



**Cera Sanitaryware Limited**

#### **Board of Directors**

|                             |                                  |
|-----------------------------|----------------------------------|
| Shri Vikram Somany          | - Chairman-cum-Managing Director |
| Shri Sajan Kumar Pasari     |                                  |
| Dr. K. N. Maiti             |                                  |
| Shri Ashok Chhajed          |                                  |
| Shri Shree Narayan Mohata   |                                  |
| Shri Vidush Somany          | - Executive Director             |
| Shri Govindbhai P. Patel    |                                  |
| (w.e.f. 16-07-2010)         |                                  |
| Shri Mahendrakumar Bhandari | - Director - Technical           |

#### **Bankers**

State Bank of India  
ICICI Bank Ltd.

#### **Auditors**

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

#### **Registered Office**

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

#### **Works**

- 1) 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.

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**Annual General Meeting at 10.30 a.m. on Monday,  
the 23rd day of August, 2010 at the Registered Office.**

**NOTICE**

Notice is hereby given that the Twelfth Annual General Meeting of the Members of **CERA SANITARYWARE LIMITED** will be held at 10.30 a.m. on Monday, the 23<sup>rd</sup> day of August, 2010 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, 2010 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 Dr. K. N. Maiti, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a director in place of Shri Sajan Kumar Pasari, 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 Mahendra Kumar Bhandari 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 approval of the members be and is hereby accorded in terms of Sections 198, 269, 309, 311, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 for the appointment of and for the remuneration payable to Shri Mahendra Kumar Bhandari as Director – Technical of the Company for a period of three years w. e. f. 19.04.2010 in terms of agreement entered into by the Board of Directors of the Company with Shri Mahendra Kumar Bhandari.

RESOLVED FURTHER THAT Shri Mahendra Kumar Bhandari, Director – Technical will be liable to retire by rotation.

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

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

RESOLVED FURTHER THAT in the event of absence or inadequacy of profit in any financial year during the tenure of

his appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

RESOLVED FURTHER THAT Shri Mahendra Kumar Bhandari, Director – Technical appointed herein above shall be appointed as an "Occupier" of the Company as defined under Section 2 of the Factories Act.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to alter and vary the terms and conditions of the said appointment and / or agreement in such a manner in terms of sections 198, 269, 309, 311, 349, 350 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 being in force.

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

**"RESOLVED:**

- (a) that in accordance with the applicable provisions of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the Regulations'), Reserve Bank of India (RBI) including any amendment of the Act and / or the Regulations or re-enactment of the Act, and the enabling provisions of the Articles of Association of the Company and subject to such other necessary approvals, permissions and sanctions as may be necessary from any authority, consent be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof which the Board may constitute to exercise its powers, including powers conferred by this resolution) for capitalization of a sum not exceeding Rs. 3,16,69,480/- (Rupees Three Crores Sixteen Lacs Sixty Nine Thousand Four Hundred Eighty) from the Share Premium Account or such other accounts as are permissible to be utilized for the purpose of issue of Bonus Shares of Rs.5/- (Rupees Five) each, credited as fully paid up Equity Shares to the holders of the Equity Shares of the Company as on the 'Record Date' to be determined by the Board for the purpose, in the proportion of 1 (One) Bonus Share of Rs.5/- each, for every existing 1 (One) fully paid-up Equity Share of Rs.5/- each held by them and that the Bonus Shares so distributed shall, for all purposes, be treated as an increase in the nominal amount in the Share Capital of the Company held by each such member, and not as income;
- (b) that the Bonus Shares so allotted shall rank pari passu in all respects with the fully paid-up Equity Shares of the Company as existing on the Record Date, save and except that they shall not be entitled to any dividend in respect of any financial year up to and including year ended on 31<sup>st</sup> March, 2010;
- (c) that the Bonus Shares so allotted shall be subject to the terms and conditions contained in the Memorandum and Articles of Association of the Company;
- (d) that no letter of allotment shall be issued in respect of the Bonus Shares but in the case of members who hold



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Equity Shares in dematerialized form, the Bonus Shares shall be credited to the respective beneficiary accounts of the members with their respective Depository Participants and in the case of members who hold Equity Shares in physical form, the share certificates in respect of the Bonus Shares shall be dispatched, within the prescribed time limit;

