Annual Report
2011-12

WHERE GROWTH HAS BECOME A HABIT.....

CERA

Cera Sanitaryware Limited

Style now thinks out of the box



CERA

Cera, synonymous with stylish ranges and innovative designs,
reflects this thought with a new logo.
Cera, the creator of imaginative bathroom solutions,
starts an exciting new journey,
where the spirit of freshness crafts waves of spectacular style.
Cera, Same innovative spirit. Fresh new look.
www.cera-india.com

ANNUAL REPORT 2011-2012 CERA Cera Sanitaryware Limited

Board of Directors

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

Bankers

State Bank of India
ICICI Bank Ltd.

Auditors

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

Registered Office

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

Works

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

Marketing 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 Wednesday, the 12th day of September, 2012 at the Registered Office.

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of **CERA SANITARYWARE LIMITED** will be held at 11.30 a.m. on Wednesday, the 12th day of September, 2012 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 Statement of Audited Profit and Loss Account for the year ended 31st March, 2012 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 a special resolution.

   "RESOLVED THAT pursuant to the provisions of Section 309(4) and other applicable provisions, if any of the Companies Act, 1956 a sum not exceeding 1% p.a. of the net profits of the Company calculated in accordance with the provisions of Sections 198, 309, 349 , 350 and other applicable provisions, if any, of the Companies Act, 1956 be paid to and distributed among the directors not in whole time employment of the Company in such manner, as the Board of Directors may from time to time determine and in default equally in each financial year of the company for a period of 5 years, commencing from 1*st April, 2013 upto 31st March, 2018.*"

Regd. Office :
9, GIDC Industrial Estate,
Kadi – 382 715
11th July, 2012

By Order of the Board of Directors

Narendra N. Patel
President & 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 27.08.2012 to 07.09.2012 (both days inclusive).

4. The Board of Directors has recommended a dividend of ₹ 3.00 (60%) per fully paid equity share of ₹ 5/- each for the year ended 31.03.2012.

5. Members / Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.

6. Members are requested to send their queries at least ten days before the date of the meeting so that the information can be made available at the meeting.

7. Explanatory Statement pursuant to Section 173 (2) of the companies Act, 1956 is annexed hereto.

8. Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends up to the financial year 2003-04 to the Investor Education and Protection Fund (the IEPF) established by the Central Government.

9. Shareholders holding shares in Electronic Form may note that their bank account details as furnished by their depositories to the Company will be printed on their dividend warrants as per the applicable regulations of the depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Shareholders who wish to change such bank account details are, therefore, requested to advise their Depository Participants about such change, with complete details of bank account.

10. All the documents, if any, referred to in this notice and explanatory statement are available for inspection of the members at the registered office of the Company on any working day except Saturday, between 11:00 a.m. to 1:00 p.m. up to the conclusion of this meeting.

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

Name of Director	Dr. K. N. Maiti	Shri Sajan Kumar Pasari
Date of Birth	23.09.1946	21.02.1947
Date of Appointment	24.05.2008	15.06.2004
Expertise in Specific Functional Areas	Ceramic Scientist	Businessman
List of other Directorships	-	Regent Estates Ltd. Pegasus Infra Estates Ltd. Assam Roofing Ltd. India Automobiles (1960) Ltd. The Chemong Tea Co. Ltd. West Wing Estates Ltd. Arcus Estates Pvt. Ltd. I A Builders Pvt. Ltd. I A Property Developers Pvt. Ltd.
Chairman / Member of the Committees of the Board of other Companies	-	-
Shareholding in the Company	Nil	2,45,140

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

Item No. 6

Section 309(4) of the Companies Act, 1956, provides that in the case of the directors who are not in the whole-time employment of the Company, the shareholders, may by Special Resolution, authorize the payment of commission for a period of five years. Members of the Company at their Annual General Meeting held on 12.09.2008 have approved the payment of 1% commission to the directors not in whole time employment of the Company, for a period of 5 years from 01.04.2008 to 31.03.2013 . As such the same may be renewed for further period of 5 years w.e.f 01.04.2013. Accordingly, the directors other than the Whole Time Directors be paid commission not exceeding 1% of the net profits of the Company, calculated in accordance with the provisions of Sections 198, 309, 349, 350 and other applicable provisions, if any of the Companies Act, 1956 for a period of 5 years from 01.04.2013. This amount will be distributed among all or some of the non working Directors in such manner, as the Board of Directors may from time to time determine and in default equally, in each financial year.

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

All the Directors except Shri Vikram Somany, Shri Vidush Somany and Shri M. K. Bhandari, may be deemed to be interested or concerned in the said resolution.

Regd. Office :
9, GIDC Industrial Estate,
Kadi – 382 715
11th July, 2012

By Order of the Board of Directors

Narendra N. Patel
President & 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 31st March, 2012.

