



**Cera Sanitaryware Limited**



**Leveraging Growth**



**ANNUAL REPORT 2010-11**



## FROM THE CHAIRMAN'S DESK

Dear Shareholders,

It is my pleasure to present annual report of your Company for the year 2010-11. The year 2010-11 was one in which both the world and Indian economy remained vibrant. The Company had shown a top line growth of 27 % achieving a turnover of Rs. 243 crores against Rs. 191 crores in the previous year. Operating profit has shown growth of 32 % achieving Rs. 51 crores against Rs. 39 crores in previous year and the bottom line has increased by 35 % achieving a net profit of Rs. 27 crores against Rs. 20 crores in previous year. The EPS has also touched Rs. 21.02 per share against Rs. 15.75 per share in previous year (The EPS was Rs. 31.50 per share without considering bonus shares issued in the ratio of 1:1 in September 2010).

I have pleasure to inform that CERA's Snow White has been voted as "Product of the Year" in the sanitaryware category for 2011 through the Indian arm of a 25-year old "POY" international organisation having presence in 28 countries headquartered at France, in a consumer survey conducted by Nielsen, the market research firm.

The company over the years emerged as premium bathroom solutions provider. Snow White is a specially developed product of CERA manufactured with unique raw materials. The survey's finding is a validation by consumers that Snow White enjoys a distinct edge over others.

The company is making continuous efforts in the field of R & D to stay ahead of competition utilizing innovative technology to get superior quality products and cost effectiveness into production.

Continuing the expansion programme undertaken by the Company, your Company has created an ultra modern unit by setting up a Greenfield project of Faucetsware at Kadi. This plant is equipped to manufacture a wide range of faucets like single lever, quarter turn and half-turn. The commercial production of Faucets has already been started in the year under this report and we are getting very good response from the market about the quality of Faucets.

On successful capacity utilization of 2500 pieces / day of Faucetsware, the Company will expand the capacity to 5000 pieces / day which can further be extended to 7500 pcs / day in coming years.

In this year the Company has also undertaken expansion of the Sanitaryware production capacity to 2.7 million pieces per annum from the existing of 2.00 million pieces annually with an additional capital outlay of Rs. 60 crores funded through internal accruals / debts, which will be completed within 24 to 30 months.

Your Company has set the sales target of Rs.500 crores to be achieved in the next three years. Looking to the current year performances, we are confident to achieve the targets. Your company is introducing more and more designs and sprucing up its retail strength by opening more Cera Style Centres, Bath Studios, apart from continuing its brand building through media and other available sources.

The road ahead for financial year 2011-12 is full of obstacles due to surging inflation in raw materials, inputs and fuel prices which is putting pressure on margins. Market condition world over are plagued with uncertainties due to the debt crisis in the European countries and consequent global repercussions on demand etc. These factors will bring pressure on all aspects of business but by foresight and strategic decisions, I am hopeful that this year also we will achieve the results comparable to earlier years. We have designated present financial year as "COST AWARENESS YEAR", all concerned have to take stringent controls of costs.

Success of any business is only possible due to active participation by its employees and others who put their efforts to increase their excellence and it benefits the Company. Employees are greatest assets of your Company and due to their hard efforts and being dedicated and committed to goals, the Company is at this mark. I sincerely thank all the stakeholders including share holders, business partners, customers and my employees for their continuous support and faith reposed in your company. United we can always make wonders. Let us hope for the best.

**VIKRAM SOMANY**

CHAIRMAN AND MANAGING DIRECTOR



#### **Board of Directors**

|                             |                                  |
|-----------------------------|----------------------------------|
| Shri Vikram Somany          | - Chairman and Managing Director |
| Shri Sajan Kumar Pasari     |                                  |
| Dr. K. N. Maiti             |                                  |
| Shri Ashok Chhajed          |                                  |
| Shri Shree Narayan Mohata   |                                  |
| Shri Govindbhai P. Patel    |                                  |
| Shri Vidush Somany          | - Executive Director             |
| Shri Mahendrakumar Bhandari | - Director - Technical           |

#### **Bankers**

State Bank of India  
ICICI Bank Ltd.

