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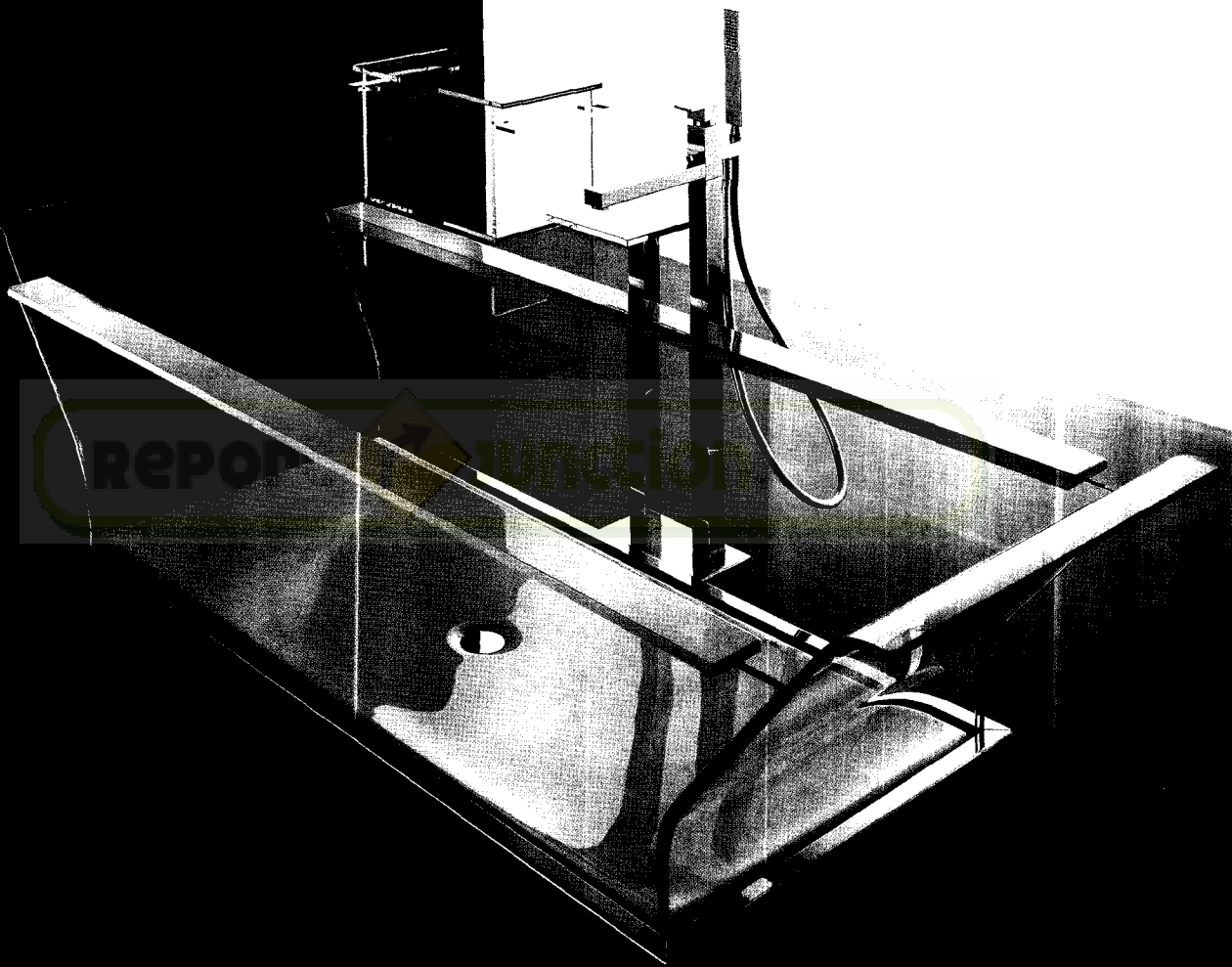
ANNUAL REPORT 2008-09



SANITARYWARE | TILES | TAPS

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PRESENTED BY



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

Shri Vikram Somany	- Chairman-cum-Managing Director
Shri Sajan Kumar Pasari	
Dr. Abraham Koshy	
Dr. K. N. Maiti	
Shri Ashok Chhajed	
Shri Shree Narayan Mohata	
Shri Vidush Somany	- Executive Director
Shri S. K. Nema	- Wholetime Director

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) 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. Kutchh, 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.

Contents	Page No.
Notice	2
Directors' Report	5
Corporate Governance Report	10
Auditors' Report	14
Balance Sheet	16
Profit & Loss Account	17
Schedules 1 to 18	18
Cash Flow Statement	30
General Business Profile	31

**Annual General Meeting at 11.30 a.m. on Wednesday,
the 16th day of September, 2009 at the Registered Office.**

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of **CERA SANITARYWARE LIMITED** will be held at 11.30 a.m. on Wednesday, the 16th day of September, 2009 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, 2009 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 Sajan Kumar Pasari, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Shree Narayan Mohata, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED THAT Shri Ashok Chhajed 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.

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

RESOLVED THAT Company hereby accords its consent and approval u/s. 314 (1) and other applicable provisions, if any, of the companies Act, 1956, to Smt. Smriti 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. 25,000/- - Rs. 45,000/- p.m. 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. 48,000/- p.m.

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.

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

RESOLVED THAT pursuant to section 314 (1) and other applicable provisions, if any of the Companies Act, 1956, and subject to the opinion/consent of the Central Government the company do hereby accord consent to the retaining of the

services of Dr. Kedar Nath Maiti, who is ceramic scientist and is a director on the Board of Directors of the company at fee in the range of Rs. 75,000/- - Rs. 1,80,000/- per month for rendering from time to time such advice and services as he may give in his capacity as a ceramic scientist.

RESOLVED FURTHER THAT this resolution shall be deemed to confer the necessary authority to the Chairman-cum-Managing Director and / or Executive Director at their discretion, to decide the remuneration within the above range as may be deemed fit and proper.

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

RESOLVED THAT Shri Shailesh A. Trivedi 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.

RESOLVED FURTHER THAT Shri Shailesh A. Trivedi, Director appointed herein above be and is hereby appointed as an "Occupier" of the Company as defined under Section 2 of the Factories Act.

Regd. Office :
9, GIDC Industrial Estate,
Kadi – 382 715
16th July, 2009

By Order of the Board of Directors

Narendra N. Patel
G. M. & 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 01.09.2009 to 16.09.2009 (both days inclusive).
4. The Board of Directors has recommended a dividend of Rs. 2.00 per fully paid equity share of Rs.5/- each for the year ended 31.03.2009.
5. Members / Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
6. Members are requested to send their queries atleast ten days before the date of the meeting so that the information can be made available at the meeting.
7. Explanatory Statement pursuant to Section 173 (2) of the companies act, 1956 is annexed hereto.

1956 the dividend can be paid to the bankers or 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 15.08.2009 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.

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

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 resumes of directors, proposed to be appointed / re-appointed at this meeting are given below:

Name of Director	Shri Sajan kumar Pasari	Shri Shree Narayan Mohata	Shri Ashok Chhajed	Shri Shallesh Trivedi
Date of Birth	21.02.1947	03-12-1944	20-09-1960	14-12-1950
Date of Appointment	15.06.2004	07-05-2005	30-07-2008	26-06-2009
Expertise in Specific Functional Areas	Businessman	Administration/Commercial	Financial Management	Administration/Commercial
List of other Directorships	Regent Estates Ltd. Bajrang Factory Ltd. Assam Roofing Ltd. India Automobiles (1960) Ltd. The Chamong Tea Co. Ltd. Merrygold Properties Pvt. Ltd. Kiwi Estates Pvt. Ltd. Parmeshwar Estates Pvt. Ltd. I A Builders Pvt. Ltd. I A Property Developers Pvt. Ltd.	Madhusudan Industries Ltd. Madhusudan Holdings Ltd.	-	Madhusudan Cybernetic Pvt. Ltd.
Chairman / Member of the Committees of the Board of other Companies	-	-	-	-
Shareholding in the Company	1,22,570	250	300	2

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

Item No. 6

The Board of Directors has appointed Shri Ashok Chhajed as an additional director w.e.f. 30.07.2008 and 12.09.2008 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 alongwith deposit of Rs. 500/- from a member of the Company signifying his intention to propose Shri Ashok Chhajed 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 Ashok Chhajed, as director, who is expert in financial management.

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

Except, Shri Ashok Chhajed, none of your directors is concerned or interested in the said resolution.

Item No. 7

Under section 314(1) of the Companies act, 1956, special resolution is required for enabling a relative of director of the Company holding office or place of profit under the Company. Smt. Smiti Somany, a relative of directors, has joined your company's office on 01.06.2006 as Advisor – Marketing services on a monthly salary of Rs. 8,000/- plus some allowances. She is promoted as Sr. Manager – Marketing Services w.e.f. 01.04.2009, carrying monthly salary in the grade of Rs.25,000/- – Rs. 45,000/- p.m., but total remuneration shall not exceed Rs.48,000/- per month. She is wife of Shri Vikram Somany, CMD and mother of Shri Vidush Somany, ED.

Under the provision of section 314 of the Companies Act, 1956, she will be deemed to hold office or place of profit. Pursuant to the provisions of Director's Relatives (Office or Place of profit) Rules, 2003 her remuneration shall not exceed Rs.50,000/- per month without obtaining prior approvals of members and Central government.

Accordingly, in terms of section 314 (1) of the Act, the members are requested to grant their consent to Smt. Smiti Somany holding and continue to hold office or place of profit with the Company as per the

Annual Report 2008-2009

resolution. The members are also requested to authorise Board of Directors and / or Head - Marketing department to sanction in due course promotion of Smt. Smiti Somany to the next higher grade together with allowances and benefits not exceeding Rs. 48,000/- per month.

Your directors commend the resolution as per item no. 7 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.

Item No. 8

Dr. Kedar Nath Maiti, M.Tech, Ph.D., FIMMM, Chartered Scientist (UK) is a well known ceramic scientist having rich experience in ceramic industry due to his long tenure in Central Glass and Ceramic Research Institute (CGCRI). His extraordinary acumen and scientific attitude will certainly help the company to a great extent. He was requested by the Company to assist the R&D department for development of a new body and glazes to meet the international standards in sanitaryware industry as well as to reduce the cost of production. After great persuasion, he agreed to make his services available to the company. He has been working on the said assignment since May 2007. He has undertaken trial of more than 50 formulations at R&D level and has been successful in some areas and still working relentlessly on the said project. He will also undertake other projects after completion of present assignment.

He is working at a very meager remuneration of Rs. 75,000/- per month. It is proposed to pay him remuneration upto Rs. 1,80,000/- per month over a period of 5 years upto 31.03.2014, depending upon his valuable and expert services, results attained by him and its impact on overall efficiency and performance of the Company. The Central Government in its letter dated 16.02.2009 has expressed the opinion under proviso to Sub-section (1) of Section 309 of the Companies Act, 1956 that Dr. Kedar Nath Maiti has the requisite qualification for rendering professional services to the Company upto 31.03.2009. The Company has again applied to the Central Government for expressing its opinion that Dr. Kedar Nath Maiti possesses qualification necessary for rendering professional

services and payment of remuneration upto Rs. 1,80,000/- per month for five years from 01.04.2009 to 31.03.2014. Reply from Central Government is awaited.

Letter received from the Central Government dated 16.02.2009 is available for inspection at the registered office of the company.

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

Except, Dr. Kedar Nath Maiti, none of your directors is concerned or interested in the said resolution.

Item No. 9

The Board of Directors has appointed Shri Shailesh A. Trivedi as an additional director w.e.f. 26.06.2009 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 alongwith deposit of Rs. 500/- from a member of the Company signifying his intention to propose Shri Shailesh A. Trivedi 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 Shailesh A. Trivedi, as director, who is expert in administration. He is also appointed as an "Occupier" of the Company u/s. 2 of the Factories Act.

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

Except, Shri Shailesh A. Trivedi, none of your directors is concerned or interested in the said resolution.

Regd. Office :
9, GIDC Industrial Estate,
Kadi - 382 715
16th July, 2009

By Order of the Board of Directors

Narendra N. Patel
G. M. & Company Secretary



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, 2009.

Performance

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

	(Rs. in lacs)	
	Year ended March 31, 2009	Year ended March 31, 2008
Profit before Depreciation and Taxes & Exceptional item	2746.39	2047.96
Deducting there from Depreciation	592.81	494.14
Profit before tax & Exceptional Item	2153.58	1553.82
Less : Exceptional Item	163.20	-
Profit before Tax	1990.38	1553.82
Deducting there from taxes of:		
- Current Tax	508.05	215.50
- Fringe Benefit Tax	31.69	16.51
- Deferred Tax	139.79	316.90
Profit after Tax	1310.85	1004.91
Add: Balance brought forward from previous year	600.00	500.00
Amount available for Appropriations	1910.85	1504.91
The proposed appropriations are:		
1. Proposed Dividend	124.22	92.78
2. Tax on Proposed Dividend	21.11	15.77
3. General Reserve	965.52	796.36
4. Balance carried forward	800.00	600.00
Total	1910.85	1504.91

Sanitaryware Unit

Despite the global recession and its consequential effect on India and the slowdown in Indian realty sector, your Company was able to increase the sales by 25%, whereas the estimated industry growth was far less.

Your Company increased the production capacity from 16,500 MTPA to 24,000 MTPA in the last financial year. Also, it continued its efforts to improve productivity and quality. The marketing thrust to make the brand and product visible at the retail level has helped your Company perform well, despite the housing construction showing a downward trend. CERA is perceived as a "value-for-money" brand, because of which more and more institutional buyers and developers have commenced using CERA.

Power Unit

The non-conventional wind power generation in the year was 59,65,534 KWH against 44,66,638 KWH in the previous year. The installed capacity of wind power unit of the company is 4.975 M.W.

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

The 50-year old, Rs.1,000 crore sanitaryware industry in India is going through a metamorphosis, with several foreign brands

eyeing India as a potential market and developers and traders looking at China as a source for cheaper Sanitaryware. Some of the foreign brands have commenced production in India, while some are establishing offices in India, apart from those who have already got well-established in this country in the past few years. Added to this is innumerable small scale industries located mainly in Gujarat, manufacturing low-end Sanitaryware. Those in the organized sector, like your Company, are only a few.

In order to increase the topline and bottomline and also to cash in on the equity of CERA brand, your Company has ventured into other bathroom related products like showers, tubs, etc. mainly sourced from reputed manufacturers. Apart from this, your Company has also started retailing premium Italian designer tiles in North India through its showroom Cera Vogue in Delhi.

Your Company is also planning a major foray into taps, another major product category in the bathroom solutions. The test marketing done, through outsourced products, has shown encouraging results. In this category, there is one strong Indian brand, followed by a few me-too brands.

Your company has tied up with an Italian wellness major, Novellini SpA, among largest wellness products in the world to launch premium wellness product range in India soon. The product range consists of steam cubicles, massage bath tubs, equipped panels, etc.

(b) Opportunities and Threats

The housing construction, though on a temporary slowdown pace currently, is expected to take a growth curve soon in India. Even in the times of recession, because of CERA being value for money brand, your Company was able to sustain the healthy growth rate.

(c) Outlook

Your Company has a strong brand equity and loyal distribution network. Your Company is also making all out efforts to make increase the visibility of the brand and product even in smaller towns, where there is huge untapped potential. Your Company is also fortifying its relationship with developers. Thus your Company is confident of increasing the growth rate in the coming years.

The continuous efforts to improve quality and productivity have put your company on par with the comparable International companies. The innovations of the past by your company, like one-piece WCs and water-saving twin-flush cisterns have today become industry norms.

Your company's growth continues to be much above the industry growth, year after year, which is testimony to its product quality and marketing success.

The successful display centre concept of your company, introduced through Cera Bath Studios in several cities, is now being extended in the form of Cera Bath Galleries with its retail partners. In Cera Bath Gallery, the customers can not only touch and feel the Cera range, but also can purchase it. After its success in Delhi, this year, Cera Bath Galleries will come up in several towns across the country.

(d) Risks and Concerns

Any drastic change in the Government Policy may affect the sanitaryware manufacturers.

Annual Report 2008-2009

(e) Internal Control Systems and their adequacy

The Company has adequate system of internal control relating to the 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 the 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

Faced with the economical dilemma of the times, the thrust this year has been on talent acquisition and improving the mind share in the industry. The Company has emerged as an equal opportunity and progressive employer in the industry. On the whole, all the efforts have been towards aligning your Company with the global norms, with a mix of progressive and welfare activities viz. training and development, motivation, re-skilling and others so that your Company is seen as a preferred employer in the industry.

The Company continues to invest in training and development of its employees and has been organizing various training programme from time to time.

(h) Preferential Allotment

Till the year end, the company allotted 2,60,000 equity shares to promoters in pursuance to 6,00,000 preferential warrants granted to them. These proceeds have been utilized towards expansion programme and long term working capital of the Company. The balance preferential warrants have not been subscribed by them, hence lapsed.

(i) Employees Stock Option Scheme

Pursuant to the authority of the members granted at the Extra – ordinary General Meeting of your Company held on 6th January, 2007, the company has framed the Employees Stock Option scheme 2007 (ESOS – 2007).

Accordingly, NIL (previous year 15,000) options were granted to the eligible employees during the year under review. During the year 75,060 (previous year 70,631) options were vested with the eligible employees. During the year 25,850 options were exercised and equal number of equity shares have been issued under the scheme.

Details required to be provided pursuant to clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in Annexure to this Report.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance along with the Auditors' statement on its compliance has been included in this Annual Report as a 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, 2009, 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 a dividend of 40 % (Rs.2.00 per share) (Previous year 30%, Rs.1.50 per share) on 62,10,864 (Previous year 61,85,014) Equity Shares of Rs. 5/- each fully paid for the year ended 31.03.2009, to be paid subject to approval by the members at the ensuing Annual General Meeting.

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. 27.55 Crores to the exchequer by way of excise duty, customs duty, income tax, VAT, sales tax, and other fiscal levies.

Fixed Deposit

Fixed deposits from the Public, outstanding as on 31.03.2009 was Rs.15.55 lacs. There were 14 Fixed Deposit holders with Rs 3.80 Lacs of unclaimed / unrenewed deposits as on 31.03.2009. 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. 2,471.67 lacs.

Finance

During the year under review, the Company repaid loans of Rs.440.50 Lacs to Financial Institutions and the Government of Gujarat.

Employees

Information as per sub-section (2A) of Section 217 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, 2009 is annexed.

Directors

Shri S. C. Kothari has retired as Whole-time Director w.e.f. 13.08.2008. Your Board of Directors places on record its appreciation for the contribution made by him to the company.

Shri Ashok Chhajed has been appointed as additional Director w.e.f. 12.09.2008.

Shri Sajjan Kumar Pasari and Shri Shree Narayan Mohata are due to retire at the end of ensuing Annual General Meeting and being eligible offered themselves for reappointment.

