

a n n u a l r e p o r t

CERA



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The **Senator** Collection is a premium range of bathroom products, consisting of sanitaryware, shower cubicles and shower panels.

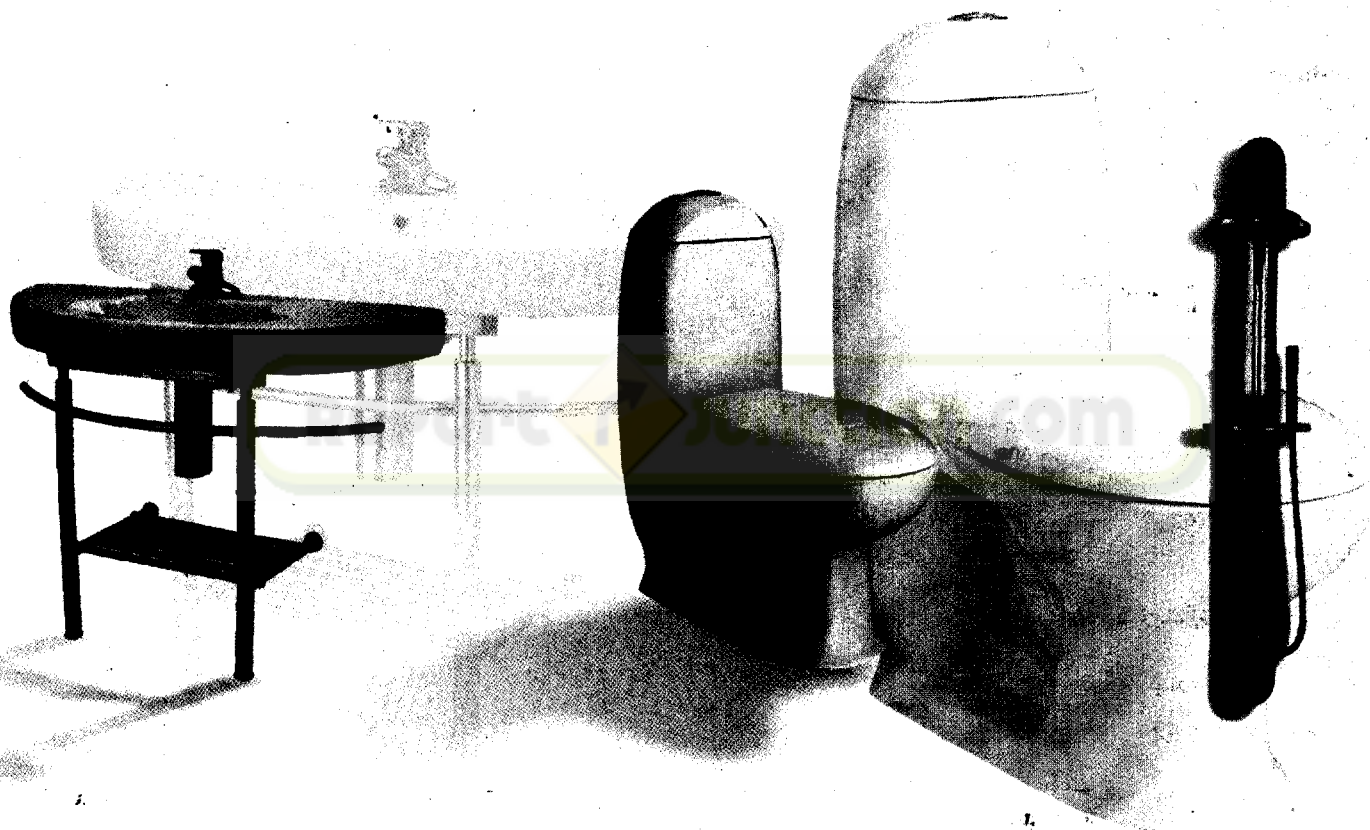
The **Senator** Collection is a combination of imported and indigenously designed products.