#### **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) Sanitaryware and Faucetware Plants :  
9, GIDC Industrial Estate, Kadi-382 715, Dist. Mehsana, Gujarat.
- 2) Wind Farms :
  - a) Vill. Lamba & Patelka, Tal. Kalyanpur, Dist. Jamnagar, Gujarat.
  - b) Vill. & Tal. Kalyanpur, Dist. Jamnagar, Gujarat.
  - c) Vill. Kadoli, Tal. Abdasa, Dist. Kutch, Gujarat.

#### **Ahmedabad 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 Tuesday,  
the 6th day of September, 2011 at the Registered Office.**

## **NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of the Members of **CERA SANITARYWARE LIMITED** will be held at 11.30 a.m. on Tuesday, the 6<sup>th</sup> day of September, 2011 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, 2011 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 Shree Narayan Mohata, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Ashok Chhajed, 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 a special resolution.

RESOLVED THAT approval of the members be and is hereby accorded in terms of Sections 198, 269, 309, 311, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the re-appointment of and for the remuneration payable to Shri Vikram Somany as Chairman and Managing Director of the Company for a period of three years w. e. f. 01.07.2011 in terms of agreement entered into by the Board of Directors of the Company with Shri Vikram Somany.

RESOLVED FURTHER THAT Shri Vikram Somany, Chairman and Managing Director will not be liable to retire by rotation.

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

RESOLVED FURTHER THAT total remuneration payable to Shri Vikram Somany shall not exceed 5% of the net profit of the Company and total remuneration payable to all the working directors shall not exceed 10% of the net profit of the company in any financial year, calculated in accordance with the provisions of Sections 198, 309, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profit in any financial year during the tenure of his appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

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, 349, 350 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and any amendments made thereafter in this regard from time to time.

7. 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, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the re-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. 01.07.2011 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 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.

RESOLVED FURTHER THAT total remuneration payable to Shri Vidush Somany shall not exceed 5% of the net profit of the Company and total remuneration payable to all the working directors shall not exceed 10% of the net profit of the company in any financial year, calculated in accordance with the provisions of Sections 198, 309, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profit in any financial year during the tenure of his appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

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, 349, 350 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and any amendments made thereafter in this regard from time to time.

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

RESOLVED THAT in supersession of the resolution passed by the members at the Annual General Meeting held on 16.09.2009, Company hereby accords its consent and approval u/s. 314 (1) and other applicable provisions, if any, of the companies Act, 1956, to Smt. Smiti Somany, a relative of Shri Vikram Somany, CMD and Shri Vidush Somany, ED of the Company, who holds an office or place of profit under the company, for holding and continuing to hold an office or place of profit as Sr. Manager – Marketing services in the Company in the scale of Rs. 37,000/- - Rs. 2,00,000/- per month together with other allowances and benefits as applicable to other employees of the Company but total remuneration including all allowances and benefits shall not exceed Rs. 2,45,000/- per month or such other remuneration as may be prescribed by the Central Government or as may be permissible under the Companies Act, 1956 from time to time.





RESOLVED FURTHER THAT this resolution shall be deemed to confer the necessary authority to the Board of Directors and / or Head – Marketing department at their discretion, to give increments within the grade as may be deemed fit and proper.

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

RESOLVED THAT in supersession of the resolution passed by the members at the Annual General Meeting held on 23.08.2010, company hereby accords its consent and approval u/s. 314 (1) and other applicable provisions, if any, of the companies Act, 1956, to Smt. Pooja Jain Somany, a relative of Shri Vikram Somany, CMD and Shri Vidush Somany, ED of the Company, who holds an office or place of profit under the company, for holding and continuing to hold an office or place of profit as Manager – Marketing services in the Company in the scale of Rs.32,000/- - Rs. 2,00,000/- per month together with other allowances and benefits as applicable to other employees of the Company but total remuneration including all allowances and benefits shall not exceed Rs. 2,45,000/- per month or such other remuneration as may be prescribed by the Central Government or as may be permissible under the Companies Act, 1956 from time to time.

RESOLVED FURTHER THAT this resolution shall be deemed to confer the necessary authority to the Board of Directors and / or Head – Marketing Department at their discretion, to give increments within the grade as may be deemed fit and proper.

Regd. Office :  
9, GIDC Industrial Estate,  
Kadi – 382 715  
22nd July, 2011

By Order of the Board of Directors  
  
**Narendra N. Patel**  
VP & 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 16.08.2011 to 27.08.2011 (both days inclusive).
4. The Board of Directors has recommended a dividend Rs.2.50 (50%) per fully paid equity share of Rs.5/- each for the year ended 31.03.2011.
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 at least ten days before the date of the meeting so that the information can be made available at the meeting.
7. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
8. Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends up to the financial year 2002-03 to the Investor Education and Protection Fund (the IEPF) established by the Central Government.
9. Shareholders holding shares in Electronic Form may 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.
10. All the documents, if any, referred to in this notice and explanatory statement are available for inspection of the members at the registered office of the Company on any working day except Saturday, between 11:00 a.m. to 1:00 p.m. up to the conclusion of this meeting.

11. Brief resume of directors, who are proposed to be appointed / re-appointed at this meeting are given below:

| Name of Director  | Shri S.N. Mohata                                       | Shri Ashok Chhajed   | Shri Vikram Somany             | Shri Vidush Somany                           |
|---|--|----------------------|--------------------------------|--|
| Date of Birth   | 03.12.1944   | 20.09.1960           | 26.08.1949                     | 09.03.1981                                   |
| Date of Appointment   | 07.05.2005   | 30.07.2008           | 27.11.2001                     | 15.06.2004                                   |
| Expertise in Specific Functional Areas                              | Administration / Commercial                            | Financial Management | Industrialist                  | Industrialist                                |
| List of other Directorships   | Madhusudan Industries Ltd.<br>Madhusudan Holdings Ltd. | -                    | Asopalav Plantations Pvt. Ltd. | Indian Council of Sanitaryware Manufacturers |
| Chairman / Member of the Committees of the Board of other Companies | -  | -                    | -                              | -  |
| Shareholding in the Company   | 500  | 600                  | 9,62,953                       | 13,66,520                                    |

## Annual Report 2010-2011

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

#### Item No. 6

Shri Vikram Somany was appointed as Chairman-cum-Managing Director of the Company for a period of three years with effect from 13.08.2008. His term comes to an end on 12.08.2011.

Shri Vikram Somany has been re-appointed as Managing Director and designated as Chairman and Managing Director of the Company for a period of three years w.e.f. 01.07.2011 by the Board of Directors at their meeting held on 30.06.2011, subject to approval of members of the Company at the General Meeting. Shri Vikram Somany as Chairman and Managing Director shall discharge every duty and function subject to the superintendence, direction and control of the Board of Directors of the Company. The Company has entered into agreement on 02.07.2011 with Shri Vikram Somany for his re-appointment as Chairman and Managing Director.

Shri Vikram Somany, Chairman and Managing Director will not be liable to retire by rotation.

However, Shri Vikram Somany shall not exercise the following powers as Chairman and Managing 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 principle terms and conditions of appointment of Shri Vikram Somany as Chairman and Managing Director are as follows:

1. **Period of Appointment** : Three (3) years w. e. f. 01.07.2011.
2. **Remuneration**

- I) **Basic Salary**: In the range of Rs. 5,50,000/- — Rs.12,00,000/- per month w.e.f. 01.07.2011. The next increment of salary will be due w.e.f. 01.04.2012.

- 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 benefit / Medical Allowance including medical reimbursement and Mediclaim for self and family subject to one month's salary in a year or three months' 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.
- h) **Special Allowance**: As may be decided by the Board of Directors.
- i) **Performance Incentive**: As may be decided by the Board of Directors.

#### Category - B

Contribution to Provident Fund or Annuity Fund: As per the rules of the Company as applicable to other executives / employees of the Company.

#### 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 Chairman and Managing 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) He will not be entitled to Sitting Fee for attending the meetings of the Board of Directors or Committee(s) thereof.

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

However, total remuneration payable to Shri Vikram Somany shall not exceed 5% of the net profit of the Company and total remuneration payable to all the working directors shall not exceed 10% of the net profit of the company in any financial year, calculated in accordance with the provisions of Sections 198, 309, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. In the event of absence or inadequacy of profit in any financial year during the tenure of his appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

3. The terms and conditions of the said appointment and / or agreement may be altered and varied from time to time by the Board as it may, in its discretion deem fit, including the maximum



remuneration payable to the Chairman and Managing Director in accordance with sections 198, 269, 309, 349, 350, 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 Vikram Somany ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Chairman and Managing Director.
5. Shri Vikram Somany, Chairman and Managing Director may resign from the service of the Company by giving three months notice in advance.

The copy of agreement entered into with Shri Vikram 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 up to the date of ensuing Annual General Meeting.

Appointment and remuneration payable to Shri Vikram Somany is approved by the remuneration committee by resolution at the meeting held on 30.06.2011.

Your directors commend the resolution as per Item no. 6 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 Vikram Somany is the father of Shri Vidush Somany, Executive Director of the Company.

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

Shri Vidush Somany was appointed as Executive Director of the Company for a period of three years with effect from 01.07.2008. His term came to an end on 30.06.2011.

Shri Vidush Somany has been re-appointed as Executive Director of the Company for a period of three years with effect from 01.07.2011 by the Board of Directors at their meeting held on 30.06.2011, subject to approval of 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 of the Company and/or Chairman and Managing Director. The Company has entered into agreement on 02.07.2011 with Shri Vidush Somany for his re-appointment as Executive Director.

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

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 principle terms and conditions of appointment of Shri Vidush Somany as Executive Director are as follows:

#### **1. Period of Appointment :**

Three (3) years w.e.f. 01.07.2011.

#### **2. Remuneration**

- I) Basic Salary : In the range of Rs. 3,50,000/- — Rs.9,00,000/- per month w.e.f. 01.07.2011. The next increment of salary will be due w.e.f. 01.04.2012.

#### **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 benefit / Medical allowance including medical reimbursement and Mediclaim for self and family subject to one month's salary in a year or three months' 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.
- h) Special Allowance: As may be decided by the Board of Directors and/or Chairman and Managing Director.
- i) Performance Incentive: As may be decided by the Board of Directors and / or Chairman and Managing Director.

##### **Category - B**

Contribution to Provident Fund or Annuity Fund: As per the rules of the Company as applicable to other executives / employees of the Company.

##### **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.

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- b) He will not be entitled to Sitting Fee for attending the meetings of the Board of Directors or Committee(s) thereof.

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

However, total remuneration payable to Shri Vidush Somany shall not exceed 5% of net profit of the Company and total remuneration payable to all the working directors shall not exceed 10% of the net profit of the company in any financial year, calculated in accordance with the provisions of Sections 198, 309, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. In the event of absence or inadequacy of profit in any financial year during the tenure of his appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

3. The terms and conditions of the said appointment and / or agreement may be altered and 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 sections 198, 269, 309, 349, 350, 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. Shri Vidush Somany, Executive Director may resign from the service of the Company by giving three months notice in advance.

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 up to the date of ensuing Annual General Meeting.

Appointment and remuneration payable to Shri Vidush Somany is approved by the remuneration committee by resolution at the meeting held on 30.06.2011.

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

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

### Statement as required under schedule XIII of the Companies Act, 1956.

(for Item Nos. 6 & 7 of notice)

#### I. General Information :

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

- (2) The commercial production began 30 years ago.
- (3) The Company is not a new Company.
- (4) Financial Performance :as on 31<sup>st</sup> March, 2011

|  |                                       | (Rs. in lacs) |
|--|---------------------------------------|---------------|
| PARTICULARS  | Audited for the year ended 31.03.2011 |               |
| 1 a) Gross Sales   | 25555.10                              |               |
| Less : Excise Duty   | 1259.98                               |               |
| Net Sales  | 24295.12                              |               |
| b) Other Operating Income  | 0.00                                  |               |
| Total Income   | 24295.12                              |               |
| 2 Expenditure  |                                       |               |
| a) Increase/(decrease) in stock in trade and work in progress                    | (1042.18)                             |               |
| b) Consumption of raw materials  | 2180.04                               |               |
| c) Purchases (Outsourcing)   | 7505.88                               |               |
| d) Power & Fuel  | 1229.77                               |               |
| e) Employee Cost   | 3229.61                               |               |
| f) Depreciation  | 653.03                                |               |
| g) Other expenditure   | 6621.49                               |               |
| h) Total   | 20377.64                              |               |
| 3 Profit from Operations before other Income, Interest & Exceptional Items (1-2) | 3917.48                               |               |
| 4 Other Income   | 506.53                                |               |
| 5 Profit from Operations before Interest & Exceptional Items (3+4)               | 4424.01                               |               |
| 6 Interest   | 271.86                                |               |
| 7 Profit from Operations after Interest but before Exceptional Items (5-6)       | 4152.15                               |               |
| 8 Exceptional items  | 0.00                                  |               |
| 9 Profit (+)/Loss (-) from ordinary activities before tax (7+8)                  | 4152.15                               |               |
| 10 Tax expenses  | 1498.07                               |               |
| 11 Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10)            | 2654.08                               |               |
| 12 Extraordinary items (net of tax expenses Rs. -)                               | 0.00                                  |               |
| 13 Net Profit (+)/ Loss (-) for the period (11-12)                               | 2654.08                               |               |
| 14 Operating Profit Before Exceptional Item                                      | 5077.04                               |               |
| 15 Paid-up equity share capital (Face Value Rs. 5/- each)                        | 632.74                                |               |
| 16 Reserves excluding revaluation reserve (as per balance sheet)                 | 10522.95                              |               |
| 17 Earning per Share (EPS in Rs.)  |                                       |               |
| a) Basic EPS before Extraordinary / exceptional items                            | 21.02                                 |               |
| Dilluted EPS before Extraordinary / exceptional items                            | 21.02                                 |               |





|   |  | (Rs. in lacs)                         |
|---|--|---------------------------------------|
| PARTICULARS   |  | Audited for the year ended 31.03.2011 |
| b) Basic EPS after Extraordinary items  |  | 21.02                                 |
| Dilluted EPS after Extraordinary items  |  | 21.02                                 |
| 18 Public Shareholding  |  |                                       |
| - No. of shares   |  | 5694694                               |
| - Percentage of shareholding  |  | 45.00                                 |
| 19 Promoter and Promoters group shareholding  |  |                                       |
| a) Pledged / Encumbered   |  |                                       |
| - Number of Shares  |  | 0                                     |
| - % of shares (as a % of the total shareholding of the promoter and promoter group) |  | 0.00                                  |
| - % of shares (as a % of the total share capital of the Company)                    |  | 0.00                                  |
| b) Non - Encumbered   |  |                                       |
| - Number of Shares  |  | 6960180                               |
| - % of shares (as a % of the total shareholding of the promoter and promoter group) |  | 100.00                                |
| - % of shares (as a % of the total share capital of the Company)                    |  | 55.00                                 |

**Note :**

The Board of Directors has recommended dividend of Rs.2.50 (50%) per fully paid Equity Share of Rs.5/- each for the year 2010-11.

- (5) Exports of Goods on F.O.B. basis during the financial year 2010-11 of the Company was Rs. 295.63 lacs.
- (6) The Company has no foreign investments of collaborators.

**II. Information about the appointees:**

- (1) Background Details:

**SHRI VIKRAM SOMANY**

Shri Vikram Somany has set up Ceramic Division of Madhusudan Industries Limited (now known as Cera Sanitaryware Limited after de-merger). He is Chairman and Managing Director of Cera Sanitaryware Limited.

**SHRI VIDUSH SOMANY**

Shri Vidush Somany is a young entrepreneur having bachelors degree in management studies from Franklin & Marshal College, Pennsylvania, U.S.A. He is Executive Director of the Company w.e.f. 15.06.2004.

- (2) Past Remuneration:

In the year 2010-11, remuneration paid by the Company was as under:

|                    |                   |
|--------------------|-------------------|
| Shri Vikram Somany | - Rs. 233.05 Lacs |
| Shri Vidush Somany | - Rs. 183.86 Lacs |

- (3) Recognition or awards : Nil

- (4) Job profile and his suitability

Vikram Somany, Chairman and Managing Director is responsible for managing the affairs of the Company subject to the superintendence, control and direction of the Board of Directors. His experience and knowledge has helped the Company to a great extent. It is under his guidance that the Company could survive the stiff competition and withstand adverse marketing conditions and pay consistent dividend and hopes to improve the performance further.

Vidush Somany, 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 and Managing Director. His educational background coupled with managerial/ executive experience and very positive approach is very helpful to the Company.

