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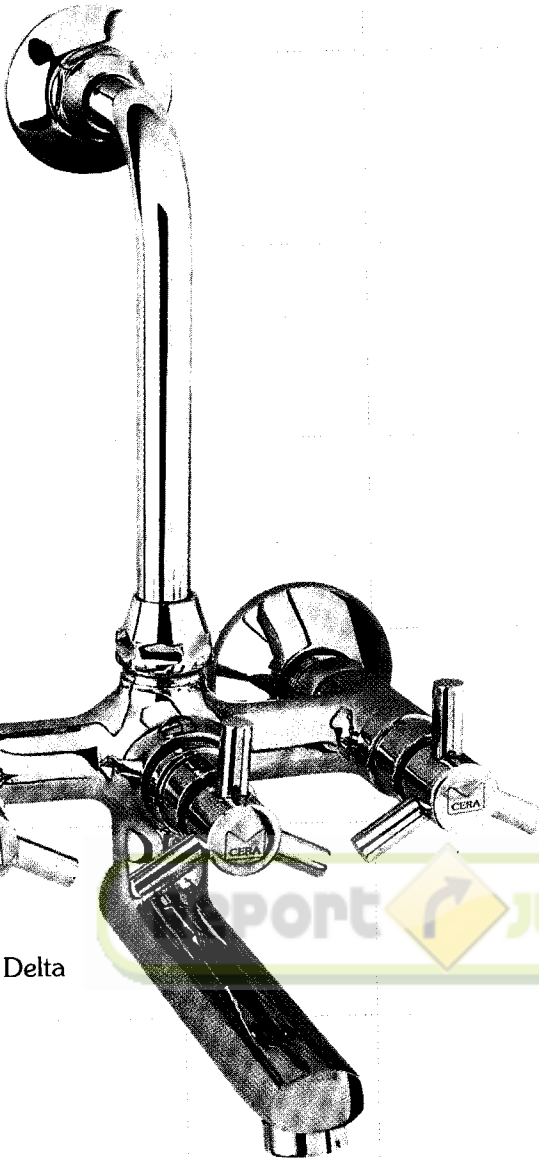
Winds of change whisper - *"Let's wake up to an eco-friendly world."*

