

**BOARD OF DIRECTORS**

|                              |                    |
|------------------------------|--------------------|
| Mr. K. M. Pai                | Managing Director  |
| Mr. S. R. Vyas               | Executive Director |
| Ms. Anita Thapar             |                    |
| Mr. Rameshwar Lal Maheshwari |                    |
| Mr. Pawan Agrawal            | Nominee Director   |

**REGISTRAR AND SHARE TRANSFER AGENT**

MCS Limited  
 Neelam Apartment, 88, Sampatrao Colony,  
 Above Chappan Bhog Sweets,  
 Alkapuri, Vadodara – 390007  
 Tel. 0265 – 2339397 Fax. 0265 – 2341639  
 Email : mcsbaroda@yahoo.com

**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 – 110001

**GENERAL INVESTOR QUARRIES:**

Contact Person: Mr. S. R. Vyas  
 Tel. No.: +91 – 2641 – 235151, 235153  
 e-mail ID: investor@bellceramic.com

**MANAGEMENT TEAM**

|                        |                               |
|------------------------|-------------------------------|
| Mr. A. N. Rangaswamy   | – President (Marketing)       |
| Mr. C. S. Murthy       | – Vice President (Operations) |
| Mr. G. P. Zala         | – GM (Finance & Accounts)     |
| Mr. Krishnakumar T. V. | – GM (Operations)             |
| Mr. Govindraj Kemtur   | – DGM (Marketing)             |
| Mr. B. Ramalinga Reddy | – AGM (Production)            |
| Mr. G Sudarsan         | – AGM (Production)            |
| Mr. G. Vaidyanthan     | – AGM (Materials)             |

**REGISTERED OFFICE**

Village Dora, Taluka Amod,  
 Dist. Bharuch – 392230, Gujarat (INDIA).

**WORKS**

1. Village Dora, Taluka Amod,  
 Dist. Bharuch – 392230, Gujarat (INDIA).
2. Village Chokkahalli,  
 Taluka Hoskote, Bangalore (Rural) – 562114  
 Karnataka (INDIA).

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## NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Members of Bell Ceramics Limited will be held on Wednesday the 29th July, 2009 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 2009, 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 Ms. Anita Thaper who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Mr. Rameshwar Maheshwari 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 First Charge basis in favour of:

- IDBI Bank Limited for the Rupee Term Loan of Rs. 5922 lakh (Rupees five thousand nine hundred twenty two lakh only),

On the First and exclusive charge basis on the Electric Sub station situated at the Hoskote, Banglaore (Karnataka) plant of the company in favour of:

- Yes Bank, New Delhi, for the short term loan assistance of Rs. 300.00 lakh (Rupees three hundred lakh only) and

On the Second Charge basis in favour of:

- Small Industrial Development Bank of India for the additional bills discounting facilities of Rs 50 lakh (Rupees fifty lakh only).

- Bank of India for the additional working capital fund based financial assistance of Rs. 135 lakh (Rupees one hundred thirty five lakh only)

together with interest, commission, costs, charges, expenses and any other moneys 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 First and second charge basis as above shall rank pari-passu with the existing respective First and second charge created/ to be created in favour of Banks / Financial Institutions except the first and Exclusive charge of yes Bank on the Electric Sub station situated at the Hoskote, Banglaore (Karnataka) plant of the company”.

“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 – 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 reappointment of Mr. K. M. Pai as Managing Director of the Company for a period of 3 years commencing from January 01, 2010 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 executed between the company and Mr. K. M. Pai.

#### Item No. 7 –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, 2010 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 executed between the company and Mr. S. R. Vyas.

#### Item No. 8 –SPECIAL RESOLUTION

“RESOLVED THAT subject to the approval of shareholders of the Company and further subject to such other approvals if any required, the Articles of Association of the Company be altered as follows:

“the Article 4(a) of the Articles of Association of the Company be deleted and substituted as follows;

4(a) Subject to the provisions of the Foreign Exchange Management Act (FEMA) and any other law, rules, regulations, guidelines for the time being in force and amendments carried out therein, the foreign promoters shall at all time be entitled to hold in the issued equity share capital of the Company up to the permissible limit of investment notified from time to time under the FEMA or any other law”.

#### Item No. 9 – SPECIAL RESOLUTION

“RESOLVED THAT approval of the shareholders, be and is hereby accorded to vary the rights attached to the Company’s 8%, 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 10th, 11th and 12th year from the date of allotment of the said shares to the 11th, 12th and 13th year from the date of allotment of the said preference shares 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”.

