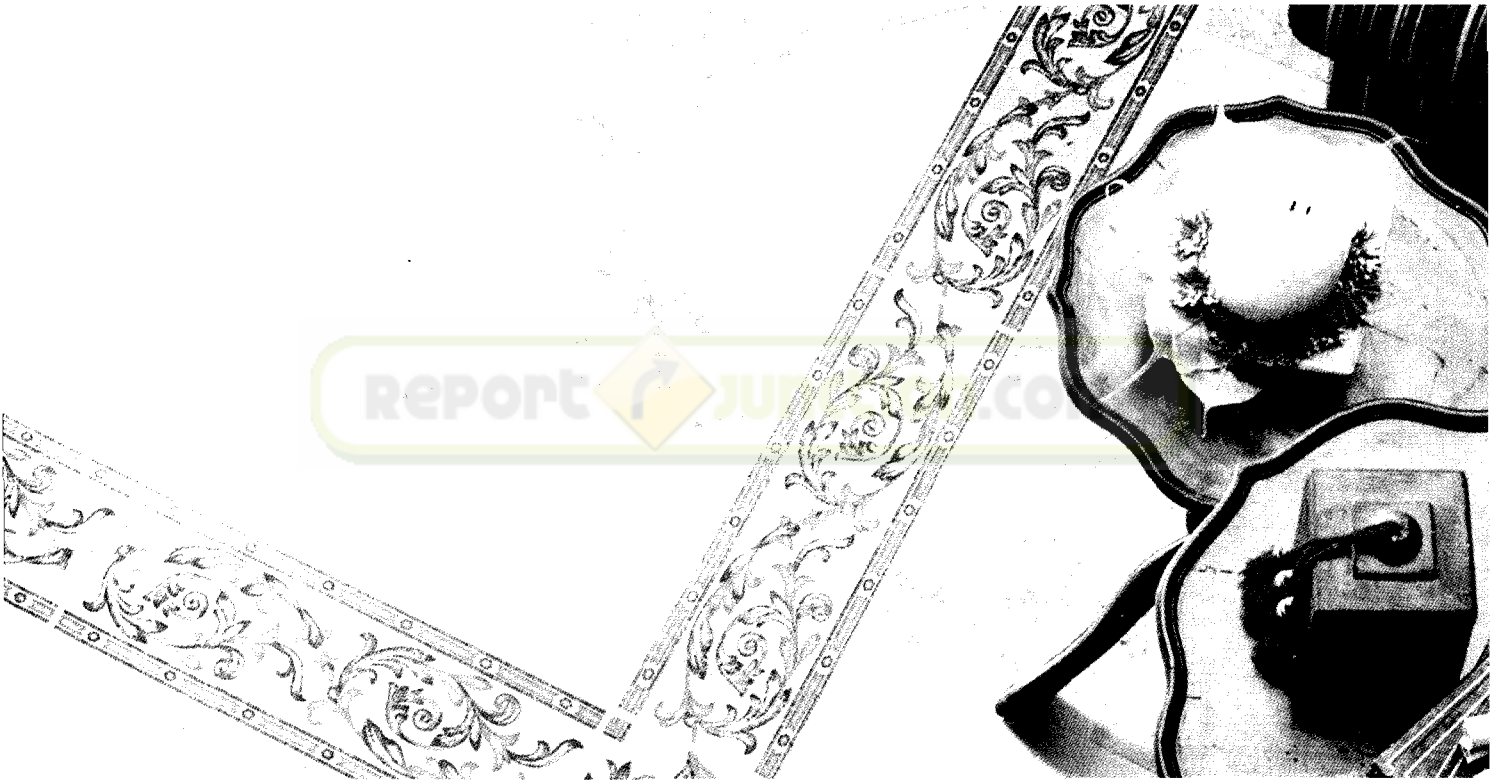


21st Annual Report

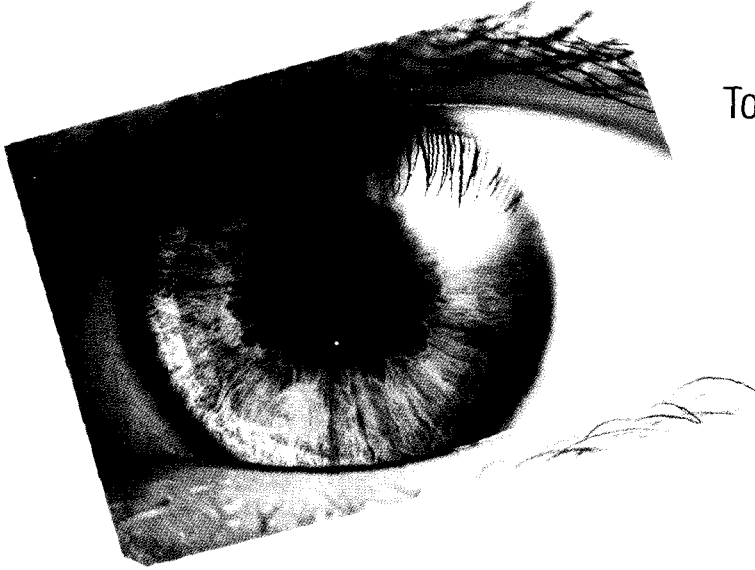


Bell Ceramics Limited



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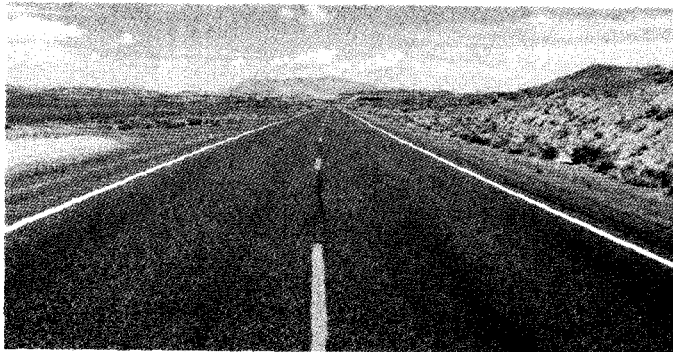
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MISSION

To delight every individual associated with Bell by providing innovative & quality products and services on an ongoing basis.

BOARD OF DIRECTORS

Mr. Lalit Bhasin	Chairman
Mr. S.K. Jatia	Vice Chairman
Mr. R.K. Jatia	
Mr. Ramesh Jatia	Executive Vice Chairman
Mr. G.R. Divan	
Mr. Dinesh Chandra Kothari	
Mr. V.M. Kalambi	Nominee Director
Mr. K.M. Pai	Managing Director
Mr. S.R. Vyas	Executive Director

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 - 392230, Gujarat (INDIA).
2. Village Chokkahalli,
Taluka Hoskote, Bangalore (Rural) - 562 114
Karnataka (INDIA).

REGISTRAR & SHARE TRANSFER AGENT

M/s. MCS Limited
 Neelam Apartment, 88, Sampatrao Colony,
 Above Chappan Bhog Sweets,
 Alkapuri, Vadodara - 390 007
 Tel. 0265 - 2339397 Fax. 0265 - 2341639
 E-mail: mcsbaroda@yahoo.com

MANAGEMENT TEAM

Mr. A.N. Rangaswamy	- President (Marketing)
Mr. Joseph A. Perumadan	- V.P. (Operation)
Mr. C.S. Murthy	- G.M. (Production)
Mr. G.P. Zala	- D.G.M. (Finance & Accounts)
Mr. Krishnakumar T.V.	- D.G.M. (Operation)
Mr. R.R. Jadeja	- A.G.M. (Sales)
Mr. M.K. Gowda	- A.G.M. (HR)
Mr. S.V.S. Revankar	- A.G.M. (Production)
Mr. Manoj Ukhade	- A.G.M. (HR)

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of the Members of Bell Ceramics Limited will be held on Saturday, the 25th August 2007 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 2007, 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 Mr. Lalit Bhasin who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. R. 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 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 Second Charge basis in favour of:

- Bank of India for the additional working capital fund based financial assistance of Rs. 165.00 lacs (Rupees one crore sixty five lacs only) and non-fund based financial assistance of Rs. 50.00 lacs (Rupees fifty lacs only) and;
- Yes Bank, New Delhi, for the short term working capital assistance of Rs. 300.00 lacs (Rupees three crores only) and Medium Term Loan assistance of Rs. 300.00 lacs (Rupees three crores only),

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

"RESOLVED FURTHER THAT the mortgage and / or charge so created on the second charge basis shall rank pari-passu with the existing respective second charge created in favour of Banks / Financial Institutions".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors of the Company, be and is hereby authorized to make and / or agree to any modifications in the terms and conditions and to settle or resolve

any questions 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. 6 – ORDINARY RESOLUTION

"RESOLVED THAT Mr. K. M. Pai, the then CEO of the Company, who was appointed as an Additional Director wef 01.01.2007 at the meeting of the Board of Directors held on 22.12.2006 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. K. M. Pai as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company".

Item No. 7 – ORDINARY RESOLUTION

"RESOLVED THAT Mr. S. R. Vyas, the then Sr. Vice President (Corporate Affairs) and Company Secretary of the Company, who was appointed as an Additional Director wef 01.01.2007 at the meeting of the Board of Directors held on 22.12.2006 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice under section 257 of the Companies Act, 1956 has been received from a member signifying his intension to propose Mr. S. R. Vyas as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company".

Item No. 8 – SPECIAL RESOLUTION

"RESOLVED THAT pursuant to provisions of Articles of Association, Sections 198, 269, 309 of the Companies Act, 1956 ('the Act/said Act') read with Schedule XIII of the said Act and other applicable provisions if any of the Act and subject to such other approvals as may be necessary, the Company hereby accords its consent and approval for the appointment of Mr. K. M. Pai as Managing Director of the Company for a period of 3 years commencing from January 01, 2007 and for the payment of remuneration to him as per the terms and conditions set out in the explanatory statements annexed hereto and in the Agreement dated 23.01.2007 executed between the company and Mr. K. M. Pai.

Item No. 9 – SPECIAL RESOLUTION

"RESOLVED THAT pursuant to provisions of Articles of Association, Sections 198, 269, 309 of the Companies Act, 1956 ('the Act/said Act') read with Schedule XIII of the said Act and other applicable provisions if any of the Act and subject to such other approvals as may be necessary, the Company hereby accords its consent and approval for the appointment of Mr. S. R. Vyas as an Executive Director of the Company for a period of 3 years commencing from January 01, 2007 and for the payment of remuneration to him as per the terms and conditions set out in the explanatory statements annexed hereto and in the Agreement dated 23.01.2007 executed between the company and Mr. S. R. Vyas.

Item No. 10 – SPECIAL RESOLUTION

"RESOLVED THAT approval of the shareholders, be and is hereby accorded to vary the rights attached to the Company's 12.5%, 1,50,00,000 Cumulative Redeemable Preference Shares ('the said shares') of Rs. 10/- each aggregating Rs. 1500 lakhs issued to JBS Investment Pte. Ltd, Singapore (earlier an Overseas

Corporate Body- now a foreign company - wholly owned by Shri R. K. Jatia, the promoter Director of the company) by extending the term of redemption from the 8th, 9th and 10th year from the date of allotment of the said shares to the 9th, 10th and 11th year from the date of allotment of the said preference shares, the other terms and conditions of the issue of the said preference shares shall remain unchanged".

"RESOLVED FURTHER THAT pursuant to section 106 of the Companies Act, 1956 ('the Act'), the holders of the said shares be approached on the basis of the draft letter and be requested to consent to vary the rights attached to the said shares held by them on the basis of the draft consent and the Company Secretary be authorized to circulate the same to the said class of members and to obtain the consent from all but not less than those having three-fourth of the value of the preference shares".

Item No. 11 – SPECIAL RESOLUTION

"RESOLVED THAT in supersession of resolution passed at the Annual General Meeting of the Company held on 01.09.2006 and pursuant to provisions of section 163 and other applicable provisions, if any of the Companies Act, 1956 ("The Act"), 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 of the Act, together with the copies of certificates and documents required to be annexed thereto under section 160 and 161 of the Act, and other registers and documents as are permissible, at the office of the Company's Registrar and Share Transfer Agents, ie, MCS Limited, Vadodara".

Regd. Office:
Village Dora, Taluka Amod
District Bharuch, Gujarat
Date : 30.05.2007

By Order of the Board
S. R. Vyas
Executive Director and
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 instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
3. Pursuant to provisions of sub section (5) of Section 205A of the Companies Act, 1956, during the year the Company has transferred the unpaid / unclaimed 16% Debentures (2nd Part of Redemption) of Rs. 275652.00 for the year 1999-2000 due on 15.05.2006 and unpaid/unclaimed 16% Debentures interest (12th interest) of Rs. 31736.20 for the year 1998-99 due on 30.05.2006 to the Investor Education and Protection Fund established under section 205C(1) of the Companies Act, 1956.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 20th day of August 2007 to Saturday, the 25th August 2007 (both days inclusive).

5. The shareholders are requested to :-

- a) intimate the change in their address for shares held in physical mode to the Registrar and Transfer Agent, viz, MCS Limited, Vadodara and to the concerned Depository Participants for shares held in electronic mode.
- 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.

6. Members desirous of getting any information about accounts and operations of the Company are requested to address their communication well in advance so that the same reaches to the Company at least 10 days before the meeting to enable the management of the Company to keep the information required readily available.

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

Item No. 5

The Company has been sanctioned the following financial assistance by the Banks/ financial institutions for the business of the Company as under:

- (A) Additional Working Capital facility - Rs. 215.00 lacs from Bank of India, Vadodara, which includes;
 - Fund Based Rs. 165.00 lacs and
 - Non Fund Based Rs. 50.00 lacs
- (B) Short Term Working Capital Loan - Rs. 300.00 lacs from YES Bank, New Delhi,
- (C) Medium Term Loan – Rs. 300 lacs from YES Bank, New Delhi (to finance the electric substation at Hoskote plant of the Company).

As per the terms of sanction granted, the above financial assistance are required to be secured by Second Charge on the present and future current and fixed assets of the Company ranking pari-passu with other Banks / financial institutions.

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

The Board recommends the resolution at Item No. 5 for your approval.

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

Item No. 6 and 8

Mr. K. M. Pai was appointed as an Additional Director of the Company with effect from 01.01.2007. By virtue of provisions of Section 260 of the Companies Act, 1956 ('the Act') read with Article 104 of the Articles of Association of the Company, Mr. K. M. Pai would hold office upto the date of the ensuing Annual General Meeting.

The Company has received notice from a member under Section 257 of the Act, with requisite deposit proposing the name of Mr. K. M. Pai as candidate for the office of Director of the Company.



Mr. K. M. Pai age 55 years is MSC, MBA-Finance from IIM-Bangalore, AICWA, ACS with 31 years of experience in the various fields of management. With the appointment as Additional Director, the Board has also appointed Mr. K. M. Pai as Managing Director of the Company.

Mr. K. M. Pai has been associated with the management of the Company since 1997 under varied positions such as Deputy Chief Executive Officer (1996-2000), Chief Operating Officer (2000-2003) and Chief Executive Officer (2003 onwards) of the Company. Mr. K. M. Pai is having a professional expertise, long and rich experience in running industry independently, the Board appointed him as Managing Director of the Company for a period of 3 (three) years with effect from 01.01.2007 on the terms and conditions and remuneration as mentioned in the Abstract reproduced hereunder. This may be also treated as an abstract pursuant to section 302 of the Act.

Approval of the members by way of special resolution is required under Section 269 read with Schedule XIII of the Companies Act, 1956 for the appointment of Mr. K. M. Pai as Managing Director and for the payment of remuneration to him. The said approval is subject to necessary approval of the Central Government and such other authorities, if any required.

Mr. K. M. Pai may be considered interested in the resolutions as it pertains to his own appointment. No other director is any way concerned /interested in these resolutions.

Your directors commend the resolutions at Item No. 6 & 8 for your approval.

Item No. 7 & 9

Mr. S. R. Vyas was appointed as an Additional Director of the Company with effect from 01.01.2007. By virtue of provisions of Section 260 of the Companies Act, 1956 ('the Act') read with Article 104 of the Articles of Association of the Company, Mr. S. R. Vyas would hold office upto the date of the ensuing Annual General Meeting.

The Company has received notice from a member under Section 257 of the Act, with requisite deposit proposing the name of Mr. S. R. Vyas as candidate for the office of Director of the Company.

Mr. S. R. Vyas age 55 years is B.Com, LL.B, Fellow Company Secretary, with 26 years of post qualification experience in the various Corporate Sectors. With the appointment as Additional Director, the Board has also appointed Mr. S. R. Vyas as Executive Director of the Company.

Mr. S. R. Vyas has been associated with the Company since 1988 under varied positions such as Company Secretary (1988), General Manager (Corporate Affairs) & Company Secretary (1996), Vice President (Corporate Affairs) & Company Secretary (2000), Senior Vice President (Corporate Affairs) & Company Secretary (2004). Shri S. R. Vyas is having a professional expertise, long and rich experience in the industry, the Board appointed him as an Executive Director of the Company for a period of 3 (three) years with effect from 01.01.2007 on the terms and conditions and remuneration as mentioned in the Abstract reproduced hereunder. This may be also treated as an abstract pursuant to section 302 of the Act.

Approval of the members by way of special resolution is required under Section 269 read with Schedule XIII of the Companies Act, 1956 for the appointment of Mr. S. R. Vyas as Executive Director

and for the payment of remuneration to him. The said approval is subject to necessary approval of the Central Government and such other authorities, if any required.

Mr. S. R. Vyas may be considered interested in the resolutions as it pertains to his own appointment. No other director is interested in these resolutions.

Your directors commend the resolutions at Item No. 7 & 9 for your approval.

Item No. 10

Your company had issued 12.5%, 1,50,00,000 Cumulative Redeemable Preference Shares ("the preference shares") of Rs. 10/- each aggregating Rs. 1500 lakhs to JBS Investment Pte Ltd, Singapore (earlier an overseas corporate body- now a foreign company - wholly owned by Shri R K Jatia, the promoter Director of the company). The details of allotment of the shares are as under:

Date of Allotment	Amount Rs. in lakhs	Date of Allotment	Amount Rs. in lakhs
04.02.99	500.00	15.02.99	500.00
16.03.99	200.00	23.04.99	100.00
28.07.99	200.00	Total	1500.00

As per the terms of the issue, the said Preference shares are to be redeemed in three annual installments of Rs. 4/-, Rs. 3/- and Rs. 3/- per shares at the end of the 8th, 9th and the 10th year from the date of allotment.

Accordingly the Redemption of the Preference share capital will become due as under:

Date of Redemption	Amount Rs. in lakhs	Date of Redemption	Amount Rs. in lakhs
Feb - 07	400.00	Mar - 07	80.00
Apr - 07	40.00	Jul - 07	80.00
Feb - 08	300.00	Mar - 08	60.00
Apr - 08	30.00	Jul - 08	60.00
Feb - 09	300.00	Mar - 09	60.00
Apr - 09	30.00	Jul - 09	60.00
		Total	1500.00

On account of inadequacy of profit, there are arrears of Dividend on these Preference Shares as per details hereunder:

For the Year	Rs. in lakhs	For the Year	Rs. in lakhs
1998-99	58.15	1999-00	186.16
2000-01	187.50	2001-02	187.50
2002-03	140.75	2003-04	187.50
2004-05	187.50	2005-06	187.50
2006-07	187.50	Total	1510.06
		Paid in 2004-05	-118.15
		Total of Arrears	1391.91
		of dividend	

Your company is passing through a very difficult period. The Company during the period of last three years made huge capital investment for expanding the installed capacities of both of its manufacturing plants. Despite the successful implementation of the expansion (except some delay in expansion of the Dora plant), the profitability of the company has been affected adversely mainly due to exorbitant increase in the prices of power and fuel.

Under the circumstances, based on the projections of future profitability, the company has worked out proposal to vary the

rights attached to Preference Shares in terms of extension in redemption period as under which has been approved by the Board of Directors at its meeting held on 30.05.2007.

The existing term of redemption of the preference shares at the end of the 8th, 9th and 10th year from the date of allotment of the said shares shall be extended to the 9th, 10th and 11th year from the date of allotment of the said shares, the other terms and conditions of the issue of the said preference shares shall remain unchanged.

Necessary approval to vary the rights attached to preference shares shall be obtained from Preference Shareholder by their consent in writing or by way of special resolution passed at their meeting.

In view of above, your directors recommend the resolution for your approval.

Except Shri R. K. Jatia, Shri S. K. Jatia and Shri Ramesh Jatia, the Directors of the company, no other directors is in any way concerned or interested in the proposed resolution.

Item No. 11

Pursuant to disinvestment proposal of RTA business by MCS Limited to Intime Spectrum Registry Limited (INTIME), the company had at its meeting of the Board of Directors held on 27.07.2006 appointed INTIME as its Registrar and Share Transfer Agent in place of MCS Limited.

By virtue of such appointment, the approval of the members was obtained by the Company by way of special resolution at the Annual General Meeting held on 01.09.2006 to keep and maintain the statutory registers and records like 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 etc at the office of INTIME, Vadodara.

Subsequently, due to some reasons, the MOU entered into between MCS Limited and INTIME failed and the matter was proceeded before the honourable Court of Kolkata, and the honourable Court passed the order dt. 21.12.2006 interalia restraining INTIME from undertaking or signing any new contract pertaining to business of Registrar and Share Transfer Agent.

In view of court order dated 21.12.2006, the Company has decided that MCS Limited, Vadodara will continue to act as Registrar and Transfer Agent of the Company irrespective of the final order passed by the honourable court. The Board has at its meeting held on 30.05.2007 cancelled the resolution passed on 27.07.2006 for appointment of INTIME as RTA, resultantly, it is necessary to pass a superceding resolution to cancel the special resolution passed at last Annual General Meeting held on 01.09.2006.

In view of the above, the directors commend the resolution for your approval.

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

Information as required under Schedule XIII of the Companies Act, 1956 regarding appointment of Managerial Personnel:

I. 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 (Rs. in Lacs)

Financial Parameters	2003-04	2004-05	2005-06
Turnover	13861.60	16220.60	17120.08
Net Profit as per Profit & Loss Account	142.90	931.13	111.44
Net Profit as computed u/s 198	134.17	71.09	225.65
Amount of Dividend paid	0.00	118.15*	0.00
Rate of dividend declared	NIL	12.5%*	NIL

* The Company has declared preference dividend of Rs. 118.15 lacs out of arrears of preference dividend as at 31.03.2005.

4) Export Performance

For the year ended 31.03.07, the Company has achieved export turnover of Rs. 112 lakhs (FOB basis).

5) Foreign Investment or Collaboration

- NRI Promoter holds 35.42% of Equity
- The Plants were established in technical collaboration with:-
 - Gujarat Plant – SITI Spa, Italy
 - Karnataka Plant – Ceramica Mirage Spa, Italy.

II. INFORMATION ABOUT THE APPOINTEES:

Background details:

Mr. K. M. Pai, MSC, MBA-Finance from IIM-Bangalore, AICWA, ACS is having 31 years of experience in the various fields of management. He has been associated with the management of the Company under varied positions since 1996 as detailed hereunder:

From 1996 to 2000	–	Deputy Chief Executive Officer
From 2000 to 2003	–	Chief Operating Officer
Since 2003	–	Chief Executive Officer

Mr. S. R. Vyas, B.Com, LL.B, FCS is having 26 years of post qualification experience in the various Corporate Sectors. He has been associated with the Company since 1988 under varied positions as detailed hereunder and has handled various functions.

From 1988 to 1996	–	Company Secretary
From 1996 to 2000	–	General Manager (Corporate Affairs) & Company Secretary
From 2000 to 2004	–	Vice President (Corporate Affairs) & Company Secretary
From 2004	–	Sr. Vice President (Corporate Affairs) & Company Secretary

Past Remuneration:

The remuneration paid per month to Mr. K. M. Pai as Chief Executive Officer and Mr. S. R. Vyas as Sr. Vice President (Corporate Affairs) of the company are as under.

(Amount in Rs.)

	K. M. Pai	S. R. Vyas
a) Salary	110000.00	55000.00
b) HRA @ 30%	35000.00	13000.00
c) Leave Travel Allowance	9163.00	4582.00
d) Reimbursement of Medical Expenses 10%	11000.00	5500.00
e) Special conveyance	20000.00	0.00
f) Performance Allowance	125000.00	54167.00
g) Ex-gratia 12.5% yearly basis	1146.00	573.00
	311309.00	132822.00

They are also entitled for Company's contribution to PF, Superannuation, Gratuity and other benefits as per Company's rules.

Job profile and suitability:

As a Managing Director, Mr. K. M. Pai is responsible for the day to day management of the affairs of the Company and assisted by Senior Executives. He is working under the superintendence, control and directions of the Board of Directors. He is responsible for all the day to day working of the Company.

As an Executive Director, Mr. S. R. Vyas is responsible for the day to day management of the affairs of the Company and assisted by Senior Executives. He is working under the superintendence, control and directions of the Managing Director/ Board of Directors. He is responsible for all the day to day working of the Company.

Remuneration proposed:

An abstracts of terms of remuneration payable to Mr. K. M. Pai as Managing Director and Mr. S. R. Vyas as an Executive Director are given in the subsequent paras.

Comparative Remuneration, profile with respect of industry:

Taking into consideration the size of the Company, the profile of Mr. K. M. Pai and Mr. S. R. Vyas, the responsibilities shouldered by them, the proposed remunerations are commensurate with

the remuneration package paid to managerial persons working in similar position in the industry.

Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any.

Besides the remuneration proposed, Mr. K. M. Pai and Mr. S. R. Vyas do not have any pecuniary relationship with the Company.

OTHER INFORMATION:

Reason for loss or inadequate Profits, steps taken for improvement and expected increase in productivity:

The main reasons for inadequacy of profit is high cost of finance and increase in the international prices of the crude oil resulting into increase in power & fuel cost as also inward and outward freight of materials. There is over capacity situation in the industry. Various steps are being taken to improve the performance by reducing cost of power and implementing innovative marketing practices to improve the sales realisation. Both the plants are now operating almost above 85 percent capacity. Efforts are on to improve further production capacities. The turnover of the Company has also improved in last 5 years and has crossed the gross figure of Rs. 200 crores mark during the current fiscal of 2006-07.

ABSTRACT OF THE TERMS OF REMUNERATION OF SHRI K. M. PAI AS MANAGING DIRECTOR OF THE COMPANY

Subject to the provisions of Section 198, 309, Schedule XIII of the Companies Act and further subject to the approvals /consents from the Central Government, Shareholders and other authorities if any, the Managing director will be paid remuneration as detailed hereunder:

Salary: Rs. 125000/- per month in the pay scale of **Rs. 125000-15000-155000/-**

Perquisites/Amenities:

Housing: House Rent Allowance / House Maintenance Allowance at 30% 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)

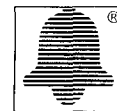
Leave Travel Concession: Leave travel concession for self and family as may be decided by the Board of Directors. (in accordance with the rules of the Company – subject to a ceiling of one month salary every year)

Bonus/ Ex-Gratia: 12.5% of the salary.

Hard and Soft Furnishing: Subject to ceiling of 10% of the salary

Performance Incentive: The performance incentive amount shall not exceed Rs. 20,00,000/- (Twenty lacs only) per annum.

Leave: Entitled for leave with full pay or encashment thereof as per the rules of the Company.



Bell

CERAMICS LIMITED

Conveyance and communication facilities

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

Other Perquisites

In addition to the above Shri K. M. Pai will be eligible for other statutory benefits like Contributions to provident fund, superannuation fund, gratuity fund, life, medical and personal accident Insurance policy as per the Company's rules.

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.

Overall Remuneration:

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

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.

Sitting Fees: The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof from the date of his appointment.

ABSTRACT OF THE TERMS OF REMUNERATION OF SHRI S. R. VYAS AS EXECUTIVE DIRECTOR OF THE COMPANY

Subject to the provisions of Section 198, 309, Schedule XIII of the Companies Act and further subject to the approvals/ consents from the Central Government, shareholders and other authorities if any the Executive Director will be paid remuneration as detailed hereunder:

Salary: Rs. 70,000/- per month in the pay scale of Rs. 70000-10000-90000/-

Perquisites/Amenities:

Housing: House Rent Allowance / House Maintenance Allowance at 30% 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 – subject to a ceiling of one month salary every year)

Ex-Gratia : 12.5% of the salary.

Hard and Soft Furnishing: Subject to ceiling of 10% of the salary

Performance Incentive: The performance incentive amount shall not exceed Rs. 650000/- (Rupees Six lakhs fifty thousand only) per annum.

Leave: Entitled for leave with full pay or encashment thereof as per the rules of the Company.

Conveyance and communication facilities

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

Other Perquisites

In addition to the above Shri S. R. Vyas will be eligible for other statutory benefits like, Contributions to provident fund, superannuation fund, gratuity fund, life, medical and personal Accident Insurance policy as per the Company's rules.

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.

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.

Sitting Fees: The Executive Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof from the date of his appointment.

Documents for inspection

Copy of documents mentioned in the notice as above is available for inspection by the members on any working day at the Registered Office of the Company during office hours.

Regd. Office:
Village Dora, Taluka Amod
District Bharuch, Gujarat
Date : 30.05.2007

By Order of the Board
S. R. Vyas
Executive Director and
Company Secretary

DIRECTORS' REPORT

Your Directors submit herewith the Twenty First Annual Report and the Audited Accounts of the Company for the financial year ended 31 March 2007.

FINANCIAL RESULTS

	(Rs. in lacs)	
	Current Year	Previous Year
	2006-07	2005-06
Sales & Other Income	18181.64	17120.08
Operating Profit	1653.49	2487.03
Interest	1250.05	1121.16
Profit Before Depreciation & Amortisation	403.44	1365.87
Depreciation & Amortisation of Misc. Exp.	1154.18	1098.22
Profit/(Loss) Before Extra Ordinary Items and Tax	-750.74	267.65
Add : Prior Period Adjustments	26.58	11.15
Add/(Less) : Extra Ordinary Items-		
Depreciation written back	0.00	50.95
Excess Provision written back	70.88	0.00
Profit/(Loss) Before Tax	-653.28	329.75
Less : Provision for Tax		
- Current year/Earlier Year	-33.56	-30.00
- Fringe Benefit Tax (FBT)	-31.43	-28.31
- Deferred Income Tax	50.60	-160.00
Profit/(Loss) After Tax	-667.67	111.44
Profit(Loss) b/f from previous year	11.88	0.44
Amount Available for appropriation	0.00	111.88
Transfer to Debenture Redemption Reserve	0.00	100.00
Profit/(Loss) carried to Balance Sheet	-655.77	11.88

DIVIDENDS

In view of the loss for the year, your Directors do not recommend any dividend on the Preference and Equity Share Capital.

REDEMPTION OF PREFERENCE SHARES

The company had issued 12.5%, 1,50,00,000 Cumulative Redeemable Preference Shares ("the preference shares") of Rs. 10/- each aggregating Rs. 1500 lakhs to JBS Investment Pte Ltd, Singapore (earlier an Overseas Corporate Body - now a foreign company - wholly owned by Mr. R. K. Jatia, the promoter Director of the company).

As per the terms of the issue, the said Preference shares (first installment @ Rs. 4/-) have become due for redemption during this financial year starting from February 2007. Also, on account of inadequacy of profit, there are arrears of Dividend on these Preference Shares of Rs. 1391.91 lacs as on March 31, 2007.

Considering the financial difficulties experienced by the Company and re-schedulment of the Loans of IDBI, it will not be possible to either redeem the Preference share Capital on due dates or to pay the arrears of dividend thereon and hence, the company requested JBS Investment Pte. Ltd, Singapore, to grant its approval to the extension of term for

redemption of preference shares to 9th, 10th and 11th year from the date of allotment of preference shares instead of the existing 8th, 9th and 10th year from the date of allotment. The JBS Investment Pte Ltd, Singapore, the only preference shareholder has accorded its consent to the said extension of the term of redemption.

An approval from the equity shareholders is also desirable; the resolution to this effect is incorporated to the Notice of this Annual General Meeting.

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 2007 and of the loss 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) (A), (B) & (C) of the Auditors Report, the Directors would like to refer to Notes 8, 11 & 2 of the Schedule 15 of the Accounts respectively which are self explanatory.