Brief resumes of directors proposed to be appointed/re-appointed, as required under clause 49 of the Listing Agreement executed with the Stock Exchanges are provided in the notice convening the Annual General Meeting of the Company.

Auditors

M/s. H. V. Vasa & Co., Statutory Auditors of the company retire at the end of forthcoming Annual General Meeting and being eligible, offered 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 Company's relations with its employees remained cordial throughout the year. The directors wish to place on record their deep appreciation for the services rendered by workers, staff members and executives of the Company.

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 State Bank of India, ICICI Bank Limited, and various departments of both State and Central Governments.

For and on behalf of the Board of Directors,

Ahmedabad
28th May, 2009

Vikram Somani
Chairman-cum-Managing Director

Annexure to the Directors' Report

Information to be disclosed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

(a) Options Granted	2,26,878
(b) The Pricing Formula	Stock options granted were priced at Rs. 61/- per share excluding FBT.
(c) Options Vested	75,060
(d) Options Exercised	25,850
(e) The total number of shares arising as a result of exercise of options	2,68,000 equity shares of Rs. 5/- each will arise on exercise of options
(f) Options lapsed	14,413
(g) Variation of terms of options	Nil
(h) Money realized by exercise of options	Rs. 15.77 lacs
(i) Total number of options in force	1,98,738
(j) Employee wise details of options granted to : i) Senior managerial personnel ii) Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year. iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	No option granted during the year. Nil Nil
(k) Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 "Earnings Per Share"	Rs. 21.15
(l) Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options. The impact of this difference on profits and on EPS of the company.	The Company has calculated the employee compensation cost using the intrinsic value of stock options. Had the fair value method been used, in respect of stock options granted, the employee compensation cost would have been lower by Rs. 40.58 (Rs. 122.31) lacs, Profit after tax higher by Rs. 26.78 (Rs. 80.73) Lacs and the basic and diluted earning per share would have been higher by Rs. 0.65 (Rs. 1.31) and Rs.0.43 (Rs. 1.29) respectively.
(m) Weighted - average exercise prices and weighted - average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable
(n) A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: i) risk free interest rate ii) expected life iii) expected Volatility iv) expected dividend v) The price of the underlying share in market at the time of option grant	Black-Scholes Model 8% 24 Months 32% 18% Rs. 140.80 & Rs. 190.05

Annual Report 2008-2009**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 year ended 31st March, 2009.

A. Energy Conservation

Form - A : Not Applicable

B. Technology Absorption

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 working for improvement in quality of products to keep company ahead in market competition.
R & D Centre was successful in the following areas :-
 - ❖ Development of new white glaze for shuttle kiln suitable for once fire.
 - ❖ Development of white and ivory glaze matching with American standard.
 - ❖ Development of Magenta Red Glaze to improve its quality.
 - ❖ Development of white glaze matching with Canadian White.
 - ❖ Developed Zirconium Silicate from Indian sources replacing imported one.
 - ❖ Working to develop body of sanitaryware with fired pitcher to reduce waste, cost & pollution.
2. Benefit derived as a result : With the introduction of new sources and import substitution of raw materials, colours & stains the cost of wares has reduced.
3. Future plan of action : To minimize imports by developing substitution in India for better inventory management and cost reduction. To develop glazes for matching quality of reputed International brands.
4. Expenditure on R & D
 - a) Capital : Rs. 17.64 Lacs
 - b) Recurring : Rs. 33.16 Lacs
 - c) Total : Rs. 50.80 Lacs
 - d) Total R & D Expenditure as a percentage of total turnover : 0.32%

Technology Absorption, Adaptation & Innovation : Nil

C. Foreign Exchange earnings and outgo

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year the Company has exports (FOB) worth Rs. 421.69 Lacs.

Total foreign exchange used : Rs.1575.94 Lacs
Total foreign exchange earned : Rs. 421.69 Lacs