- (e) that the Board be and is hereby authorized to take necessary steps for listing of such Bonus Shares on the Stock Exchanges where the Equity Shares of the Company are listed in terms of the Listing Agreement and other applicable guidelines, rules or regulations;
  - (f) that pursuant to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and consequent to the issue of bonus shares, the Board and / or Compensation Committee be and is hereby authorized to make fair and reasonable adjustment in the price and number of shares to be issued against stock options, whether vested or to be vested and / or exercised or to be exercised under Employee Stock Option Scheme 2007 and its decision shall be final and binding to all the employees of the Company covered under Employee Stock Option Scheme 2007.
  - (g) that for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and give such directions as may be necessary or expedient, and to settle any question, difficulty or doubt that may arise in this regard at any stage including at the time of listing of the bonus shares without requiring the Board to secure any further consent or approval of the members of the Company to the end and intent that they shall be deemed to have given their approval thereto and for matters connected herewith or incidental hereto expressly by the authority of this resolution and the decision of the Board in the matter shall be final and binding.
9. To consider and, if thought fit, to pass with or without modification the following resolution as an ordinary resolution.
- RESOLVED THAT Shri Govindbhai P. Patel 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.
10. 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. Pooja Jain Somany, a relative of Shri Vikram Somany, CMD and Shri Vidush Somany, ED of the Company, who holds an office or place of profit in the company, for holding and continuing to hold an office or place of profit as Manager – Marketing services in the Company in the scale of Rs.22,000/- - Rs. 42,000/- 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.

Regd. Office :  
9, GIDC Industrial Estate,  
Kadi – 382 715  
17th July, 2010

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

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Members are requested to notify immediately the change of address, if any, to the Company or M/s. MCS Limited, Registrar and Share Transfer Agent.
3. The Register of Members and Share transfer book of the Company will remain closed from 28.07.2010 to 29.07.2010 (both days inclusive).
4. The Board of Directors has recommended a dividend Rs.2.50 per fully paid equity share of Rs.5/- each for the year ended 31.03.2010.
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 173 (2) of the Companies Act, 1956 is annexed hereto.
8. 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 08.08.2010 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. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year 2001-02 to the Investor Education and Protection Fund (the IEPF) established by the Central Government.
10. Shareholders holding shares in Electronic Form may note that their bank account details as furnished by their depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Shareholders who wish to change such bank account details are, therefore, requested to advise their Depository Participants about such change, with complete details of bank account.

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11. 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.

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

| Name of Director                                                    | Dr. K. N. Maiti   | Shri Sajan Kumar Pasari                                                                                                                                                                                                                                                                   | Shri Mahendra Kumar Bhandari          | Shri Govindbhai P. Patel          |
|---------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-----------------------------------|
| Date of Birth                                                       | 23.09.1946        | 21.02.1947                                                                                                                                                                                                                                                                                | 13.11.1951                            | 01.08.1933                        |
| Date of Appointment                                                 | 24.05.2008        | 15.06.2004                                                                                                                                                                                                                                                                                | 19.04.2010                            | 16.07.2010                        |
| Expertise in Specific Functional Areas                              | Ceramic Scientist | Businessman                                                                                                                                                                                                                                                                               | Production, R&D and Technical aspects | Labour Matters and Administration |
| List of other Directorships                                         | -                 | Regent Estates Ltd.<br>Bajrang Factory Ltd.<br>Assam Roofing Ltd.<br>India Automobiles (1960) Ltd.<br>The Chamong Tea Co. Ltd.<br>Merrygold Properties Pvt. Ltd.<br>Kiwi Estates Pvt. Ltd.<br>Parmeshwar Estates Pvt. Ltd.<br>I A Builders Pvt. Ltd.<br>I A Property Developers Pvt. Ltd. | -                                     | -                                 |
| Chairman / Member of the Committees of the Board of other Companies | -                 | -                                                                                                                                                                                                                                                                                         | -                                     | -                                 |
| Shareholding in the Company                                         | -                 | 1,22,570                                                                                                                                                                                                                                                                                  | -                                     | -                                 |

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

##### Item No. 6

The Board of Directors has appointed Mr. Mahendra Kumar Bhandari as an additional director w.e.f. 19.04.2010 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 Mr. Mahendra Kumar 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 Mr. Mahendra Kumar Bhandari, as director, who is expert in Production, R&D and technical aspects.