The imported products are made exclusively for Cera and are conducive for Indian conditions.

chancellor
wash basin

chancellor
water closet

cosmic
shower panel



**Board of Directors**

- Shri Vikram Somany - Chairman -cum- Managing Director
 Shri Chandrakant C. Dalal
 Shri Sajjan Kumar Pasari
 Shri O. P. Bhandari
 Shri N. K. Maheshwari
 Shri D. P. Goyal
 Shri S. A. Trivedi
 Shri Vidush Somany - Executive Director
 Shri S. C. Kothari - Whole time Director

Bankers

Bank of Baroda

Auditors

M/s. H. V. Vasa & Co.,
 Chartered Accountants,
 B-2, "Usha Kiran", Opp. Khanpur Gate,
 Ahmedabad - 380 001.

Registered office

9, GIDC Industrial Estate, Kadi-382 715,
 Dist. Mehsana, Gujarat, India.

Works

- 1) 9, GIDC Industrial Estate, Kadi - 382 715, Dist. Mehsana, Gujarat.
- 2) Lamba, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.
- 3) Vill. & Tal. Kalyanpur, Dist. Jamnagar.

Corporate Office

"Madhusudan House", Opp. Navrangpura Telephone Exchange, Ahmedabad - 380 006.

Registrar & Share Transfer Agent

MCS Limited,
 101, Shatdal Complex, 1st Floor,
 Opp. Bata Show Room, Ashram Road,
 Ahmedabad - 380 009.

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**Annual General Meeting at 11.30 a.m. on Wednesday,
 the 29th day of September, 2004 at the Registered Office.**

Annual Report 2003-2004**NOTICE**

Notice is hereby given that the Sixth Annual General Meeting of the members of **CERA SANITARYWARE LIMITED** will be held at **11.30 a.m. on Wednesday, the 29th day of September 2004** at the Registered Office of the Company at 9, GIDC Industrial Estate, Kadi - 382 715, Dist. Mehsana, to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt Audited Profit and Loss Account for the year ended 31st March 2004 and Balance Sheet as at that date and the Directors' and Auditors' Reports thereon.
2. To declare dividend on Equity Shares.
3. To appoint a director in place of Shri S. C. Kothari, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Vikram Somany, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Shri Chandrakant C. Dalal appointed as Additional Director of the Company by Board of Directors and who ceased to hold the office at this meeting u/s 260 of the Companies Act, 1956 and in respect of whom the Company has received notice in writing u/s 257 of the Companies Act, 1956 proposing his candidature for the office of the director be and is hereby appointed as director of the Company."

7. To consider and if thought fit to pass with or without modification the following resolution as an ordinary resolution:

"RESOLVED THAT Shri Vidush Somany appointed as Additional Director of the Company by Board of Directors and who ceased to hold the office at this meeting u/s 260 of the Companies Act, 1956 and in respect of whom the Company has received notice in writing u/s 257 of the Companies Act, 1956 proposing his candidature for the office of the director be and is hereby appointed as director of the Company."

8. To consider and if thought fit to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Shri Sajan Kumar Pasari appointed as Additional Director of the Company by Board of Directors and who ceased to hold the office at this meeting u/s 260 of the Companies Act, 1956 and in respect of whom the Company has received notice in writing u/s 257 of the Companies Act, 1956 proposing his candidature for the office of the director be and is hereby appointed as director of the Company."

9. To consider and if thought fit to pass with or without modification the following resolution as a special resolution.

"RESOLVED THAT approval of the members be and is hereby accorded in terms of Sections 198, 269, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the appointment of and for the remuneration payable to Shri Vidush Somany as Executive Director of the Company for a period of three years w. e. f. 15.06.2004 in terms of agreement entered into by the Board of Directors of the Company with Shri Vidush Somany."

"RESOLVED FURTHER THAT Shri Vidush Somany, Executive Director will not be liable to retire by rotation."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter and vary the terms and conditions of the said appointment and / or agreement in such a manner in terms of sections 198, 269, 309, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 being in force as may be agreed between the Board of Directors and Executive Director."

"RESOLVED FURTHER THAT the Executive Director is also entitled to the benefits as per the rules of the Company, which the other employees of the Company are entitled to."