Performance

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

(₹ in lacs)

	Year ended March 31, 2012	Year ended March 31, 2011
Profit before Depreciation and Taxes & Exceptional item	**5620.60**	4805.18
Deducting there from Depreciation of	**770.52**	653.03
Profit before Tax	**4850.08**	4152.15
Deducting there from taxes of:		
- Current Tax	**1670.00**	1432.03
- Deferred Tax	**(23.57)**	66.04
Profit after Tax	**3203.65**	2654.08
Add: Balance brought forward from previous year	**1100.00**	900.00
Amount available for Appropriations	**4303.65**	3554.08
The proposed appropriations are:		
1. Proposed Dividend	**379.64**	316.37
2. Tax on Proposed Dividend	**61.59**	51.32
3. General Reserve	**2462.42**	2086.39
4. Balance carried forward	**1400.00**	1100.00
Total	**4303.65**	3554.08

Your Company has continued to grow substantially due to brand building and distribution initiatives.

The well-entrenched distribution network of your Company is getting a boost by opening of CERA Bath Galleries in different towns.

Sanitaryware Unit

Your Company is expanding its production capacity, to meet the increasing demand. The production capacity will go up to 2.7 million pieces per annum from 2.0 million pieces on completion of expansion programme, which is under progress.

Faucetware Unit

Your Company's Faucetware plant has already gone on –stream in September 2010. After successful production of half-turn series and quarter-turn series, the plant is now producing high end single lever series. Automatic CNC machines and automatic polishing machine were installed, which facilitates the plant to produce more premium ranges.

Bathware Unit

Your Company continues to import and market, under the brand name CERA, wellness range, consisting of products like shower cubicles, shower panels, steam cubicles in addition to high end sanitaryware.

Your Company has also added other products like kitchen sinks, mirrors and sensor products to its range under Bathware.

Power Unit

The non-conventional wind power generation remained at 52,55,614 KWH against 43,81,473 KWH in the previous year. The installed capacity of wind power unit of the company is 4.975 M.W.

Corporate Governance and Management discussion and Analysis

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Report on Corporate Governance along with the Auditors' statement on its compliance and Management discussion and Analysis have 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, 2012 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 ₹ 3.00 per share (60%) (Previous year ₹ 2.50 per share (50%)) on 1,26,54,874 equity shares of ₹ 5/- each fully paid for the year ended 31.03.2012, 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 ₹ 64.92 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 31.03.2012 was ₹ 3.52 lacs. There were 06 Fixed Deposit holders with ₹ 2.74 Lacs of unclaimed / unrenewed deposits as on 31.03.2012. 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 ₹ 4871.33 lacs.

Finance

During the year under review, the Company repaid loans of ₹ 692.00 Lacs to Financial Institutions and Banks.

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, 2012 is annexed.

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).

No eligible employee exercised options during the year. 32 options were lapsed due to non-exercise by employees. The exercise period of all options have expired on 09.07.2011 and no granted options are outstanding after that date under Employees Stock Option Scheme 2007 (ESOS 2007).

Directors

Dr. K.N. Maiti and Shri Sajan Kumar Pasari are due to retire at the end of ensuing Annual General Meeting and being eligible offered themselves for re-appointment.

Brief resumes of Dr. K.N. Maiti and Shri Sajan Kumar Pasari, Directors 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, offer themselves for re-appointment. The Board recommends their re-appointment at the ensuing Annual General Meeting.

Insurance

The Company has adequately insured all its properties including Plant and Machinery, Buildings 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 Ltd, Yes Bank Ltd and various departments of both State and Central Governments.

For and on behalf of the Board of Directors,

Ahmedabad.
11th July 2012

Vikram Somany
Chairman and Managing Director

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, 2012.

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 (DSIR), Government of India, since 1989. It has been relentlessly working for improvement in quality of products, cost reduction through waste minimization and pollution abetment to keep the company ahead in market competition.

Some innovative R&D activities carried out and commenced commercial production during the year under report are :

- ❖ Development of an opaque glaze with extra-ordinary whiteness has been completed for better aesthetic appeal look and then introduced in commercial production. The glaze has been named as Snow White. Cera Sanitaryware products covered with snow-white glaze has been voted as the product of the year in Sanitaryware Category for the successive second year in a row.
- ❖ Several dark coloured glazes have been developed utilizing stains from indigenous source through import substitution and also commenced commercial production.
- ❖ Development of a new body in which recycling of fired waste (pitcher) in the composition is increased. Thus the said development has helped in reducing solid waste as well as reduce the consumption of raw materials thereby natural resources are also conserved.

2. Benefit derived as a result : With the introduction of new sources and import substitution of raw materials, colours etc., the cost of production has reduced significantly.

3. Future plan of action :

- ❖ To minimize imports through utilization of raw materials and other inputs from indigenous sources for better inventory management and cost reduction.
- ❖ To develop various glazes matching to the international standards of quality.
- ❖ To develop crack resistant body and matching glazes with a view to mature the products at a lower maturing temperature for energy conservation.