Annual Report 2004-05

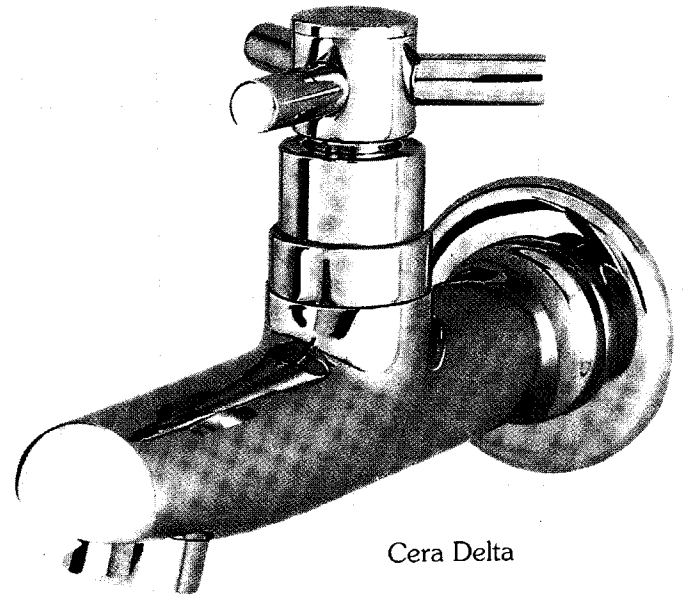


Cera Sanitaryware Limited

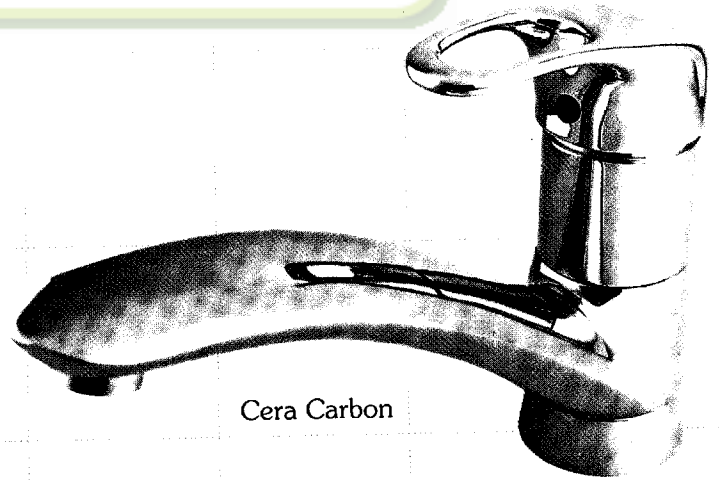
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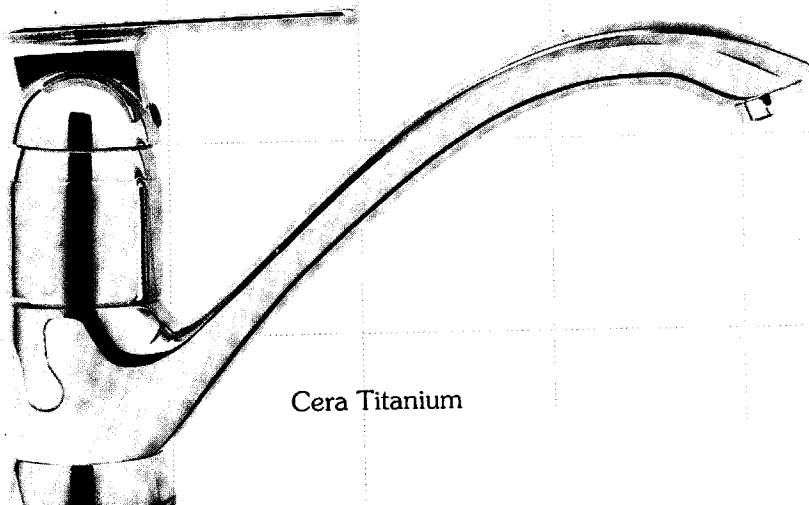
Cera Delta



Cera Delta



Cera Carbon



Cera Titanium

**Cera Sanitaryware Limited****Board of Directors**

Shri Vikram Somany - Chairman -cum- Managing Director
 Shri Sajjan Kumar Pasari
 Shri O. P. Bhandari
 Shri N. K. Maheshwari
 Shri D. P. Goyal
 Shri Shree Narayan Mohata
 Shri Vidush Somany - Executive Director
 Shri S. C. Kothari - Wholetime 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) Vill. 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 Thursday,
 the 1st day of September, 2005 at the Registered Office.**

Annual Report 2004-2005**NOTICE**

Notice is hereby given: that the Seventh Annual General Meeting of the Members of **CERA SANITARYWARE LIMITED** will be held at 11.30 a.m. on Thursday, the 1st day of September, 2005 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, 2005 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 a director in place of Shri N. K. Maheshwari, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Shri O. P. Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
6. 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

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

RESOLVED THAT Shri Shree Narayan Mohata appointed as an 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 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 re-appointment of and for the remuneration payable to Shri Vikram Somany as Chairman-cum-Managing Director of the Company for a period of three years w. e. f. 13.08.2005 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-cum-Managing 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 Chairman-cum-Managing Director.

RESOLVED FURTHER THAT the Chairman-cum-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.

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 re-appointment of and for the remuneration payable to Shri S. C. Kothari as Wholetime Director of the Company for a period of three years w. e. f. 13.08.2005 in terms of agreement entered into by the Board of Directors of the Company with Shri S. C. Kothari.

RESOLVED FURTHER THAT Shri S. C. Kothari, Wholetime Director will 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 Wholetime Director.

RESOLVED FURTHER THAT the Wholetime 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 Shri S. C. Kothari, Wholetime Director re-appointed herein above be and is hereby appointed / re-appointed as an "Occupier" as defined under Section 2 of the Factories Act, for the Company.

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

"RESOLVED THAT in pursuance of the Clause 5 of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the consent of the Company be and is hereby accorded for voluntary delisting of the equity shares of the Company from The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Limited, Kolkata, where the equity shares are scarcely traded.

RESOLVED FURTHER THAT the equity shares shall continue to be listed at stock exchange having nationwide terminals viz. The Stock Exchange, Mumbai and therefore, as per the provisions of the SEBI (Delisting of Securities) Guidelines, 2003, no exit opportunity need be given to the shareholders of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, usual, incidental or expedient for the aforesaid purpose."

By Order of the Board of Directors

Kadi - 382 715
16th July, 2005

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 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 Limited, Registrar and Share Transfer Agent.
3. The Register of Members and Share transfer book of the Company will remain closed from 16.08.2005 to 01.09.2005 (both days inclusive).
4. The Board of Directors has recommended 16% dividend on fully paid Equity Shares of Rs.5/- each for the year ended 31.03.2005.
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 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 14.08.2005 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.



