Nominee of IDBI (effective from 17.08.2005) b. Shri K. Ramaswamy - Nominee of IDBI (from 29.04.2005 to 17.08.2005)

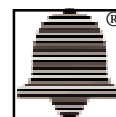
- Attendance of Directors at the Meeting of Board of Directors (BoD) held during the financial year 2005-2006 and at the Annual General Meeting (AGM) held on 16.07.2005 are as follows :

Details of Meeting of Board of Directors and AGM held during the year 2005 - 2006.

Meeting	Date	No. of Directors Present
Board	27.04.2005	8 (Eight)
Board	28.07.2005	3 (Three)
Board	25.10.2005	6 (Six)
Board	21.01.2006	4 (Four)
AGM	16.07.2005	2 (Two)

#### Record of attendance of Directorship and Directorship of Public Limited Companies and Membership/ Chairmanship of Board Committees

Name of Director	No. of Board Meetings attended	Attendance at the AGM	No. of BoDs of Public Limited Companies (Excluding private company)	No. of Membership of Board Committees	No. of Chairmanship of Board Committee
Shri Lalit Bhasin	2	Absent	9 (nine)	5 (five)	-
Shri S. K. Jatia	4	Absent	7 (seven)	1 (one)	-
Shri R. K. Jatia	2	Absent	2 (two)	-	-
Shri Ramesh Jatia	3	Present	1 (one)	-	-
Shri G. R. Divan	3	Present	2 (two)	1 (one)	2 (two)
Shri V. M. Kalambi (effective from 17.08.2005)	2	Absent	1	-	-
Shri Dinesh Chandra Kothari (effective from 17.05.2006)	-	Absent	5 (Two)	2 (two)	-
Shri N. K. Ahuja (till 17.05.2006)	1	Absent	-	-	-
Shri N. C. Mehta (till 28.02.2006)	2	Absent	1 (one)	-	-
Shri K. Ramaswamy (from 29.04.2005 to 17.08.2005)	1	Absent	-	-	-



As per revised Clause 49 of Listing Agreement details of following two committees are required to be disclosed :

1. Audit Committee
2. Shareholders'/ Investors' Grievance Committee

#### Code of Conduct

Pursuant to Clause 49.I.D.(i) of listing agreement, the Board has laid down the Code of Conduct for all the members of the Board and senior management of the Company. The same has been posted on the website of the company. Further, the company has received confirmation from all the Board members and senior management personnel, regarding compliance of the code for the year ended 31 March 2006.

### 3. AUDIT COMMITTEE

#### Brief description of Terms of Reference

To oversee the Company's financial reporting process, internal control systems, review of the accounting policies and practices, reports of the Company's internal auditors and financial statements audited by the statutory auditors as also to review 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 :
1. Shri G. R. Divan - Chairman
  2. Shri Lalit Bhasin (wef. 27.04.2005)
  3. Shri V. M. Kalambi - Nominee of IDBI (wef. 17.08.2005)  
Shri N. K. Ahuja (till 25.10.2005)  
Shri P. Ojha - Nominee of IDBI (till 27.04.2005)
- (C) Details of Audit Committee meetings held during the year : 25 April 2005  
27 July 2005  
25 October 2005  
21 January 2006
- (D) Name and designation of Compliance Officer : Shri S. R. Vyas Sr. Vice President (Corporate Affairs) and Company Secretary

Name of Director	No. of Meetings held	No. of Meetings attended
(a) Shri G. R. Divan	4 (Four)	4
(b) Shri N. K. Ahuja	4 (Four)	0
(c) Shri Lalit Bhasin	4 (Four)	2
(d) Shri V. M. Kalambi - Nominee of IDBI	4 (Four)	1
(e) Shri P. Ojha - Nominee of IDBI	4 (Four)	1

### 4. SHARE TRANSFER COMMITTEE AND SHARE HOLDERS/ INVESTORS' GREIVANCE COMMITTEE

#### Brief description of terms of Reference

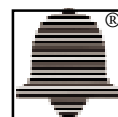
To specially look into the redressal of shareholders'/ investors' complaints like transfer of shares, non-receipt of dividends, non-receipt of Annual Report etc, and improve the efficiency in shareholders'/ investors' service, wherever possible.

- (A) Constitution : Constituted by the Board of Directors at its meeting held on 29th April, 2002.
- (B) Composition, Names of Members and Chairperson : Consists of 3 Directors as under :
1. Shri S. K. Jatia (Chairman)
  2. Shri G. R. Divan (wef. 27.04.2005)
  3. Shri Ramesh Jatia  
Shri N. K. Ahuja (till 27.04.2005)
- (C) Name and designation of Compliance Officer : Shri S. R. Vyas Sr. Vice President (Corporate Affairs) and Company Secretary

#### The record of attendance of Shareholders / Investors' Grievance Committee members during the year.

Name of Director	No. of Meetings held	No. of Meetings attended
(a) Shri S. K. Jatia	24 (Twenty Four)	24
(b) Shri G. R. Divan	24 (Twenty Four)	23
(c) Shri Ramesh Jatia	24 (Twenty Four)	24
(d) Shri N. K. Ahuja (till 27.04.2005)	24 (Twenty Four)	0





#### Details of complaints received during the year 2005 - 2006

Nature of complaints / queries	Number of complaints / queries received	No. of complaints / queries not solved to the satisfaction of shareholders
Transfer and transmission of shares	26	None
Share Certificates lost /mismatched / Request to issue fresh certificates due to Share Certificates lost /mismatched	32	None
Request for Stop Transfer of shares	-	-
Non - receipt of debenture redemption payment	9	None
Revalidation of Debenture refund orders and its interest / Dividend warrants	5	None
Repayment of fixed deposit, where original FDR lost	-	-
Non - receipt of / Request for Annual Report	4	None
Non - receipt of Dividend	-	-
Request to issue duplicate Share Certificates	-	-
Pending demat of shares / demat query	2	None
Non - receipt of physical shares	-	-
Complaint from SEBI	1	None
Complaint from BSE for non - redemption of Debenture and interest	-	-
<b>TOTAL</b>	<b>79</b>	-

There were physical transfers involving shares bought/ sold & transfers in demat form involving shares bought/ sold, pending NIL as on 31.03.2006. The physical shares have been processed and dispatched by 01.04.2006.