**Regd. Office:**  
 Village Dora, Taluka Amod  
 District Bharuch, Gujarat  
 Date: 29.05.2009

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. The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday the 21st July, 2009 to Wednesday the 29th July, 2009 (both days inclusive).
4. The shareholders are requested to: -
  - a) intimate the change in their address for shares held in physical mode to the Registrar and Share 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.
5. 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 financial assistance by the Banks/ financial institutions for the business of the Company as under:

- a. Rupee Term Loan aggregating Rs. 5922 lakhs from IDBI Bank Ltd granted to the company for conversion of the following outstanding liabilities as at 01.04.2008
  - the outstanding principal amount of the Debentures (i.e. Rs. 3790 lakh)
  - the outstanding principal amount of the Rupee loan (i.e. Rs. 1589 lakh) and
  - the overdue interest of Rs. 543 lakhs.
- b. Short Term Loan - Rs. 300.00 lacs from YES Bank, New Delhi,
- c. Additional Bills discounting facility - Rs. 50.00 lacs from Small Industrial Development Bank of India, and

- d. Additional working capital fund based financial assistance of Rs 135 lakhs from Bank of India

As per the terms of sanction granted, the financial assistance

- from IDBI Bank Ltd is required to be secured by way of a First charge basis
- from Yes Bank is to be secured by way of First and exclusive charge basis on the Electric Sub station situated at the Hoskote, Bangalore ( Karnataka) plant of the company and
- from others by a Second Charge basis

on the present and future fixed assets of the Company ranking pari-passu with other Banks / financial institutions except exclusive charge on some assets in favour of Yes Bank, Delhi for its assistance as above.

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.

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

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

#### Item No. 6

Shri K. M. Pai was appointed as a Managing Director of the company for a period of three years effective 01.01.2007. His present terms of appointment would expiry on 31.12.2009. The Board of Directors of the Company has at their meeting held on 29.05.2009, subject to the approval of shareholders, the term lending financial institutions and statutory consents if any required for this purpose, re-appointed him as the Managing Director of the Company for a further period of 3 years w.e.f. 01.01.2010 on the terms and conditions and remuneration as mentioned in the Abstract reproduced hereunder. This may also be treated as an Abstract pursuant to the provisions of Section 302 of the Companies Act, 1956.

Shri K. M. Pai, 57 years is M.SC, MBA Finance from IIM Bangalore, AICWA, ACS with 34 years experience in the fields of management. Shri K. M. Pai has been associated with the management of the Company since 1996-97 in various positions as under;

| Period of assignment    | Position held                  |
|-------------------------|--------------------------------|
| From 1996-2000          | Deputy Chief Executive Officer |
| From 2000-2003          | Chief Operating Officer        |
| From 2003-2006          | Chief Executive Officer        |
| From 01.01.2007 onwards | Managing Director              |

Approval of the members by way of a Special Resolution is required under Section 269 read with Schedule XIII of the Companies Act, 1956 for the re-appointment of Shri K. M. Pai as Managing Director and for the payment of the remuneration to him. The said approval is subject to necessary statutory approval including Central Government if required.

Shri K. M. Pai may be considered interested in the resolution as it pertains to his own appointment. None of the other Directors are in way concerned or interested in this resolution.

#### Item No. 7

Shri S. R. Vyas was appointed as a Executive Director of the company for a period of three years effective 01.01.2007. His present terms of appointment would expiry on 31.12.2009. The Board of Directors of the Company has at their meeting held on 29.05.2009, subject to the approval of shareholders, the term lending financial institutions and statutory consents if any required for this purpose, re-appointed him as the Executive Director of the Company for a further period of 3 years w.e.f. 01.01.2010 on the terms and conditions and remuneration as mentioned in the Abstract reproduced hereunder. This may also be treated as an Abstract pursuant to the provisions of Section 302 of the Companies Act, 1956.

Mr. S. R. Vyas, age 57 years, B.Com, LL.B, FCS is having 29 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.

| Period of assignment    | Position held  |
|-------------------------|--|
| 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 to 2007       | Sr. Vice President (Corporate Affairs) & Company Secretary |
| From 01.01.2007 onwards | Executive Director   |

Approval of the members by way of a Special Resolution is required under Section 269 read with Schedule XIII of the Companies Act, 1956 for the re-appointment of Shri S R Vyas as Executive Director and for the payment of the remuneration to him. The said approval is subject to necessary statutory approval including Central Government if required.

Shri S. R. Vyas may be considered interested in the resolution as it pertains to his own appointment. None of the other Directors are in way concerned or interested in this resolution.

**Information as required under Schedule XIII of the Companies Act, 1956 regarding re-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, Taluka 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 Lakh)

| Financial Parameters                    | 2006-07 | 2007-08 | 2008-09 |
|---|---------|---------|---------|
| Turnover                                | 18182   | 17372   | 20063   |
| Net Profit as per Profit & Loss Account | -668    | -2182   | 59      |
| Net Profit as computed u/s 198          | -586    | -1511   | 504     |
| Amount of Dividend paid                 | Nil     | Nil     | Nil     |
| Rate of dividend declared               | Nil     | Nil     | Nil     |

**4. Foreign Investment or Collaboration**

- a) NRI Promoter holds 35.42% of Equity
- b) The Plants were established in technical collaboration with:-
  - i) Gujarat Plant – SITl Spa, Italy
  - ii) Karnataka Plant – Ceramica Mirage Spa, Italy.

**II. INFORMATION ABOUT THE APPOINTEES**

**Background Details:**

Shri K. M. Pai, 57 years is M.SC, MBA Finance from IIM Bangalore, AICWA, ACS with 34 years experience in the fields of management. Shri K. M. Pai has been associated with the management of the Company since 1996-97 in various positions as explained herein above;

Mr. S. R. Vyas, age 57 years, B.Com, LL.B, FCS is having 29 years of post qualification experience in the various Corporate Sectors. He has been associated with the

Company since 1988 under varied positions as explained herein above.

**Details of the Past Remuneration:**

The remuneration paid per month to Mr. K. M. Pai as Managing Director and Shri S R Vyas as Executive Director are as under.

Amount in Rupees

|  | Shri K M Pai | Shri S R Vyas |
|--|--------------|---------------|
| a) Salary                                | 1,55,000     | 70,000        |
| b) HRA @ 30%                             | 46,500       | 21,000        |
| c) Leave Travel Allowance                | 12,912       | 5,831         |
| d) Reimbursement of Medical Expenses 10% | 15,500       | 7,000         |
| e) Performance Allowance                 | 1,50,713     | 54,167        |
| f) Ex-gratia 12.5% yearly basis          | 19,375       | 8,750         |
| Total:                                   | 4,00,000     | 1,66,748      |

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

**Job Profile and his suitability:**

As a Managing Director, Shri 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 workings of the Company.

As an Executive Director, Shri 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 workings of the Company.

**Remuneration proposed:**

An abstracts of terms of remuneration payable to Shri. K. M. Pai as Managing Director and Shri S. R. Vyas as an Executive Director are attached herewith.

**Comparative Remuneration, profile with respect of industry:**

Taking into consideration the size of the Company, the profile of Shri K. M. Pai and Shri S. R. Vyas, the responsibilities shouldered by them, the proposed remunerations are commensurate with the remuneration package paid to managerial persons in other Companies.

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

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

**OTHER INFORMATION:**

**Reasons for loss or inadequate profits, steps taken for improvement and expected increase in productivity**

The main reason for inadequacy of profit is increase in the international prices of the crude oil resulting into increase expenses on power & fuel cost as also inward and outward freight of materials. There is over capacity situation in the industry. Various steps have been taken to improve the performance by reducing cost of power and implementing innovative marketing practices to improve the sales realisation. Both the plants of the company operated to almost above 85 percent capacity. Efforts are on to improve further production capacities.

**ABSTRACT OF THE TERMS OF REMUNERATION OF MR. 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. 1,75,000/- per month in the pay scale of Rs. 1,75,000 - 20,000 - 2,15,000/-.

**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:** at 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 lakhs 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 K. M. Pai will be eligible for other statutory benefits like, Contributions to Provident fund, Superannuation fund, Gratuity fund, 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. 1,10,000/- per month in the pay scale of Rs. 1,10,000 - 20,000 - 1,50,000/-.

#### 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 :** at 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. 6.50 lakhs 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, 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.

#### Item No. 8

The Board of Directors of the Company in their meeting held on 12.05.2009 approved a Scheme of Arrangement between the Company and its shareholders under the provisions of Section 391 of the Companies Act, 1956 for undertaking financial restructuring and reconstruction of the Company. On approval of the scheme by the shareholders of the company and the High Court of Gujarat having jurisdiction, the shareholding of the foreign Promoters of the company post the scheme of Arrangement would increase from 35.42% to 61.94% of the paid up equity capital of the Company. The main reason for such increase in the percentage holding of the Foreign promoter is on account of the conversion of the entire preference capital held by such foreign promoters into Equity capital as per the Scheme of Arrangement.

Clause 4(a) of the Articles of Association of the Company restricts the holding by the foreign promoters up to 50% of the issued equity share capital of the company. The said restriction in the Articles was in line with the provisions of Foreign Exchange Regulation Act and the Capital issue Control Act for the time being in force at the time of approval of the Articles of Association by the shareholders at the relevant time.

As per the amendments carried out from time to time, presently under the provisions of the Foreign Exchange Management Act (FEMA), (replaced by Foreign Exchange Regulation Act), and as covered at item no 21 of Annexure-1, Part I section 1, Para 2 of the said Act. the foreign investment cap in the equity capital is permitted to 100% for the industry in which the company is engaged .

In view of the above changes effected, it is necessary to amend Article 4(a) of the Articles of Association of the company as mentioned at Item No. 8 of this notice.

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

The Board recommends the resolution at Item No. 8 for your approval.

#### Item No. 9

Your Company had issued during February, 1999 to July, 1999 8%, 1,50,00,000 Cumulative Redeemable 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. Jata, the promoter Director of the Company).

- a) At the previous AGM of the company, extension in redemption was granted for a period of one year. Accordingly the Redemption of the Preference capital became due as under:

| Date of Redemption | Amount Rs. In lakhs |
|--------------------|---------------------|
| Feb -09            | 400.00              |
| March -09          | 80.00               |
| April-09           | 40.00               |
| July-09            | 80.00               |
| Feb -10            | 300.00              |
| March -10          | 60.00               |
| April-10           | 30.00               |
| July-10            | 60.00               |
| Feb -11            | 300.00              |
| March -11          | 60.00               |
| April-11           | 30.00               |
| July-11            | 60.00               |
| Total:             | 1500.00             |

- b) On account of inadequacy of profit there is arrears of Dividend on these Preference Shares of Rs. 1684.51 lakhs as at 31.03.2009.

Your company is passing through a very difficult period. The profitability of the company has been affected adversely mainly due to exorbitant increase in the prices of power and fuel and other inputs without corresponding increase in the sales price of the product manufactured by the company due to intense competition.

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 29.05.2009.

The existing term of redemption of the preference shares at the end of the 10th, 11th and 12th year from the date of allotment of the said shares shall be extended to the 11th, 12th and 13th 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 have been obtained from Preference Shareholder by their consent in writing.

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

None of the Directors of the company is in any way concerned or interested in the proposed resolution.

#### Documents for Inspection;

Copies of the 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: 29.05.2009

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

## DIRECTORS' REPORT

Your Directors submit herewith the Twenty Third Annual Report and the Audited Accounts of the Company for the financial year ended 31 March 2009.

### FINANCIAL RESULTS

|  | (Rs. in lacs)                       |                                      |
|--|-------------------------------------|--------------------------------------|
|  | <b>Current<br/>Year<br/>2008-09</b> | <b>Previous<br/>Year<br/>2007-08</b> |
| Sales & Other Income   | <b>20063.34</b>                     | 17371.64                             |
| Operating Profit   | <b>2367.86</b>                      | 596.41                               |
| Interest   | <b>1163.21</b>                      | 1295.48                              |
| Profit Before Depreciation<br>& Amortization                 | <b>1204.65</b>                      | -699.07                              |
| Depreciation & Amortization<br>of Misc. Expenses             | <b>1119.27</b>                      | 1156.13                              |
| <b>Profit/(Loss) before extra<br/>ordinary items and tax</b> | <b>85.38</b>                        | -1855.20                             |
| Add : Prior Period Adjustments                               | <b>-12.62</b>                       | -6.21                                |
| Add/(Less) : Extra Ordinary Items                            | <b>0.00</b>                         | -411.25                              |
| <b>Profit/(Loss) Before Tax</b>                              | <b>72.76</b>                        | -2272.66                             |
| Less : Provision for Tax                                     |                                     |                                      |
| - Current Year   | <b>0.00</b>                         | 0.00                                 |
| - Earlier Year   | <b>-5.35</b>                        | -1.55                                |
| - FBT  | <b>-23.52</b>                       | -29.06                               |
| - Deferred Income Tax  | <b>-10.59</b>                       | 120.84                               |
| <b>Profit/(Loss) after Tax</b>                               | <b>33.30</b>                        | -2182.43                             |
| Profit/(Loss) b/f from previous year                         | <b>-2838.20</b>                     | -655.77                              |
| Amount Available for appropriation                           | <b>-2804.90</b>                     | -2838.20                             |
| Profit/(Loss) carried to<br>Balance Sheet                    | <b>-2804.90</b>                     | -2838.20                             |

### DIVIDENDS

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

### Scheme of Arrangement – Restructuring of Capital

As you may be aware, the company was working satisfactorily till three years back. Since the last two years, the operating margin of the Company reduced considerably due to steep increase in the prices of Liquefied Petroleum Gas (LPG) and High Speed Diesel (HSD) both used as power and fuel. The power and fuel costs consists of approximately 30-35% of the total production costs and hence due to negative operating margins the company faced a shortage in working capital which resulted in under utilization of plant capacity. This resulted in low Production and hence low

sales. However the company has proposed to replace the use of LPG by Natural Gas which is of lower cost. Hence the company shall regain its position gradually.

The losses are incurred mostly in the financial year 2007-08. These losses have substantially wiped off the value represented by the reserves and surplus and are the financial statements accordingly do not reflect the correct picture of the health of the Company.

For ensuring that the financial statements of the Company reflect correct picture and the reserves and surpluses which are lost are not continued to be shown on the face of balance sheet it is necessary to carry out reduction of capital of the Company. Further, consolidation of the shares and conversion of the preference share capital is carried out for making stable capital structure.

Since Writing off of losses has become inevitable for the growth of the Company and its shareholders, the Company is now proposing to undertake a financial restructuring exercise.

The reduction of capital in the manner proposed would enable the Company to have a rational capital structure, which is commensurate with its remaining business and assets.

Hence, the proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as a whole.

The company intends to file a scheme of Arrangement for the approval of the Shareholders and the High court as detailed hereunder:

- the Company shall write off 2/3rd of the paid up equity share capital of the Company (reduction in paid up value from Rs. 10/- per share to Rs. 3.33 per share) pursuant to sections 391 to 394, read with sections 100 to 104 and other applicable provisions of the Act;
- the Company shall consolidate 3 equity shares of Rs. 3.33 (as reduced) each fully paid up into 1 equity share of Rs. 10/- each fully paid up;
- the Company shall set off its accumulated losses upto 31st March, 2008 against the Capital Restructuring account of the Company created from the paid up capital of the Company pursuant to Sections 391 to 394 and other applicable provisions of the Act.
- The Company shall convert 3 (three) 8% (earlier 12.5%) Redeemable Cumulative Preference Shares of Rs. 10/- each fully paid up into 1 Equity Share of Rs. 10/- each fully paid up.

- e) Accumulated amount of preference dividend aggregating to Rs. 1564.51 lakhs payable as at 31.03.2008 and any further amounts payable to date the preference shareholders as dividend till the effective date of the Scheme shall stand cancelled.

The Scheme of Arrangement as described above neither involves any payment to the members of the Company nor will result into any diminution of liability or any decrease in the value of the assets of the Company. The above scheme is only for more appropriately representing the assets and liabilities of the Company and ensuring that the share capital which no longer is represented by matching asset is written off.

## 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.

## CONVERSION OF PREFERENCE SHARES

As explained hereinabove, the Company is in the process of submitting a Scheme of Arrangement with the Gujarat High Court for its approval for the restructuring of its capital. As a part of Restructuring the capital, it has been proposed to convert the entire Preference Capital of Rs. 1500 lakhs into Equity capital in the ratio of one Equity share of Rs. 10/- each as fully paid up against 3 Preference Shares of Rs. 10/- each fully paid-up. The company has received consent from the preference Shareholders for the said conversion as also for waiver of their right of accumulated Preference dividend of Rs. 1684.51 lakhs. This will go a long way in improving the cash outflow in future.

## 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 2009 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 (v) & (vii) of the Auditors Report, the Directors would like to refer to the details given in para (v) itself of the report and Note 2 of the Schedule 15 of the Accounts which is self explanatory.

## PUBLIC DEPOSITS

The Company has not accepted any deposits from the Public during the financial year ended 31 March 2009.

## DIRECTORS

Due to the financial difficulties experienced by the Company there was a continuous default in repayment of the installments of NCDs placed by IDBI with the company. This default continued for more than a year as at 31.03.2008. By virtue of the provisions of Section 274(1) (g) of the Companies Act 1956, all the members on the Board as at 31.03.2008 except the nominee Director were declared disqualified for their re-appointment on the Board of this company as also for their appointment on the Board of other Public limited companies for a period of five years.

During the year, IDBI Bank Ltd has restructured the entire liability of the company. The NCDs privately placed with IDBI Bank have been converted into Rupee Term Loan effective 01.04.2008. With this the disqualification has been removed. Accordingly the Company has submitted an application with Central government for removal of the disqualification of Shri K. M. Pai, the Managing Director and Shri S. R. Vyas, the Executive Director.

At the ensuing Annual General meeting, Shri Rameshwar Maheshwari and Ms. Anita Thaper the Directors of the Company shall retire by rotation and they being eligible offer themselves for re-appointment.

## PARTICULARS OF EMPLOYEES

The information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report.