Cera Sanitaryware Limited

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

Name of Director	Shri D.P. Goyal	Shri N. K. Maheshwari	Shri O.P. Bhandari	Shri Vikram Somany	Shri S. C. Kothari	Shri Shree Narayan Mohata
Date of Birth	19.09.48	19.01.37	01.01.49	26.08.49	23.10.43	03.12.44
Date of Appointment	17.07.98	13.08.02	13.08.02	27.11.01	17.07.98	07.05.05
Expertise in Specific Functional Areas	Marketing and Administration	Marketing	Industrial Consultants & Consulting Engineer	Industrialist	Chartered Accountant having expertise in Finance & Administration	Administration / Commercial
List of other Directorships held	Gujarat Soaps Ltd. Madhusudan Industries Ltd.	Madhusudan Fiscal Ltd. Gujarat Soaps Limited	Madhusudan Cybernetic Pvt. Ltd.	Madhusudan Industries Ltd. Madhusudan Fiscal Ltd. Asopalav Plantations Pvt. Ltd.	Madhusudan Fiscal Ltd.	Madhusudan Holdings Ltd.
Chairman / Member of the Committees of the Board of the Companies on which he/she is a Director	Madhusudan Industries Ltd.	—	—	Madhusudan Industries Ltd.	—	—

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

Item No. 7

The Board of Directors has appointed Shri Shree Narayan Mohata as an Additional Director with effect from 07.05.2005 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 Shree Narayan Mohata being appointed as a 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 Shree Narayan Mohata, as director, who is well experienced in administration and commercial fields.

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

Except, Shri Shree Narayan Mohata, none of your directors is concerned or interested in the said resolution.

Item No. 8

Shri Vikram Somany was appointed as Chairman-cum-Managing Director of the Company for a period of three years with effect from 13.08.2002, which came to an end on 12.08.2005.

Shri Vikram Somany has been re-appointed as Managing Director and designated as Chairman-cum-Managing Director of the Company for a period of three years with effect from 13.08.2005 by the Board of Directors at their meeting held on 30.06.2005, subject to approval of members of the Company at the General Meeting. Shri Vikram Somany as Chairman-cum-Managing Director shall discharge every duty and function subject to the superintendence, direction and control of the Board of Directors 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 07.07.2005 with Shri Vikram Somany for his re-appointment as Chairman-cum-Managing Director.

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

However, Shri Vikram Somany shall not exercise the following powers as Chairman-cum-Managing Director :

- make calls on shareholders in respect of moneys unpaid on the shares of the Company;
- issue debentures, and
- 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 Vikram Somany contains the following main terms and conditions :

- Period of Agreement : 3 years w. e. f. 13.08.2005
- Remuneration

- Salary :** In the range of Rs. 2,05,000/- — Rs. 3,00,000/- per month. Rs. 2,05,000/- w. e. f. 13.08.2005. 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. 01.04.2006.

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

- Perquisites :

Category - A

- Accommodation :** Free furnished housing accommodation or house rent allowance as may be mutually agreed by both the parties.
- 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.

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- c) Medical benefit : Medical reimbursement including 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.

Category - B

- a) Contribution to Provident 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 executives / employees 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 Chairman-cum-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) The remuneration as aforesaid shall be paid to Shri Vikram Somany, Chairman-cum-Managing 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 varied from time to time by the Board as it may, in its discretion deem fit, including the maximum remuneration payable to the Chairman-cum-Managing 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 Vikram Somany ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Chairman-cum-Managing Director.
5. **This may be treated as an abstract of the agreement between the Company and Shri Vikram Somany u/s. 302 of the Companies Act, 1956.**

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 upto 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 29.06.2005.

Your directors commend the resolution as per item no. 8 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. 9

Shri S. C. Kothari was appointed as Wholetime Director of the Company for a period of three years with effect from 13.08.2002, which come to an end on 12.08.2005.

Shri S. C. Kothari has been re-appointed as Wholetime Director and designated as CEO-cum-Wholetime Director of the Company for a period of three years with effect from 13.08.2005 by the Board of Directors at their meeting held on 30.06.2005, subject to approval of members of the Company at the General Meeting. Shri S. C. Kothari as CEO-cum-Wholetime Director shall discharge every duty and function subject to the superintendence, direction and control of the Board of Directors and 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 07.07.2005 with Shri S. C. Kothari for his re-appointment as Wholetime Director.

Shri S. C. Kothari, CEO-cum-Wholetime Director will be liable to retire by rotation.

However, Shri S. C. Kothari shall not exercise the following powers as Wholetime 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 S. C. Kothari contains the following main terms and conditions.

1. Period of Agreement : 3 years w.e.f. 13.08.2005
2. Remuneration

- I) Salary : In the range of Rs.1,05,000/- — Rs.2,00,000/- per month. Rs.1,05,000/- per month w.e.f. 13.08.2005. 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. 01.04.2006.

The Board or Committee thereof, in its absolute discretion will fix within the range stated above the salary payable to the Wholetime Director depending on the performance of the Wholetime Director, 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 months' salary over a period of three years.



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- 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 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 executives / employees 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 Wholtime 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 S. C. Kothari, Wholtime 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 varied from time to time by the Board as it may, in its discretion deem fit, including the maximum remuneration payable to the Wholtime 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 S. C. Kothari ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Wholtime Director.
 5. If at any time Shri S.C. Kothari ceases to be in the employment of the Company for any cause whatsoever, he will cease to be a Director and Wholtime Director of the Company.
 6. Wholtime Director may resign from the service of the Company by giving three months notice in advance. Similarly, the Company has the right to terminate the service of Wholtime Director at any time by giving three months notice in writing.
 7. **This may be treated as an abstract of the agreement between the Company and Shri S. C. Kothari u/s. 302 of the Companies Act, 1956.**

The copy of agreement entered into with Shri S. C. Kothari 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 ensuing Annual General Meeting.

Appointment and remuneration payable to Shri S. C. Kothari is approved by the remuneration committee by resolution at the meeting held on 29.06.2005.

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

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

Item No. 10

Presently, the Company's Equity Shares are listed on the following three stock exchanges in India.

1. The Stock Exchange, Ahmedabad;
2. The Stock Exchange, Mumbai; and
3. The Calcutta Stock Exchange Association Ltd., Kolkata

With the extensive networking of The Stock Exchange, Mumbai (BSE) and extension of the BSE terminals to other cities as well, investors have access to online dealing in the Company's Equity Shares across the country. The bulk of the trading in the Company's equity shares takes place on the BSE and depth and liquidity of trading in the Company's Equity Shares on The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Ltd, Kolkata is very low.

The Company's equity shares are one of the scripts in which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors. In view of extremely low trading volumes, the benefits accruing to the investors by keeping the shares of the Company listed on The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Ltd., Kolkata are not commensurate with the costs incurred by the Company for continued listing on these Stock Exchanges.

The Securities and Exchange Board of India Limited (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003. Under these Guidelines a Company may delist from a stock exchange where its securities are listed provided that :

- the securities of the Company have been listed for a minimum period of 3 years on any stock exchange; and
- an exit opportunity has been given to the investors at an exit price to be determined in accordance with 'book building process'. However, in cases where the securities of the Company continue to be listed on a stock exchange having nation wide trading terminals, i.e. BSE/NSC, exit opportunity need not be given.

The members' approval is sought by passing a special resolution for delisting of Company's equity shares from The Stock Exchange, Ahmedabad and The Calcutta Stock Exchange Association Limited, Kolkata.

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.

(For Item no. 8 and 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 25 years ago.
- (3) The Company is not a new Company.

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(4) Financial Performance:		(Rs. in lacs)
Particulars		Audited for the year ended 31.03.2005
1	Net Sales (Net of Excise)/ Income from operations	6093.65
2	Other Income	43.70
3	Total Expenditure	5424.12
	a) Increase / Decrease in stock in trade	-122.72
	b) Consumption of raw materials	910.51
	c) Purchases (Tradings)	1234.80
	e) Power & Fuel	401.91
	f) Staff Cost	1007.59
	g) Other expenditure	1992.03
4	Operating Profit	713.23
5	Interest	104.11
6	Gross Profit	609.12
7	Depreciation	210.67
8	Profit (+)/Loss (-) before tax	398.45
9	Provision for taxation	
	- Current	164.10
	- Deferred	-4.79
10	Net Profit (+)/Loss (-)	239.14
11	Paid-up equity share capital (Face Value Rs. 5/- each)	268.75
12	Reserves excluding revaluation reserve (as per balance sheet)	2022.77
13	Basic and diluted EPS (in Rs.)	4.45
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. 0.80 per fully paid Equity Share of Rs.5/- each for the year 2004-05.

(5) Exports of Goods on F.O.B. basis during the financial year 2004-05 of the Company was Rs.248.88 lacs.