#### 5. REMUNERATION COMMITTEE

- A) Remuneration Committee has been constituted by the Board of Directors at its meeting held on 28.06.2002.
- B) Composition, Names of Members and Chairperson :
- Shri N. K. Ahuja (resigned wef. 17.05.2006)
  - Shri G. R. Divan
  - Shri N. C. Mehta (resigned wef 28.02.2006)

Two Remuneration Committee Meetings were held during the year on 27 April 2005 and 25 October 2005 respectively.

#### Record of attendance of Remuneration Committee Members during the year 2005 - 2006.

Name of Director	No. of Meetings held	No. of Meetings attended
Shri N. K. Ahuja - Chairman	2	0
Shri G. R. Divan	2	2
Shri N. C. Mehta	2	2

#### Details of remuneration paid to the Executive Directors for financial year 2005 - 2006

Name of Director	Designation	Salary [Rs.]	Perks [Rs.]	Commission [Rs.]	Total [Rs.]
Shri Ramesh Jatia	Managing Director	38.40 lakhs	13.65 lakhs	—	52.05 lakhs

- Commission has not been paid to any of the Directors for financial year 2005 - 2006.
- The Directors other than the Managing Director have been paid sitting fees of Rs. 7500.00 per meeting of Board of Directors and the committee thereof attended by him during the year.
- Shri G. R. Divan, the Director of the Company was paid the professional fees of Rs. 3,00,000/- for the year 2005-06, for the services provided by him as the Chairman of the Audit Committee.
- Shri Lalit Bhasin, the Director of the Company was paid the professional fees of Rs. 2,25,000/-, for the year 2005-06 for the services provided by him as the Legal Advisor of the Company.

#### 6. ANNUAL GENERAL MEETING

##### Brief information of directors proposed for appointment / reappointment

A Brief information of directors proposed for appointment / reappointment is given in the notice to the Annual General Meeting. The following are the directorship and membership of committee of the Board held by the directors.



Name of Director	Directorship	Membership in Committees
Shri G. R. Divan	Independent Non - Executive Director	Member of Audit Committee (Chairperson), Share Transfer Committee, Remuneration Committee and Project Committee.
Shri S. K. Jatia	Promoter and Non - Executive Director	Member of Share Transfer Committee/ Investors' Grievances Committee
Shri Dinesh Chandra Kothari	Casual Director to Shri N. C. Mehta	Not Applicable

• **Brief particulars of Last THREE Annual General Meetings held :**

Particulars	F.Y. 2002 - 2003	F.Y. 2003 - 2004	F.Y. 2004 - 2005
<b>Day</b>	Saturday	Saturday	Saturday
<b>Date</b>	27.09.2003 (17th AGM)	19.06.2004 (18th AGM)	16.07.2005 (19th AGM)
<b>Time</b>	12.00 noon	12.00 noon	12.00 noon
<b>Venue</b>	Regd. Office : Village Dora, Taluka Amod, Dist. Bharuch, Gujarat.	Regd. Office : Village Dora, Taluka Amod, Dist. Bharuch, Gujarat.	Regd. Office : Village Dora, Taluka Amod, Dist. Bharuch, Gujarat.

• **Brief information of special resolutions passed :**

- No. of special resolutions passed.
  - 2002-03 - 3 (Three)
  - 2003-04 - 2 (Two)
  - 2004-05 - 1 (One)
- Whether the resolutions passed were put through postal ballot ? - **No.**

**7. DISCLOSURES**

- Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature with its Promoters, Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large:
  - None of the transaction with any of the related parties were in conflict with the interest of the Company.
- Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority or any matter related to Capital markets during the last three years :
  - The Company has complied with the requirements of Regulatory Authorities on matters related to capital markets and no penalties / strictures have been imposed against the Company during the last three years.

**Whistle Blower Policy**

The company has established a mechanism called "Whistle Blower Policy" which allows any employee to approach the management concern/ the Audit Committee without necessarily informing their supervisors to report about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. Further, this mechanism also provides for adequate safeguards against victimisation of employees who avail of the mechanism.

**8. MEANS OF COMMUNICATION**

The Company publishes its financial results every quarter in leading newspapers such as Financial Express, Times of India, Indian Express, Loksatta and Jansatta. Therefore, communication on the half-yearly results are not sent individually to the shareholders of the Company. Further, quarterly financial results of the company have also been posted by the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, on their websites, viz, [www.bseindia.com](http://www.bseindia.com), [www.nseindia.com](http://www.nseindia.com) respectively.

**9. GENERAL SHAREHOLDER INFORMATION**

Annual General Meeting Day, Date, Time and Venue : Friday, the 1st September, 2006 at 12.00 noon at the Registered Office of the Company.

**Financial Year / Calendar**

Bell Ceramics Limited is following April to March as its financial year. The un-audited financial results for the first three quarters and the Audited Financial Results for the year ended March 31, 2006 were taken on record and approved by the Board in its meeting(s) as under: