SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

ISO 9001:2000 14001

Annual Report 2002-2003

reportjunction.com

CERA SANITARYWARE

DESIGNED

Cera Sanitaryware Limited

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Board of Directors

Shri Vikram Somany - Chairman -cum- Managing Director
Shri D. P. Goyal
Shri O. P. Bhandari
Shri N. K. Maheshwari
Shri S. C. Kothari - Whole time Director
Shri S. A. Trivedi

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.

Corporate Office

"Madhusudan House", Opp. Navrangpura Teleph

Registrar & Share Transfer Agent

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

Contents	Page No.
Notice	2
Directors' Report	4
Corporate Governance Report	7
Auditors' Report	10
Balance Sheet	11
Profit & Loss Account	12
Schedules 1 to 18	13
Cash Flow Statement	21
General Business Profile	22

Annual General Meeting at 11.30 a.m. on Tuesday, the 23rd day of September, 2003 at the Registered Office.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the members of **CERA SANITARYWARE LIMITED** will be held at 11.30 a. m. on Tuesday, the 23rd day of September 2003 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, 2003 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 D. P. Goyal, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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

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

   "RESOLVED THAT Shri N. K. Maheshwari 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."

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

   "RESOLVED THAT Shri O. P. Bhandari 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 the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created / to be created by the Company as the Board may direct on all or any of movable and immovable properties and such of the assets of the Company, both present and future, in such a manner as the Board may direct, together with power to take over the management / undertaking of the Company in certain events to or in favour of all or any of the Financial Institutions, Investment Institutions and their subsidiaries, Army Group Insurance Fund, Banks, Mutual Funds and other Bodies Corporate (hereinafter referred to as the 'Lending Agencies') / Trustees for the holders of debentures / bonds or other instruments to secure borrowings of the Company by way of loans / issue of debentures / bonds / credit facilities for working capital requirements or line of credit and / or other instruments which may be issued on a private placement basis or otherwise, not exceeding Rs.75 Crores (Rupees Seventy Five Crores only) which have been obtained / are proposed to be obtained from, or privately placed with the Lending Agencies together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements / Loan Agreements / Debenture Trust Deeds entered into / to be entered into by the Company in respect of the said borrowings."

   "RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the Lending Agencies / Trustees or any of them, the documents, agreements or other writings for creating the mortgages/ charges / hypothecations and to accept or make any alterations, changes, variations to or in the terms and conditions, notwithstanding that the said documents, agreements and/ or writings may contain a provision empowering the lending Agencies / Trustees or any of them to takeover the management of the business and undertaking or concern or undertakings and/ or concerns of the company in certain events and to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution."

By Order of the Board of Directors
Kadi - 382 715 **B. K. Patodia**
16th July, 2003 *Company Secretary*

---

* *In respect of item no. 7, the approval of the shareholders is being sought through the postal ballot, as required u/s 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 for which a separate ballot paper and other communication is circulated to the members along with this notice.*

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIM SELF 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 Ltd., Registrar and Share Transfer Agent.
3. The Register of Members and Share Transfer Book of the Company will remain closed from 16.09.2003 to 23.09.2003 (both days inclusive).
4. The Board of Directors has recommended 12% dividend on fully paid Equity Shares of Rs.5/- each for the year ended 31st March, 2003.
5. Members / Proxies should bring the attendance slip send 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 Shareholders or any other authorised 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 01.09.2003 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 shares 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.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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

Name of Director	Shri D. P. Goyal	Shri N. K. Maheshwari	Shri O. P. Bhandari
Date of Birth	19.09.1948	19.01.1937	01.01.1949
Date of Appointment	17.07.1998	13.08.2002	13.08.2002
Expertise in specific functional areas	Marketing & Administration	Retired Senior Company Executive	Consultant
List of other Directorships held	Gujarat Soaps Ltd. Madhusudan Industries Ltd.	Gujarat Soaps Ltd. Goodluck Ceramics Pvt. Ltd. Madhusudan Fiscal Ltd.	Madhusudan Cybernetic Pvt. Ltd.
Chairman / Member Of the Committees of the Board of the Companies on which he / she is a director	Madhusudan Industries Ltd.	———	———

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

Item No.5

The Board of Directors has appointed Shri N. K. Maheshwari as Additional Director with effect from 13.08.2002 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 re-appointment he offers himself for the same. The Company has also received notice from a member of the Company signifying his intention to propose Shri N. K. Maheshwari 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 N. K. Maheshwari, as director, who is well experienced in marketing and commercial fields.

Your directors commend the resolution as per item no. 5 of the notice for passing by the members.

Except, Shri N. K. Maheshwari, none of your directors is concerned or interested in the said resolution.

Item No.6

The Board of Directors has appointed Shri O. P. Bhandari as Additional Director with effect from 13.08.2002 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 re-appointment he offers himself for the same. The Company has also received notice from a member of the Company signifying his intention to propose Shri O. P. Bhandari 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 O. P. Bhandari, as director, who is having rich experience in the technical and commercial fields.

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

Except, Shri O. P. Bhandari, none of your directors is concerned or interested in the said resolution.

Item No.7

To meet the long term fund requirements of the Company, from time to time, the Company is required to borrow money from the Financial Institutions, Investment Institutions, Army Group Insurance Fund, Banks, Mutual Funds and other Bodies Corporate as well as through the issue of debentures / bonds on a private placement basis or otherwise as setout in the resolution. As security for these borrowings / issue of debentures / bonds, the Company is required to create mortgages and charges on immovable and movable properties of the Company as may be necessary under the terms of the borrowings / issue of debentures / bonds, which may rank on pari passu or second charge basis or otherwise, with the existing charges created by the Company.

In terms of Section 293(1)(a) of the Companies Act, 1956, it is necessary for the Company to obtain approval of the members for creation of the mortgages and / or charges in favour of the lending agencies / trustees as one of the conditions of these borrowings may provide a right to the lending agencies to take over the management/ undertaking of the Company in certain events.

Pursuant to the provisions of Section 293(1)(a), 192A and other applicable provisions, if any, of the Companies Act, 1956 read with Postal Ballot Rules made thereunder, approval of the members by way of Postal Ballot is required to be obtained through an ordinary resolution by simple majority in favour of the resolution for securing the borrowings of the Company.

It is, therefore, proposed to obtain the approval of the members for creating such mortgages / charges / hypothecations on the immovable and movable properties of the Company in favour of the lending agencies as set out in resolution at item no. 7 of the notice.

Your directors commend the resolution for passing by the members.

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

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

Kadi - 382 715
16th July, 2003

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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, 2003.

Performance

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

	Year ended March 31, 2003	(Rs. in lacs) Year ended March 31, 2002
Profit before Depreciation and Taxes	**340.49**	282.86
Deducting therefrom Depreciation of	**189.42**	199.27
Profit before tax	**151.07**	83.59
Deducting therefrom taxes of:		
- Current Year	**16.50**	6.50
- Deferred Tax	**(-) 7.37**	31.95
Profit after tax	**141.94**	45.14
Add: Balance brought forward from Previous year	**10.00**	—
Amount available for Appropriations	**151.94**	45.14
The proposed appropriations are:		
1. Proposed Dividend	**32.25**	32.25
2. Tax on Proposed Dividend	**4.13**	—
3. General Reserve	**65.56**	2.89
4. Balance carried forward	**50.00**	10.00
Total	**151.94**	45.14

Sanitaryware Unit

The Production of Sanitarywares was 10,249 MT against 12,177 MT in the previous year. The drop in the production was because of the temporary suspension of plant operations in April 2002 due to illegal go-slow tactics by workers. The sales were up by 11.28% and has increased from Rs.41.21 crores to Rs. 45.86 crores.

The company has successfully introduced a water saver EWC, which requires just 4 to 5 litres water to flush. The company also intends to introduce several new designs of sanitarywares in the coming year.

Power Unit

The wind velocity in the current year was exceptionally good upto July 2002. Consequently the total generation was 10,47,029 kwh against 9,12,321 kwh generated last year.

Management Discussion and Analysis Report

(a) Industry Structure and Developments

The fiscal policy of the Government of India has given thrust to the construction of new houses. The housing industries have grown by 7 % in India. However, manufacturers in the un-organized sector in Sanitaryware, most of who are either exempt or evade government levies like excise duty, taxes, etc. have affected the growth in the organized sector. There has also been a cut throat competition amongst organized sector manufacturers, resulting in price wars, apart from competition from imported products in the premium segment. However, the Company has been able to withstand the competition and achieved a growth of 11.28 % in sales turnover.

The Company has also introduced various new products such as Dual Flush Plastic Cisterns, Pneumatic Plastic Cisterns and imported Toilet Bowl Sanitizer, which has been launched for the first time in India to boost the bottom line of the Company.

(b) Opportunities and Threats

The growth of housing construction activities gives an opportunity for growth to this unit. Nuclear family culture, awareness about bathroom decor, etc. are factors favourable to the growth, but on the other hand, mushrooming small-scale manufacturers pose a threat to the rapid growth in low value segment due to inferior quality of sanitarywares not conforming to the standards. The government lose out on revenue and the customers are losers on account of excess water consumption and lower life of wares. The imported sanitarywares, mainly in the upper price segment, also affect premium range sales.

(c) Outlook

With the fiscal support and incentive in the Housing Construction and easy availability of the loans at cheaper rate of interest, the prosperity of the building industries appears to be bright in the coming years. The infrastructure projects taken up by the Government of India will also boost the demand in the market and thereby there will be overall growth of the economy and demand for sanitarywares shall also go up.

The Company is also taking steps to further improving its products and reducing process losses.

(d) Risks and Concerns

The recessionery trend in the market has affected all manufacturers, however the company has been able to keep afloat due to cost reduction at plant level and aggressive marketing strategy.

(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 & 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 plant operations had to be temporarily suspended for the period from 6th April 2002 to 30th April 2002 due to unwarranted go-slow tactics adopted by workers at the plant. However, the matter was amicably and peacefully settled and the plant operations were resumed from 1st May 2002.

The Company has hired services of a noted HRD Consultant with 40 years of experience and who has long-term association with a number of reputed Corporate Clients in India for HRD training of workers and staff members.

The Company has also introduced new production incentive scheme for its employees in order to motivate them and increase production.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance has been included in this Annual Report as separate section.

Directors' Responsibility Statement

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- that the applicable accounting standards have been followed in the preparation of final accounts and that there are no material departures;
- that such accounting policies have been selected and applied consistently, and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003, and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has 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;
- that the annual accounts have been prepared on a going concern basis.

Dividend

Your Directors recommend the dividend of Rs. 0.60 per share (previous year Rs.0.60) on 53,75,014 Equity Shares of Rs.5/- each fully paid for the year ended 31.03.2003, to be paid subject to approval by the members at the ensuing Annual General Meeting.

Change of name

The name of the Company has been changed from Madhusudan Oils and Fats Limited to Cera Sanitaryware Limited w. e. f. 01.11.2002 pursuant to the issue of Fresh Certificate of Incorporation by the Registrar of Companies, Gujarat. The name of the Company has been changed to reflect the trademark and the business activities in its name.

Energy Conservation, Technology Absorption, R & D Cell and Foreign Exchange Earnings & Outgo

The details required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are annexed to this report.

Exchequer

The Company has contributed Rs.749 lacs to the exchequer by way of excise duty, customs duty, income tax, sales tax and other fiscal levies.

Fixed Deposit

Fixed Deposits from the Public, outstanding, as on 31.03.2003 was Rs.113.90 lacs. There was no unclaimed / unrenewed deposit as on 31.03.2003. The Company, on the basis of the working results during the year under review can accept deposits from the Public as well as from the shareholders to the extent of Rs.705.66 lacs.

Finance

During the year under review, the Company repaid loans of Rs.299 lacs to Financial Institutions and Government of Gujarat.

Employees

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of the Directors' Report for the year ended 31st March, 2003 is annexed.

Directors

During the year, Shri Vikram Somany and Shri S. C. Kothari were appointed as Chairman-cum-Managing Director and Whole time Director, respectively w. e. f. 13.08.2002.

Shri N. K. Maheshwari and Shri O. P. Bhandari were appointed as Additional Directors w.e.f. 13.08.2002. Additional Directors hold office upto the date of ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Shri D. P. Goyal is due to retire by rotation and being eligible, offers himself for re-appointment.

Auditors

M/s. H.V. Vasa & Co., Statutory Auditors of the Company retire at the end of forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment at the ensuing Annual General Meeting.

Insurance

The Company has adequately insured all its properties including Plant and Machinery, Building and Stocks.

Industrial Relations

The productivity of the Company was affected in the month of April 2002. The drop in the production is because of temporary suspension of plant operations in April 2002 due to illegal go-slow tactics by workers. However, the negotiated settlement arrived with the workers for a period of 4 years and thereby from May 2002 onwards, the productivity of the Company has improved. The Good Relations of the Company with employees for the last several years and intervention of Labour Department, Government of Gujarat has brought about a better understanding.

The Company has taken adequate steps for the health and safety of its employees, as required under the Gujarat Factories Rules, 1963.

Appreciation

Your directors thank the Financial Institutions and Bankers for extending timely assistance in meeting the financial requirements of the Company. They would also like to place on record their gratitude for the co-operation and assistance given by Bank of Baroda, ICICI Bank Ltd. and various departments of both State and Central Governments.

For and on behalf of the Board of Directors

Ahmedabad
18th June, 2003

Vikram Somany
Chairman-cum-Managing Director

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Annexure to the Directors' Report

Disclosure of particulars with respect to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Report of the Board of Directors for the period ended 31st March, 2003.

FORM - A

Energy Conservation : Not Applicable

FORM - B

Research and Development (R & D)

1. Specific areas in which R & D is carried out : The Company's Research & Development Unit is recognized by the Department of Scientific and Industrial Research, Government of India, since 1993. It has been constantly developing new body and glaze composition. There has been considerable improvement in wares quality also. It has also taken up the job for substitution of imported colours. In addition to this R & D has taken up the work to develop fine fire clay for Sanitaryware as market scenario changes, new range of bigger items can be produced in near future by using fine fire clay body.
2. Benefit derived as a result : With the introduction of new sources and import substitution of raw materials and colours the cost of wares has come down. Further the Company has developed indigenous sources of Plaster of Paris as against imported plaster and this has resulted in saving substantially.
3. Future plan of action : To minimize imports by developing substitution in India for better inventory management and cost reduction.
4. Expenditure on R & D
   a) Capital : Rs. 2,60,037/-
   b) Recurring : Rs. 18,59,642/-
   c) Total : Rs. 21,19,679/-
   d) Total R & D Expenditure as a percentage of total turnover : 0.46%

Technology Absorption, Adaptation & Innovation

1. Efforts in brief made towards technology absorption, adaptation and innovation. : The Company has tied with SETEC SRL., ITALY for technological upgradation, quality improvement and capacity optimization.
2. Benefits derived as a result of the above efforts e.g. Product improvement, cost reduction, product development, import substitution etc. : The project is under progress.
3. In case of imported technology (Imported during the last five years reckoned from the beginning of the financial year) following information may be furnished.
   a) Technology imported : Nil
   b) Year of import : N.A.
   c) Has technology been fully absorbed : N.A.
   d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action : N.A

Total Foreign Exchange used and earned

Total foreign exchange used : Rs. 130.16 lacs
Total foreign exchange earned : Rs. 273.19 lacs

Anexure to the Directors' Report

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2003.

Sr. No.	Name & Age (Years)	Designation/ Nature of Duties	Remuneration (Rs.)	Qualifications & Experience (Years)	Date of Commencement of employment	Last employment, name of employer, post held and period (years)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name of the employee employed for part of the year and was in receipt of remuneration of not less than Rs.2,00,000/- per month:						
1.	Shri G. K. Loya (54 years)	Executive Director	Rs.5,28,134/-	B.E. (Electric) (30 years)	27.11.2001	Modern Terry Towels Ltd. (7 years)

Notes

1. Gross remuneration as above includes Salary, Company's contribution to Provident Fund, Superannuation Fund, Leave Encashment, Leave Travel Reimbursement, Medical Expenses Reimbursement, House Rent Allowance, Housing Accommodation and Monetary value of perquisites calculated in accordance with the provisions of Income Tax Act, 1961 and Rules made thereunder.
2. Above employee is not a relative of any director of the Company.

www.reportjunction.com