10. To consider and if thought fit to pass with or without modification the following resolution as a special resolution:

"RESOLVED THAT approval pursuant to provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956 be and is hereby accorded to the commencement by the company of all or any of the business specified in Clauses 10, 20 and 35 under **Objects Clause III(C) : Other Objects** of the Memorandum of Association of the company as the Board of Directors of the company consider fit and proper."

By Order of the Board of Directors

Kadi - 382 715
1st July, 2004

B. K. Patodia
Company Secretary

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Members are requested to notify immediately the change of address, if any, to the Company or M/s. MCS Limited, Registrar and Share Transfer Agent.
3. The Register of Members and Share transfer book of the Company will remain closed from 01.09.2004 to 29.09.2004 (both days inclusive).
4. The Board of Directors has recommended 15% dividend on fully paid Equity Shares of Rs.5/- each for the year ended 31.03.2004.
5. Members / Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
6. Members are requested to send their queries atleast ten days before the date of the meeting so that the information can be made available at the meeting.
7. As per the provisions of Section 205 of the Companies Act, 1956 the dividend can be paid to the bankers of the Shareholder or any other authorized person. The Shareholders who want to make the Payment of dividend to any other person or banker may send the authority to the Company on or before 16.08.2004 with details of number of shares held, amount of dividend, L.F. No. / DPID and name of the person / bank to whom the payment is to be made.
8. Shareholders holding share in Electronic Form may kindly note that their Bank Account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Shareholders who wish to change such Bank Account details are, therefore, requested to advise their Depository Participants about such change, with complete details of Bank Account.

**Cera Sanitaryware Limited**

9. Brief resume of directors, who are proposed to be appointed / reappointed at this meeting are given below:

Name of Director	Shri S. C. Kothari	Shri Vikram Somany	Shri Chandrakant C. Dalal	Shri Vidush Somany	Shri Sajan Kumar Pasari
Date of Birth	23.10.1943	26.08.1949	01.12.1923	09.03.1981	21.02.1947
Date of Appointment	17.07.1998	27.11.2001	15.06.2004	15.06.2004	15.06.2004
Expertise in Specific functional areas	Chartered Accountant having expertise in Finance & Administration	Industrialist	Administration & Finance	—	Businessman
List of other Directorships held	1. Madhusudan Fiscal Ltd.	1. Madhusudan Ind. Ltd. 2. Madhusudan Fiscal Ltd. 3. Asopalav Plantations Pvt. Ltd. 4. RVS Business Architects India Pvt. Ltd.	1. Madhusudan Industries Ltd. 2. Dalal Marketing Pvt. Ltd.	—	1. The Chamong Tea co. Ltd. 2. Assam Roofing Ltd 3. India Automobiles (1960) Ltd. 4. Regent Estates Ltd 5. Kiwi Estates Pvt. Ltd. 6. Parmeshwar Estates Pvt. Ltd. 7. Merrygold Properties Pvt. Ltd. 8. Bagrang Factory Ltd. 9. Priyanka Overseas Pvt. Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he / she is a director	—	—	—	—	—

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956.

Item No. 6

The Board of Directors has appointed Shri Chandrakant C. Dalal as Additional Director with effect from 15.06.2004 u/s 260 of the Companies Act, 1956. As per the provisions of the said section he will hold office till this Annual General Meeting. However, being eligible for reappointment, offers himself for the same. The Company has also received notice from a member of the Company signifying his intention to propose Shri Chandrakant C. Dalal being appointed as director of the Company under the provisions of Section 257 of the companies Act, 1956. It is in the interest of the Company to have the benefit of the services of Shri Chandrakant C. Dalal, as director, who is well experienced in financial, administration and commercial fields.

Your directors commend the resolution as per item no. 6 of the notice for passing by members.

Except, Shri Chandrakant C. Dalal, none of your directors is concerned or interested in the said resolution.