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

Except, Mr. Mahendra Kumar Bhandari, none of your directors is concerned or interested in the said resolution.

##### Item No. 7

Mr. Mahendra Kumar Bhandari was appointed as an Additional Director and Director – Technical with effect from 19.04.2010 subject to approval of members of the company at general meeting.

Mr. Mahendra Kumar Bhandari has been appointed as Director - Technical of the Company for a period of three years w.e.f. 19.04.2010, by the Board of Directors at their meeting held on 19.04.2010 subject to approval of members of the Company at the

general meeting. Mr. Mahendra Kumar Bhandari, designated as Director - Technical, shall discharge duties and functions as specified in agreement executed with him subject to the superintendence, direction and control of the Board of Directors and / or Chairman-cum-Managing Director and / or Executive Director of the Company. The Company has entered into agreement with Mr. Mahendra Kumar Bhandari for his appointment as Director – Technical.

Mr. Mahendra Kumar Bhandari, Director – Technical shall be liable to retire by rotation.

However, Mr. Mahendra Kumar Bhandari shall not exercise the following powers as Director - Technical

- 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.

Mr. Mahendra Kumar Bhandari, Director – Technical appointed herein above shall be appointed as an “Occupier” of the Company as defined under section 2 of the Factories Act.

The principle terms and conditions of appointment of Mr. Mahendra Kumar Bhandari – Director -Technical are as follows:

- Period of Appointment:** Three (3) years w.e.f. 19.04.2010.



## 2. Remuneration

- i) Salary: In the range of Rs.1,65,000/- to Rs. 3,00,000/- per month, w.e.f. 19.04.2010. The next increment of salary will be due on 01.04.2011.

- ii) Perquisites:

### Category – A

- Accommodation: Free furnished housing accommodation or house rent allowance as may be mutually agreed by both the parties.
- 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.
- 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.
- Club Fees: Annual fee of one club. This, however, will not include admission and life membership fee.
- Insurance: Personal Accident Insurance of an amount annual premium of which does not exceed Rs.6,000/-
- Bonus: As per rules of the Company as applicable to other executives/employees of the Company.
- Special Allowance: As may be decided by Board of Directors and / or the Chairman-cum-Managing Director and/or Executive Director.
- Performance Incentive: As may be decided by Chairman-cum-Managing Director and/or Executive Director.

### Category - B

- Contribution to Provident Fund or Annuity Fund: As per the rules of the Company as applicable to other executives / employees of the Company.
- Gratuity: Gratuity payable in accordance with the company's scheme thereof as applicable to other executives / employees of the company.

### Category – C

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

- The Director - Technical is also entitled to the benefits as per the rules of the Company, which the other executives / employees of the Company are entitled to.

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

The Board or Committee thereof, in its absolute discretion will fix within the range stated above the remuneration payable to the Director – Technical depending on his performance.

However, total remuneration payable to all the working directors including Mr. Mahendra Kumar Bhandari shall not exceed 10% of the net profit of the company in any financial year, calculated in accordance with the provisions of Section 198, 269, 309, 311, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956. In the event of absence or inadequacy of profit in any financial year during the tenure of his appointment, total remuneration payable shall not exceed the maximum limit prescribed under Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

- 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 Director – Technical in accordance with section 198, 269, 309, 311, 349, 350, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any amendments made thereafter in this regard from time to time.
- If at any time Mr. Mahendra Kumar Bhandari ceases to be a Director of the Company for any cause whatsoever, he will cease to be the Director - Technical.
- If at any time Mr. Mahendra Kumar Bhandari ceases to be in the employment of the Company for any cause whatsoever, he will cease to be a Director and Director – Technical of the Company and if at anytime Mr. Mahendra Kumar Bhandari ceases to be a Director or Director – Technical for any cause whatsoever, he will cease to be in the employment of the Company.
- Mr. Mahendra Kumar Bhandari, Director – Technical, may resign from the service of the Company by giving three months notice in advance. Similarly, the Company has the right to terminate his service as Director – Technical at any time by giving three months notice in writing or salary in lieu thereof.

The copy of agreement entered into with Shri Mahendra Kumar Bhandari 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 except, Saturday upto the date of ensuing Annual General Meeting.

Appointment of Shri Mahendra Kumar Bhandari as Director - Technical and remuneration payable to him is approved by the Remuneration Committee by a resolution at the meeting held on 19.04.2010.