4. Expenditure on R & D

a)	Capital	:	₹ 3.34 Lacs
b)	Recurring	:	₹ 65.68 Lacs
c)	Total	:	₹ 69.02 Lacs
d)	Total R & D Expenditure as a percentage of total turnover	:	0.22%

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 value) worth ₹ 392.43 Lacs.

Total foreign exchange used	:	₹ 4746.03 Lacs
Total foreign exchange earned	:	₹ 392.43 Lacs

Annexure to the Directors' Report

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2012.

A. Names of employees employed through out the year and were in receipt of remuneration of not less than ₹ 60,00,000/- during the year:

Sr. No.	Name & Age (Years)	Designation/ Nature of Duties	Remuneration (₹)	Qualifications & Experience (Years)	Date of commencement of employment	Last Employment, Name of employer, Post held and period (Years)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Shri Vikram Somany (62 years)	Chairman and Managing Director	2,56,98,495	B.Sc., FCMI (U.K.) (38 years)	13.08.2002	Madhusudan Industries Limited Chairman cum Managing Director (1 year)
2	Shri Vidush Somany (31 years)	Executive Director	1,89,67,755	Bachelors Degree in Management Studies (U.S.A.) (7 years)	15.06.2004	-
3	Shri M.K.Bhandari (60 years)	Director - Technical	60,94,382	B.E (Mech.) (38 years)	13.06.1992	Willard India Limited V.P. (Operations) (3 Years)

B. Names of employees employed for part of the year and were in receipt of remuneration of not less than ₹ 5,00,000/- per month:

NIL

Notes :

1. Gross remuneration as above includes Salary, Incentives, Company's contribution to Provident Fund, Leave Encashment, Leave Travel Reimbursement, Medical Expenses Reimbursement, House Rent Allowance, Housing Accommodation and Monetary value of perquisites calculated in accordance with the provisions of Income Tax Act, 1961 and Rules made there under.
2. Shri Vikram Somany is father of Shri Vidush Somany, Executive Director of the Company.

Annexure to the Directors' Report

Management Discussion and Analysis

Your Company's healthy growth record continues year after year only and the growth got bettered in this fiscal.

The uninterrupted growth of your Company, despite the clouds of housing construction slow down, is due to the marketing efforts and product quality. On the marketing front, your Company inducted Miss Dia Mirza, a well-known celebrity from the film fraternity, as CERA's brand ambassador. The new television commercials, print advertisements featuring Miss Dia Mirza in various media were released during the year.

Your Company also strengthened its CERA Care division with induction of technicians for taking care of its after-sales services in all key cities of the country.

Another milestone in improving the retail experience of customers is inauguration of CERA Style Studio in Mumbai in the prime western suburb Veera Desai Road in Andheri (West).

a) Industry Structure and Developments

Your Company's brand CERA, with its impeccable legacy of over three decades, continue to grow, much above the industry rate, despite the competition from peer brands-both domestic and international. Your Company's well-entrenched and loyal distribution network, nation-wide teams for quick response in sales and service, immaculate product quality, and continuous advertising and promotion of the brand through television, print, OOH and POP have helped place CERA in an enviable platform in the minds of the customers.

Your Company's brand extension to other related categories like showers, faucets, PVC cisterns, seat covers, etc. has also helped in accelerating the growth. Such brand extensions will continue in the coming years as well, which will help CERA establish eventually as a total home solutions brand and place the brand ahead of its peers.

The industry structure remains unchanged with domestic and International brands vying for space in the Indian market and for getting larger shares.

b) Opportunities and Threats

Though there was no significant drop in housing construction rate in the fiscal under review, the fears of Euro-zone cloud looming over India too is not ruled out. However, your Company is unperturbed by such prediction because of its well-established mid-segment positioning in the market. The demand in mid-segment housing is likely to be least affected by any impending slow-down and hence your Company is confident of maintaining the growth rate.

c) Outlook

Your Company's brand CERA has strong equity, loyal and dedicated network. The width of distribution network is also being increased continuously for across India to reach out to tier two towns, where there is huge potential.

In addition to this, your Company has been continuously present in television and print media and today, CERA has near top-of-mind recall amongst architects, interior designers and builders.

Your Company is also been fortifying its rapport with housing developers and influencers like architects, interior designers and plumbing consultants. This is being done through personal contacts by your Company's sales team as well as through sponsorship of get-togethers by the organizations of these personnel like CREDAI, IIA, IIID, IPA, etc.

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 Style Studios is now extended to more cities. One such CERA Style Studio was opened in Andheri West in Mumbai. Soon, another CERA Style Studio in Gurgaon will be opened.

The CERA Style Galleries opened in several cities in collaboration with CERA dealers have been a success, with many more dealers coming forward for opening such Galleries. Already 36 CERA Style Galleries are functional all over the country.

Together, the CERA Style Studios and CERA Style Galleries have been of great impact in improving the retail experience for prospective customers and institutional buyers of CERA.

d) Risks and Concerns

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

(e) Internal Control Systems and their adequacy

The Company has an 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.

CERA's manpower strength as on March 31,2012, stands at 1895.