(6) The Company has no foreign investment or collaboration.

II. Information about the appointee :

SHRI VIKRAM SOMANY

(1) Background Details :

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

(2) Past Remuneration :

In the year 2004-05, Shri Vikram Somany was paid a remuneration of Rs. 32,98,002/- by the Company.

(3) Recognition or awards:

Nil

(4) Job profile and his suitability:

Chairman-cum-Managing Director is responsible for managing the affairs of the Company subject to the superintendence, control

SHRI S. C. KOTHARI

Shri S. C. Kothari, B.Com., LL.B., FCA, has been a non-executive director since inception of the Company. He was appointed as Wholtime Director with effect from 13.08.2002.

In the year 2004-05 Shri S. C. Kothari was paid a remuneration of Rs.15,69,856/- by the Company.

Nil

Wholtime 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 (even before de-merger) and hopes to improve the performance further.

and direction of the Board of Directors and Chairman-cum Managing Director. His experience in the field of finance and administration is quite helpful for the Company.

(5) Remuneration proposed: As per the terms of the Agreement dated 07.07.2005, the Company proposes to pay remuneration under the scale of Rs.2,05,000/- Rs.3,00,000/- to Shri Vikram Somany and Rs.1,05,000/- Rs.2,00,000/- to Shri S. C. Kothari, 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 Chairman-cum-Managing Director and Wholtime 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 Vikram 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 father of Shri Vidush Somany, Executive Director of the company.

Shri S. C. Kothari has no pecuniary relationship directly or indirectly with the Company or with managerial personnel.

III. Other Information

(1) Reasons of loss or inadequate profits :

Though there has been overall improvement in the productivity and working of Sanitaryware unit situated at Kadi, yet profits are inadequate for the purpose of remuneration payable to the Directors as per the Companies Act. During the year under purview, the Company has spent substantial amount in the repair and replacement for the existing machineries including tunnel kiln with a view to improve productivity, reduce the cost and the recurring losses.

(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 5% resulting in higher production and low production cost. The inventory of manufactured 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. 8 and 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 2004-05.

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

Kadi - 382 715
16th July, 2005

**Cera Sanitaryware Limited****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, 2005.

Performance

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

	Year ended March 31, 2005	(Rs. in lacs) Year ended March 31, 2004
Profit before Depreciation and Taxes	609.12	468.77
Deducting therefrom Depreciation of	210.67	205.69
Profit before tax	398.45	263.08
Deducting therefrom taxes of:		
- Current Year	164.10	33.00
- Deferred Tax	-4.79	68.97
Profit after tax	239.14	161.11
Add : Balance brought forward from previous year	100.00	50.00
Amount available for Appropriations	339.14	211.11
The proposed appropriations are:		
1. Proposed Dividend	43.00	40.31
2. Tax on Proposed Dividend	6.03	5.17
3. General Reserve	140.11	65.63
4. Balance carried forward	150.00	100.00
Total :	339.14	211.11

Sanitaryware Unit

There was overall improvement in the productivity at Plant. The turnover of the Company in the year under review increased by 20% and production increased by 5 % due to better efficiency.

Power Unit

The Non Conventional Wind power generation for the year was 12,30,973 KWH against 10,80,422 KWH in the previous year.

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

The low rate of interest on Housing Loan continues to have positive impact on the housing sector. The renovation market in the housing sector also continues to grow specifically in the Metros and urban market. The hotel industry too is growing leaps and bounds with plans for expansion and adding of new properties in the major state capitals and places of tourist interest. Considering above, out look in the current year appears to be very promising.

During the current year the Company had introduced various new designs to target the upper end of the market. It has also introduced Shower Products like Whirlpools, Shower Temples, Shower Panels etc. It has also opened Display Centres called 'Bath Studio' in Ahmedabad, Chandigarh and Bangalore and also planning to open similar centers at Cochin, Hyderabad and Kolkata in the current year.

(b) Opportunities and Threats

The favourable market conditions and good growth in housing construction and hotel industry activities give ample opportunity for growth in the current year. The upper middle class has become very conscious and shifted from unorganized sector to the branded products. This shall further provide an opportunity for the growth in the current year. The threat from unorganized sector continues to remain due to evasion of fiscal levies by them.

(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 housing 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 Company continues to invest in the training and education of its employees and has been organizing various training programme from time to time. It had also taken the services of Mercury International of Switzerland, the leading agency in providing training for its sales personnel.

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 a separate section.

Director's 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;