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

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

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

### I. General Information :

- (1) Nature of Industry: Manufacturing of Sanitarywares, trading of Bathroom accessories and Captive Non-conventional Energy.
- (2) The commercial production began 29 years ago.
- (3) The Company is not a new Company.
- (4) Financial Performance :as on 31<sup>st</sup> March, 2010

|                                                                                  |  | (Rs. in lacs)                         |
|----------------------------------------------------------------------------------|--|---------------------------------------|
| PARTICULARS                                                                      |  | Audited for the year ended 31.03.2010 |
| 1 a) Gross Sales                                                                 |  | 20028.44                              |
| Less : Excise Duty                                                               |  | 891.99                                |
| Net Sales                                                                        |  | 19136.45                              |
| b) Other Operating Income                                                        |  | 0.00                                  |
| Total Income                                                                     |  | 19136.45                              |
| 2 Expenditure                                                                    |  |                                       |
| a) Increase/(decrease) in stock in trade and work in progress                    |  | (767.69)                              |
| b) Consumption of raw materials                                                  |  | 1573.32                               |
| c) Purchases (Outsourcing)                                                       |  | 5862.66                               |
| d) Power & Fuel                                                                  |  | 633.47                                |
| e) Employee Cost                                                                 |  | 2546.99                               |
| f) Depreciation                                                                  |  | 610.31                                |
| g) Other expenditure                                                             |  | 5681.53                               |
| h) Total                                                                         |  | 16140.59                              |
| 3 Profit from Operations before other Income, Interest & Exceptional Items (1-2) |  | 2995.86                               |
| 4 Other Income                                                                   |  | 246.61                                |
| 5 Profit from Operations before Interest & Exceptional Items (3+4)               |  | 3242.47                               |
| 6 Interest                                                                       |  | 252.75                                |
| 7 Profit from Operations after Interest but before Exceptional Items (5-6)       |  | 2989.72                               |
| 8 Exceptional items                                                              |  | 0.00                                  |
| 9 Profit (+)/Loss (-) from ordinary activities before tax (7+8)                  |  | 2989.72                               |
| 10 Tax expenses                                                                  |  | 1028.61                               |
| 11 Net Profit (+)/ Loss (-) from ordinary activities after tax (9-10)            |  | 1961.11                               |
| 12 Extraordinary items (net of tax expenses Rs. -)                               |  | 0.00                                  |
| 13 Net Profit (+)/ Loss (-) for the period (11-12)                               |  | 1961.11                               |
| 14 Operating Profit Before Exceptional Item                                      |  | 3852.78                               |

| PARTICULARS                                                                         | Audited for the year ended 31.03.2010 |
|-------------------------------------------------------------------------------------|---------------------------------------|
| 15 Paid-up equity share capital (Face Value Rs. 5/- each)                           | 314.49                                |
| 16 Reserves excluding revaluation reserve (as per balance sheet)                    | 8537.00                               |
| 17 Earning per Share (EPS in Rs.)                                                   |                                       |
| a) Basic EPS before Extraordinary / exceptional items                               | 31.50                                 |
| Dilluted EPS before Extraordinary / exceptional items                               | 31.43                                 |
| b) Basic EPS after Extraordinary items                                              | 31.50                                 |
| Dilluted EPS after Extraordinary items                                              | 31.43                                 |
| 18 Public Shareholding                                                              |                                       |
| - No. of shares                                                                     | 2891842                               |
| - Percentage of shareholding                                                        | 45.98                                 |
| 19 Promoter and Promoters group shareholding                                        |                                       |
| a) Pledged / Encumbered                                                             |                                       |
| - Number of Shares                                                                  | 0                                     |
| - % of shares (as a % of the total shareholding of the promoter and promoter group) | 0.00                                  |
| - % of shares (as a % of the total share capital of the Company)                    | 0.00                                  |
| b) Non - Encumbered                                                                 |                                       |
| - Number of Shares                                                                  | 3397980                               |
| - % of shares (as a % of the total shareholding of the promoter and promoter group) | 100.00                                |
| - % of shares (as a % of the total share capital of the Company)                    | 54.02%                                |

(5) Exports of Goods on F.O.B. basis during the financial year 2009-10 of the Company was Rs. 366.41 lacs.

(6) The Company has no foreign investments of collaborators.

### II. Information about the appointee:

#### (1) Background Details:

Shri Mahendra Kumar Bhandari, B.E. (Mech.) is having 36 years of experience in various fields including Production, R & D, technical aspects of Ceramic Industry etc. He was President (Works) of the Company. He is appointed as Director – technical w.e.f. 19-04-2010.

#### (2) Past Remuneration:

In the year 2009-10, Rs. 37,84,993/- was paid as remuneration to Shri Mahendra Kumar Bhandari.

#### (3) Recognition or awards : Nil

(4) Job profile and his suitability : Shri Mahendra Kumar Bhandari, Director – Technical, is responsible for managing the affairs of production, R & D and other technical aspects of Production of the Company subject to the superintendence, control and direction of the Board



## Cera Sanitaryware Limited

of Directors, Chairman-cum-Managing Director and / or Executive Director. His rich experience in Production field will benefit the Company immensely.

(5) **Remuneration proposed :**

The Company proposes to pay remuneration for next three years as under to Shri Mahendra Kumar Bhandari.

Basic salary in the scale of Rs. 1,65,000 – 3,00,000 p.m. plus perquisites & allowances.

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

(6) **The comparative remuneration payable to Director – Technical, who is responsible for the production and other related affairs 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 Mahendra Kumar Bhandari does not hold any share of the Company.**

Shri Mahendra Kumar Bhandari has no pecuniary relation directly or indirectly with the Company or with managerial personnel.

### III. Other Information

(1) **Reasons of loss or inadequate profits :**

Presently the profit of the Company is adequate and it proposes to pay remuneration to the working directors of the Company as per Section-I, Part-II of Schedule XIII of the Companies Act, 1956 i.e. 10% of net profits pursuant to Sections 198, 309, 349, 350 and other applicable provision, if any, of the Companies Act, 1956.

In case of no profit or inadequacy of profit in future during the tenure of working directors, the Company proposes to pay minimum remuneration as per Section-II, Part-II of Schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time, if and to the extent with necessary approvals.

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

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

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

The Company has set up faucet ware plant, which will be operational by September, 2010. Expansion of the Faucet

Ware Plant is also on the cards. The Company also plans to expand its capacity of Sanitaryware from 2.00 million pieces to 2.7 million pieces. This step will increase the profitability of the Company considerably.

### IV. Disclosures:

(1) **Remuneration Package:**

As stated in Explanatory Statement of Item No. 7 of the Notice of this 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 2009-10.**

(3) **Stock Option :** Shri Vikram Somany and Shri Vidush Somany were not given any stock option being members of Promoters Group. Other working directors were granted stock options in January 2007 at a price of Rs.61/- per share (at 50% discount of then prevailing market price when the Employee Stock Option Scheme was framed), which were vested over a period of 3 years (1/3<sup>rd</sup> every year) after one year's vesting period. Vested options can be exercised within 18 months from the date of vesting of options.

### Item No. 8

The Board of Directors of your Company have pleasure in proposing issue of Shares by way of bonus by increasing the issued, subscribed and paid-up Share Capital of the Company to a sum not exceeding Rs. 3,16,69,480/- from the company's Share Premium Account or such other accounts as are permissible to be utilized for the purpose as per the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March, 2010 and the same is proposed to be applied in paying up in full not exceeding 63,33,896 Equity Shares of Re. 5/- each (including vested but not exercised options / unapplied - unallotted shares under Employee Stock Option Scheme of the Company) in the proportion of 1 Equity Share of Rs. 5/- each for every 1 fully paid up Equity Share of Rs. 5/- each held to the eligible members of the company as on the Record date.

The bonus shares shall be issued pursuant to the applicable provisions of the Companies Act, 1956, the Articles of Association of the Company, the Securities & Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, Reserve Bank of India (RBI) and subject to such other approvals, if any required.

The amount to be capitalized under this item includes the amount necessary for issue of Bonus Shares upon exercise of Stock Options by the Optionees in accordance with the Employee Stock Option Scheme 2007 of the Company ('the Scheme') as vested but not exercised prior to the Record Date to be determined by the Board of Directors of your Company ('the Board', which term shall be deemed to include any Committee thereof) for the purpose of issue of Bonus Shares, and may stand reduced to the extent such Options are not exercised prior to the Record Date.