Item No. 7

The Board of Directors has appointed Shri Vidush Somany as Additional Director with effect from 15.06.2004 u/s 260 of the Companies Act, 1956. As per the provisions of the said section he will hold office till this Annual General Meeting. However, being eligible for reappointment, offers himself for the same. The Company has also received notice from a member of the Company signifying his intention to propose Shri Vidush Somany being appointed as director of the Company under the provisions of Section 257 of the Companies Act, 1956. It is in the interest of the Company to have the benefit of the services of Shri Vidush Somany, as director, who is holding Bachelors Degree in Management Studies from Franklin & Marshall College, Pennsylvania, U. S. A.

Your directors commend the resolution as per item no. 7 of the notice for passing by the members.

Except Shri Vikram Somany and Shri Vidush Somany, none of your directors is concerned or interested in the said resolution. Shri Vidush

Somany is the son of Shri Vikram Somany, Chairman-cum-Managing Director of the company.

Item No. 8

The Board of Directors has appointed Shri Sajan Kumar Pasari as Additional Director with effect from 15.06.2004 u/s 260 of the Companies Act, 1956. As per the provisions of the said section he will hold office till this Annual General Meeting. However, being eligible for reappointment, offers himself for the same. The Company has also received notice from a member of the Company signifying his intention to propose Shri Sajan Kumar Pasari being appointed as director of the Company under the provisions of Section 257 of the Companies Act, 1956. It is in the interest of the Company to have the benefit of the services of Shri Sajan Kumar Pasari, as director, who is having very rich experience in commercial field.

Your directors commend the resolution as per item no. 8 of the notice for passing by the members.

Except, Shri Sajan Kumar Pasari, none of your directors is concerned or interested in the said resolution.

Item No. 9

Shri Vidush Somany is a young entrepreneur having Bachelors Degree in Management Studies from Franklin & Marshall College, Pennsylvania, U. S. A. As such, Board of Directors is of the opinion that it is in the interest of the company to appoint him as Executive Director of the Company. He has been appointed as Executive Director of the company for a period of three years w. e. f. 15.06.2004 by the Board of Directors at their meeting held on 15.06.2004, subject to approval of the members of the Company at the General Meeting. Shri Vidush Somany as Executive Director shall discharge every duty and function subject to the superintendence, direction and control of the Board of Directors and Chairman cum Managing Director of the Company. The terms and conditions of the appointment are in conformity with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. The Company has entered into agreement on 16.06.2004 with Shri Vidush Somany for his appointment as Executive Director.

Shri Vidush Somany, Executive Director will not be liable to retire by rotation.

Annual Report 2003-2004

However, Shri Vidush Somany shall not exercise the following powers as Executive Director.

- (a) make calls on shareholders in respect of moneys unpaid on the shares of the Company;
- (b) issue debentures, and
- (c) except as may be specifically delegated by the Board under Section 292 of the Companies Act 1956, invest the funds of the Company or make loans and borrow moneys.

The agreement between the Company and Shri Vidush Somany contains the following main terms and conditions.

1. Period of Agreement : 3 years w.e.f. 15.06.2004
2. Remuneration

- I) Salary : In the range of Rs.45,000 — Rs.1,50,000 per month. Rs.45,000 per month w.e.f. 15.06.2004. However, it is subject to revision within the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time. The next increment of salary will be due w. e. f. 01.04.2005.

The Board or Committee thereof, in its absolute discretion will fix within the range stated above the salary payable to the Executive Director depending on the performance of the Executive Director, the size of operations, profitability and other relevant factors annually.

- II) Perquisites :

Category - A

- a) Accommodation : Free furnished housing accommodation or house rent allowance as may be mutually agreed by both the parties.
- b) Facilities of gas, electricity, water and furnishings : The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per Income-tax Rules, 1962. This shall, however, be subject to a ceiling of 10% of the salary of the appointee.
- c) Medical benefit : Medical reimbursement including mediclaim for self and family subject to one month's salary in a year or three month's salary over a period of three years.
- d) Leave Travel Concession : For self and family once in a year to and fro any place in India in accordance with the Rules of the company.
- e) Club Fees : Annual fees of club subject to a maximum of two clubs. This will not include admission and life membership fee.
- f) Insurance : Personal Accident Insurance of an amount annual premium of which does not exceed Rs.6,000/-.
- g) Bonus : As per rules of the Company as applicable to other executives / employees of the Company.