- (5) Remuneration proposed :

The Company proposes to pay remuneration for next three years as under:

Shri Vikram Somany -

Basic salary in the scale of Rs.5,50,000– 12,00,000 per month plus perquisites & allowances.

Shri Vidush Somany -

Basic salary in the scale of Rs.3,50,000 - 9,00,000 per month plus perquisites and allowances.

However, total remuneration payable to all the working directors shall not exceed 10% of the net profit of the company in any financial year, calculated in accordance with the provisions of Sections 198, 309, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. In the event of absence or inadequacy of profit in any financial year during the tenure of their appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

- (6) The comparative remuneration payable to Chairman and Managing Director and Executive Director in similar industries is higher in comparison to what has been proposed in the present case. The remuneration proposed is quite reasonable.
- (7) Shri Vikram Somany and Shri Vidush Somany being members of Promoter Group along with Promoter Companies and relatives, hold 69,60,180 Equity Shares of the Company.

**III. Other Information**

- (1) Reasons of loss or inadequate profits :

Presently the profit of the Company is adequate. However, in case of no profit or inadequacy of profit in future during the tenure of working directors, the Company proposes to pay remuneration as per Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

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

The Company has developed new body of Sanitaryware with fired pitcher, which will reduce waste, cost and pollution. The Company is also working on development of fireclay body.

Another hallmark of the Company's performance was that its product "Snow White" has been voted as the most innovative sanitary ware product for the year 2011, in a consumer survey conducted by Nielsen, the market research firm.

The Company over the years has emerged as premium bathroom solutions provider. Snow White is a typical R & D product of Cera and has been manufactured with special raw materials. The survey's finding is a validation by consumers that Snow White enjoyed a distinct edge over others.

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

The Company has set up faucetsware plant, which has started its operations in September, 2010. The Company also plans to expand its capacity of Sanitaryware from 2.00 million pieces to 2.7 million pieces. These steps will increase the profitability of the Company considerably.

**IV. Disclosures:**

(1) Remuneration Package:

It is as stated in Explanatory Statement of Item No. 6 and 7 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 2010-11.

(3) Stock Option : Shri Vikram Somany and Shri Vidush Somany were not given any stock option being members of Promoters Group.

**Item Nos. 8 & 9**

Pursuant to the provisions of Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956 the members have approved the appointment of Smt. Smiti Somany, a relative of directors to hold and continue to hold office or place of profit in the Company as per the resolution passed in the Annual General Meeting of the Company held on 16.09.2009 with a total remuneration, including all allowances and benefits not exceeding Rs.48,000/- per month. The members at their Annual General Meeting held on 23.08.2010 have also approved the appointment of Smt. Pooja Jain Somany for holding and continue to hold office or place of profit u/s 314(1) of the Companies Act, 1956 with a total remuneration, including all allowances and benefits not exceeding Rs.48,000/- per month. Smt. Smiti Somany and Smt. Pooja Jain Somany are relatives of Shri Vikram Somany CMD and Shri Vidush Somany, ED of the Company.

The Govt. of India has issued notification on 06-04-2011, whereby the Director's Relatives (Office or Place of Profit) Rules, 2003 has been amended and total monthly remuneration for appointment of Director's Relatives in the Company has been increased from Rs.50,000/- per month to Rs.2,50,000/- per month.

Accordingly, in terms of section 314(1) of the Companies Act, 1956 and pursuant to the amended Director's Relatives (Office or Place of profit) Rules, 2003 the members are requested to grant their consent to Smt. Smiti Somany and Smt. Pooja Jain Somany for holding and continue to hold Office or Place of profit with the Company as per the resolution No. 8 & 9 of the notice. The members are also requested to authorise the Board of Directors and/or Head – Marketing Department to sanction in due course the promotion of Smt. Smiti Somany and Smt. Pooja Jain Somany to the next higher grade with total remuneration including all allowances and benefits not exceeding Rs.2,45,000/- per month or such other remuneration as may be prescribed by the Central Govt. or as may be permissible under the Companies Act, 1956 from time to time.

Your directors commend the resolutions as per Item Nos. 8 & 9 of the notice for passing by members.

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

Regd. Office :  
9, GIDC Industrial Estate,  
Kadi – 382 715  
22nd July, 2011

By Order of the Board of Directors  
  
**Narendra N. Patel**  
VP & Company Secretary