Consequent upon issue of Bonus Shares, in accordance with the provisions of the Scheme read with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, fair and reasonable adjustment in price and number of shares to be issued against Stock Options granted would be required to be made in the event of issue of bonus

shares.

The fully paid-up Bonus Shares shall be distributed to the members of your Company whose names shall appear on its Register of Members in respect of shares held in the physical form, and whose names shall appear as beneficial owners as per details to be furnished by the Depositories in respect of shares held in the dematerialized form, as on the Record Date, in the proportion of 1 Bonus Share of Re. 5/- each for every existing 1 Equity Share of Rs. 5/- each held by them respectively on the Record Date.

The bonus shares so allotted shall rank pari passu in all respects and carry the same rights as the existing fully paid up Equity Shares of the Company, save and except that they shall not be entitled to any dividend in respect of any financial year up to and including year ended on 31<sup>st</sup> March, 2010.

The Directors of your Company are interested in this Resolution to the extent of their respective holdings of shares in the Company,

Your directors recommend the resolution as per item No.8 of the notice for passing by members.

**Item No. 9**

The Board of Directors has appointed Shri Govindbhai P. Patel as an additional director w.e.f. 16.07.2010 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 Govindbhai P. Patel 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 Govindbhai P. Patel, as director, who is expert in labour matters and administration.

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

Except, Shri Govindbhai P. Patel, none of your directors is concerned

or interested in the said resolution.

**Item No. 10**

Under section 314(1) of the Companies act, 1956, special resolution is required for enabling relative of director of the Company holding office or place of profit under the Company. Smt. Pooja Jain Somany, a relative of directors has joined your company's office on 01.04.2009 as Advisor – Marketing services on a monthly salary of Rs. 7,000/- plus some allowances. Smt. Pooja Jain Somany be promoted as Manager – Marketing Services w.e.f. 01.04.2010, carrying monthly salary in the grade of Rs.22,000/- – Rs. 42,000/- but total remuneration shall not exceed Rs.48,000/- per month. She is wife of Shri Vidush Somany, ED and daughter in law of Shri Vikram Somany, CMD.

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. Pooja Jain Somany holding and continue to hold office or place of profit with the Company as per the resolution. The members are also requested to authorise the Board of Directors and/or Head - Marketing Department to sanction in due course promotion of Smt. Pooja Jain 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. 10 of the notice for passing by members.

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

Regd. Office :  
9, GIDC Industrial Estate,  
Kadi – 382 715  
17th July, 2010

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

**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 31<sup>st</sup> March, 2010.

**Performance**

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

|                                                         | (Rs. in lacs)                |                              |
|---------------------------------------------------------|------------------------------|------------------------------|
|                                                         | Year ended<br>March 31, 2010 | Year ended<br>March 31, 2009 |
| Profit before Depreciation and Taxes & Exceptional item | <b>3600.02</b>               | 2746.39                      |
| Deducting there from Depreciation                       | <b>610.30</b>                | 592.81                       |
| Profit before tax & Exceptional Item                    | <b>2989.72</b>               | 2153.58                      |
| Less : Exceptional Item                                 | -                            | 163.20                       |
| Profit before Tax                                       | <b>2989.72</b>               | 1990.38                      |
| Deducting there from taxes of:                          |                              |                              |
| - Current Tax                                           | <b>1075.79</b>               | 508.05                       |
| - Fringe Benefit Tax                                    | -                            | 31.69                        |
| - Deferred Tax                                          | <b>(47.18)</b>               | 139.79                       |
| Profit after Tax                                        | <b>1961.11</b>               | 1310.85                      |
| Add: Balance brought forward from previous year         | <b>800.00</b>                | 600.00                       |
| Amount available for Appropriations                     | <b>2761.11</b>               | 1910.85                      |
| The proposed appropriations are:                        |                              |                              |
| 1. Proposed Dividend                                    | <b>157.25</b>                | 124.22                       |
| 2. Tax on Proposed Dividend                             | <b>26.72</b>                 | 21.11                        |
| 3. General Reserve                                      | <b>1677.14</b>               | 965.52                       |
| 4. Balance carried forward                              | <b>900.00</b>                | 800.00                       |
| <b>Total</b>                                            | <b>2761.11</b>               | 1910.85                      |

**Sanitaryware Unit**

The recession in the housing construction in India has withered away, which was evident from the last quarter of the financial year. However, for your Company, like the previous financial year, when the global recession was at its peak, the sales were well-insulated from the slowdown, thanks to its quality, brand image, well-entrenched distribution network and preference by a large number of builders.