Category - B

- a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund : These will not be included in the computation of the ceiling of the perquisites to the extent these either singly or put together are not taxable under Income-tax Act, 1961.
- b) Gratuity : Gratuity payable in accordance with the company's scheme thereof as applicable to other officers of the company subject to a maximum of half month's salary for each completed year of service.

Category - C

- a) Free telephone facility at residence and a mobile telephone. Personal long distance calls on telephone will be billed by the company to the appointee.

- b) Free use of Car with driver for company's work only. The use of car for private purpose shall be billed by the company to the appointee.

Others

- a) The Executive Director is also entitled to the benefits as per the rules of the Company which the other executives / employees of the Company are entitled to.
- b) The remuneration as aforesaid shall be paid to Shri Vidush Somany, Executive Director also in the event of absence or inadequacy of Profit in any financial year during the tenure of his appointment.
- c) He will not be entitled to Sitting Fee for attending the meetings of the Board of Directors or Committee(s) thereof.

3. The terms and conditions of the said appointment and / or agreement may be altered and / or varied from time to time by the Board as it may, in its discretion deem fit, including the maximum remuneration payable to the Executive Director in accordance with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any amendments made thereafter in this regard from time to time.
4. If at any time Shri Vidush Somany ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Executive Director.
5. **This may be treated as an abstract of the Agreement between the Company and Shri Vidush Somany u/s 302 of the Companies Act, 1956.**

The copy of Agreement entered into with Shri Vidush Somany is open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day upto the date of Annual General Meeting.

Appointment and remuneration payable to Shri Vidush Somany is approved by the Remuneration Committee by a resolution at the meeting held on 15.06.2004.

Your directors commend the resolution as per item No. 9 of the notice for passing by the members.

Except Shri Vikram Somany and Shri Vidush Somany, none of your directors is concerned or interested in the said resolution. Shri Vidush Somany is the son of Shri Vikram Somany, Chairman-Managing Director of the company.

Item No. 10

Presently the company is carrying on business of manufacturing of Sanitarywares, trading of Bathroom accessories and Captive Non-conventional Energy. The Board of Directors of the company has been considering the proposal for increasing the trading activities of its Trading Division by undertaking the trading, importing, exporting etc. of items connected with bathroom wares, bathroom fittings, toiletries, soaps, detergents, shampoos, tooth brush & paste, chemicals, dyes etc. The company is authorized to undertake the trading activities connected with Ceramic Sanitarywares under Clause 1 of **Objects Clause III(A)** of the Memorandum of Association i.e. Main Objects. The company is also authorized by virtue of Clauses 10, 20 and 35 of the **Objects Clause III(C)** i.e. Other Objects of Memorandum of Association to carry on all or any of the business connected with bathroom wares, bathroom fittings, toiletries, soaps, detergents, shampoos, tooth brush & paste, chemicals, dyes etc. including their trading by adopting the procedure as specified u/s 149(2A) of the Companies Act, 1956. According to Section 149(2A) no Company can commence any business, which is not germane to its main activities, unless the company has approved the commencement of such new business by special resolution passed in the General Meeting of the members. The commencement of proposed business as stated in Clauses 10, 20 and 35 of **Objects Clause III(C)** of the Memorandum of Association of the company it may be considered as commencement of new business within the meaning of Section 149(2A) of the Companies Act, 1956.

**Cera Sanitaryware Limited**

It is, therefore, necessary to obtain approval of members by passing a special resolution for the commencement of such new business activities. As such, the resolution is placed for your approval.

Your directors are of the opinion that considering the resources available with the company and also the provisions contained in the Memorandum of Association of the company, the company can carry on all these business satisfactorily with its existing business.

Your directors commend the resolution as per Item no. 10 of the notice for passing by the members.

None of your directors is concerned or interested in the said resolution.

The company's Memorandum of Association is open for inspection at the Registered Office of the company on any working day upto the date of Annual General Meeting.

Statement as required under the notification GSR 36(E) dated 16th January 2002.