This trend is apparent from the healthy growth in both the topline and bottomline achieved by your Company. Buoyed by the changing market scenario, your company is embarking on an expansion plan to increase the sanitaryware production capacity from the current 2 million pieces to 2.7 million pieces. This will entail addition a new fuel saving kiln and installation of high-productivity pressure-casting system, and two shuttle kilns. Your company is also Planning, construction of New fireclay plant to produce large washbasins which otherwise cannot be produced using ordinary raw materials.

With expansion as envisaged, Your Company's manufacturing facility at Kadi makes it the single largest sanitaryware plant at one location in India.

**Faucetware Unit**

Your Company has already been marketing faucets during the past few years. After successful test marketing, now your Company is entering full-fledged manufacturing of faucets. The construction of the plant is underway in Kadi, adjacent to the existing sanitaryware plant. Soon, Cera faucets will roll out from its own plant from September 2010 with initial capacity of 2500 pieces per day. Further, this capacity will be doubled to 5000 pieces a day in near future.

**Bathware Unit**

Your Company continues to market, under the brand name Cera, imported products like shower cubicles, shower panels, steam cubicles in addition to sanitaryware. This has helped your Company grow at a fast pace.

**Novellini**

Your Company has made a strategic marketing alliance with European wellness leader, Novellini SpA of Italy to import and sell their shower products, consisting of steam cubicles, massage bath tubs, equipped panels, shower cubicles, etc. in India. Novellini will do the marketing, while your Company will be responsible for logistics and sales operations.

**Power Unit**

The non-conventional wind power generation in the year was 56,76,843 KWH against 59,65,534 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.1,600 crore sanitaryware industry in India has evolved over a period of time. There are different sector now, as compared to the previous era, when there were only two segments—the organized and the unorganized sector. Now apart from these, there are foreign players who were earlier importing and selling in India and have now set up their own manufacturing facilities. Apart from this, there are some brands which still continue to market their products in India through imports. There is also large scale imports from china sold by retailers.

However, since your Company has been investing, since its launch, in brand building, CERA has been able to grow and prosper despite the turbulence the industry has been going through.

Your Company has also expanded its brand presence to other related categories like showers, faucets, PVC cistern - seat cover, etc. to capitalize on the strength of the brand and also to accelerate your Company's growth.

**(b) Opportunities and Threats**

The housing construction is on a recovery mode in India from the past slowdown. This is an excellent opportunity for your Company to grow. Though there are threats from foreign brands, CERA's brand equities and service parameters makes it a tough competition.

**(c) Outlook**

Your Company has a strong brand equity and loyal distribution network. Your Company has been making all out efforts

consistently 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 housing developers. Thus we are 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 global standards. The past innovations of the 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.

**(d) Risks and Concerns**

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

**(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 shortage of quality manpower, the thrust of your Company has been on talent improvement through training programmes.

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

**(h) Employees Stock Option Scheme**

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

Accordingly, NIL (previous year NIL) options were granted to the eligible employees during the year under review. During the year 59,022 (previous year 75,060) options were vested with the eligible employees and 60,471 options were lapsed due to non exercise by employees. Further, during the year 78,958 options were exercised and equal number of equity shares have been issued towards second & third trench 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 in the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ❖ that such accounting policies have been selected and applied consistently and made judgments and estimates that 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, 2010 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.

**Bonus Shares**

Your directors are pleased to recommend, subject to the approval of members at the General Meeting, issue of Bonus shares in the proportion of 1 (one) Bonus Share of Rs. 5/- each for every existing 1 (one) fully paid equity share of Rs. 5/- each held by the members on the "Record Date".

**Dividend**

Your Directors recommend a dividend of 50% (Rs. 2.50 per share) (Previous year 40%, Rs. 2.00 per share) on 62,89,822 (Previous year 62,10,864) Equity Shares of Rs. 5/- each fully paid for the year ended 31.03.2010, 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. 35.11 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 31.03.2010 was Rs.18.10 lacs. There were 12 Fixed Deposit holders with Rs. 4.11