(For Item No. 9 of Annual General Meeting Notice)

I. General Information :

- (1) Nature of Industry : Manufacturing of Sanitarywares, trading of Bathroom accessories and Captive Non-conventional Energy.

- (2) The commercial production began 23 years ago.

- (3) The Company is not a new Company.

- (4) Financial Performance: (Rs. In lacs)

Particulars	Audited for the year ended 31.03.2004
1 Net Sales (Net of Excise)/ Income from operations	5061.85
2 Other Income	39.66
3 Total Expenditure	4510.65
a) Increase / decrease in stock in trade	7.07
b) Consumption of raw materials	792.28
c) Purchases (Tradings)	777.75
d) Power & Fuel	383.97
e) Staff Cost	907.18
f) Other expenditure	1642.38
4 Operating Profit	590.86
5 Interest	122.10
6 Gross Profit	468.76
7 Depreciation	205.69
8 Profit (+)/Loss (-) before tax	263.07
9 Provision for taxation	
- Current	33.00
- Deferred	68.96
10 Net Profit (+)/Loss (-)	161.11
11 Paid-up equity share capital (Face Value Rs. 5/- each)	268.75
12 Reserves excluding revaluation reserve (as per balance sheet)	1863.05
13 Basic and diluted EPS (in Rs.)	3.00
14 Aggregate of Non-promoter Shareholding	
- No. of shares	2237034
- Percentage of shareholding	41.62

Note :

- i) The Board of Directors has recommended dividend of Re. 0.75 per fully paid Equity Share of Rs.5/- each for the year 2003-04.
- (5) Exports of Goods on F.O.B. basis during the financial year 2003-04 of the Company was Rs.283.34 lacs.
- (6) The Company has no foreign investments or collaborations.

II. Information about the appointee :

(1) Background Details :

Shri Vidush Somany is a young entrepreneur having Bachelors Degree in Management Studies from Franklin & Marshall College, Pennsylvania, U. S. A. Shri Vidush Somany has recently returned to India after completing his studies in U.S.A.

(2) Past Remuneration :

He has not worked at any place for remuneration.

(3) Recognition or awards : Nil

(4) Job profile and his suitability :

Executive Director is responsible for managing the affairs of the Company subject to the superintendence, control and direction of the Board of Directors and Chairman-cum-Managing Director.

- (5) Remuneration proposed : As per the terms of the Agreement dated 16.06.2004, the Company proposes to pay remuneration in the range of Rs. 45,000 - Rs. 1,50,000 p.m. to Shri Vidush Somany for the next three years, which will also be a minimum remuneration in case of no profit or inadequate profit of the Company.

- (6) The comparative remuneration payable to Executive Director in similar industries is quite higher in comparison to what has been proposed in the present case. The remuneration proposed is quite moderate.

- (7) Shri Vidush Somany being a member of Promoter Group along with Promoter Companies and relatives, holds 31,37,980 Equity Shares of the Company. He is the son of Shri Vikram Somany, Chairman-cum-Managing Director of the company.

III. Other Information

- (1) Reasons of loss or inadequate profits :

The Sanitaryware Unit, being situated in Gujarat faces unhealthy competition from unorganized sector units of Thangarh and Morvi, who adopt all sort of unhealthy practices of evading Government levies resulting in heavy loss of sale. The company is forced to sell majority of its wares outside the State resulting in lower realization due to heavy transportation charges, affecting profitability.

- (2) Steps taken or proposed to be taken for improvement :

Steps are being taken to further improve yield, reducing process losses and bringing more and more designs, which should in long run improve profitability.

- (3) Expected increase in productivity & profit in measurable terms :

The productivity of the company increased by 22.23% resulting in higher production and low production cost. The inventory of finished goods also decreased in the year due to higher sale.

IV. Disclosures :

- (1) Remuneration Package :

It is as stated in Explanatory Statement of Item No. 9 of the Notice of Annual General Meeting.

- (2) The Company has made all necessary disclosures in the Directors' Report under a separate Corporate Governance Report, which is attached with the Annual Report for the year 2003-04.

Kadi - 382 715
1st July, 2004

By Order of the Board of Directors
B. K. Patodia
Company Secretary

Annual Report 2003-2004**Directors' Report**

To
The Members,

The Directors have pleasure in submitting the Annual Report together with the Statement of Accounts of your Company for the year ended 31st March, 2004.

Performance

The summary of your Company's financial performance is given below:

	Year ended March 31, 2004	(Rs. in lacs) Year ended March 31, 2003
Profit before Depreciation and Taxes	468.76	340.49
Deducting therefrom Depreciation of	205.69	189.42
Profit before tax	263.07	151.07
Deducting therefrom taxes of:		
– Current Year	33.00	16.50
– Deferred Tax	68.96	(-) 7.37
Profit after tax	161.11	141.94
Add : Balance brought forward from Previous year	50.00	10.00
Amount available for Appropriations	211.11	151.94
The proposed appropriations are:		
1. Proposed Dividend	40.31	32.25
2. Tax on Proposed Dividend	5.17	4.13
3. Transferred to General Reserve	65.63	65.56
4. Profit carried forward	100.00	50.00
Total	211.11	151.94

Sanitaryware Unit

The production of sanitarywares was 12,527 MT as against 10,249 MT in the previous year, giving an increase of 22.23% as compared to the previous year. The sales were 12,781 MT as against the last year sales of 11,291 MT. The export sales were 1,067 MT as compared to 1,134 MT in the last year. There was an overall growth of 21.98% in the sales turnover.

The sales of Trading Division of the company has grown by 51.54% as compared to last year.

Power Unit

The year witnessed comparatively poor wind velocity.

The company installed and commissioned one more Wind Turbine Generator having capacity of 0.225 MW on 30.09.2003 at Village & Taluka Kalyanpur, District Jamnagar. Together, the total power generation for the year was 10,80,422 KWH against 10,47,029 KWH last year.

Management Discussion and Analysis Report**(a) Industry Structure and Developments**

The fiscal policy of the Government of India continues to be favourable for housing construction sector with low rate of interest on housing loans and tax rebate on interest on housing loans.

The renovation market in the housing sector continues to grow with the change in lifestyle of middle class segment due to higher disposable income. The outlook for the current year appears to be promising.

During the current year, the company introduced various new designs and soft colours of Sanitarywares in the market. It also introduced new bathroom products like Bathtubs. The aim is to make CERA as one stop shop for Bathroom solutions requirement of the customer.

(b) Opportunities and Threats

The favourable market conditions and good growth in housing construction activities give ample opportunity for growth in the current year. Bathroom décor has become part of lifestyle of the upper-middle class due to awareness, which also gives ample opportunity for the growth of Sanitaryware manufacturers.

Mushrooming growth of unorganized sector sanitaryware manufacturers threaten the manufacturers of organized sector in low value items. Simultaneously the Government loses out on revenue and the customers are also losers in the long run on account of excess water consumption, malfunctioning of products and lower life of wares.

(c) Outlook

With favourable Government policies, high quality of infrastructure projects taken-up by the Government of India, the housing construction sector appears to be promising and accordingly, the industry will show overall growth in the Indian economy as demand of sanitarywares is on the increase. With the fiscal support and incentives in the Housing Construction and easy availability of the loans at cheaper rate of interest, the prospect of the house construction industry appears to be bright in the coming years.

The company continues to take steps for upgradation of technology enabling it to further improve the quality of wares and reducing production losses. It has hired services of Ceramic Consultants from abroad.

(d) Risks and Concerns

Any change in Government Policy could affect the sanitaryware manufacturers.

(e) Internal Control Systems and their adequacy

The Company has an adequate system of Internal Control relating to purchase of stores, raw materials, plant & machineries, equipments and various components and for the sale of goods commensurate with the size of the Company and nature of business.

The system of Internal Control of the Company is adequate keeping in mind the size and complexity of your Company's business. Systems are regularly reviewed to ensure effectiveness.

(f) Financial Performance with respect to Operational Performance is discussed in the main part of the Report.

(g) Material Developments in Human Resources / Industrial Relations

The Core Team of Plant & Marketing Operations of the company was exposed to Leadership Management Programme from the