

ANNUAL REPORT
2015-16

Vision that Sustains
Value



CERA
CERA Sanitaryware Limited

CERA
better expressed as...



- C**LASSY • Admirably Skilful and Graceful
- E**XQUISITE • Pleasing Through Beauty and Perfection
- R**ITZY • Ostentatiously Fancy and Stylish
- A**WESOME • Inspiring Feelings of Wonder and Awe



Present Board of Directors

Shri Vikram Somany	- Chairman and Managing Director
Smt. Deepshikha Khaitan	- Vice Chairperson (Non-Executive)
Shri Sajan Kumar Pasari	
Dr. K. N. Maiti	
Shri Lalit Kumar Bohania	
Shri Govindbhai P. Patel	
Shri Atul Sanghvi	- Executive Director

Bankers

State Bank of India

Auditors

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.
www.cera-india.com; Phone : (02764) 242329, 262619, 262638; Fax : (02764) 242465
E-mail : kadi@cera-india.com; CIN : L26910GJ1998PLC034400

Sales & Marketing Office

"Madhusudan House", Opp. Navrangpura Telephone Exchange, Ahmedabad - 380 006.

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.
 - d) Vill. Jivapar (Anandpar), Tal. Chotila, Dist. Surendranagar, Gujarat.
 - e) Vill. Mota Gunda, Tal. Bhanwad, Dist. Devbhumi Dwarka, Gujarat.
 - f) Vill. Navagam, Tal. Bhanwad, Dist. Devbhumi Dwarka, Gujarat.

Registrar & Share Transfer Agent

MCS Share Transfer Agent Limited,
201, Shatdal Complex, 2nd Floor, Opp. Bata Show Room, Ashram Road, Ahmedabad - 380 009.

President & Company Secretary

Narendra N. Patel

Contents	Page No.
Notice	2
Directors' Report	7
Corporate Governance Report	27
Secretarial Audit Report	34
Independent Auditors' Report	36
Balance Sheet	40
Statement of Profit & Loss	41
Cash Flow Statement	42
Notes forming part of the Financial Statements	43
Independent Auditors' Report (Consolidated)	56
Consolidated Financial Statements	59

**Annual General Meeting at 11.30 a.m. on Friday,
the 29th day of July, 2016 at the Registered Office.**

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of CERA SANITARYWARE LIMITED will be held at 11.30 a.m. on Friday, the 29th day of July, 2016 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 receive, consider and adopt the financial statements of the Company for the year ended 31st March, 2016 including statement of Audited Profit and Loss and Cashflow Statement for the year ended 31st March, 2016, 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 Smt. Deepshikha Khaitan (DIN – 03365068), who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), K. G. Goyal & Co., Cost Accountants appointed as Cost Auditors by the Board of Directors of the Company, as per the recommendation of Audit Committee to conduct the audit of the cost records of the Company for the financial year ending March 31, 2017, be paid the remuneration of ₹ 60,000/- p.a. plus out of pocket expenses and service tax, if any.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 188 of the Companies Act, 2013 ("the Act"), the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable rules, if any and applicable regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and such other approvals, consents or permissions of any authority as may be necessary, approval of the members of the Company be and is hereby accorded to the Audit Committee and/or the Board of Directors to authorize the management of the Company to enter into Agreement / transaction(s) as may be appropriate, with Anjani Tiles Limited (Subsidiary Company), being related party as defined under Section 2(76) of the Companies Act, 2013, for purchase of goods, materials and job work, if any, on such terms and conditions as may be mutually agreed upon between the

Company and Anjani Tiles Limited (Subsidiary Company) for an amount not exceeding in aggregate ₹ 150 Crore (Rupees One Hundred and Fifty Crore only) in each financial year for two years.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary or expedient to give effect to this resolution."

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

"RESOLVED THAT pursuant to the provisions of Section 188 of the Companies Act, 2013 ("the Act"). The Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable rules, if any and applicable regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof for the time being in force) and such other approvals, consents or permissions of any authority as may be necessary, approval of the members of the Company be and is hereby accorded to the Audit Committee and/or the Board of Directors to authorize the management of the Company for the retaining of the services of Dr. Kedar Nath Maiti, who is a related party u/s 2(76) of the Companies Act, 2013 also a ceramic scientist and is a director on the Board of Directors of the Company to hold office or place of profit in the company at fees in the range of ₹ 4,00,000/- - ₹ 6,25,000/- per month over a period of 5 years upto 31.03.2021, 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 and Managing Director and / or Chief Executive Officer and / or Executive Director at their discretion, to decide the remuneration within the above range as may be deemed fit and proper.

Regd. Office :
9, GIDC Industrial Estate,
Kadi – 382 715
3rd May, 2016
CIN : L26910GJ1998PLC034400

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 HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in aggregate not more than ten percent (10%) of total share capital of the Company.
2. Members are requested to notify immediately the change of address, if any, to the Company or MCS Share Transfer Agent Limited, Registrar and Share Transfer Agent.
3. The Register of Members and Share transfer book of the Company will remain closed from 16.07.2016 to 22.07.2016 (both days inclusive).

4. The Board of Directors has recommended a dividend of ₹ 9/- (180%) per fully paid equity share of ₹ 5/- each for the year ended 31.03.2016.
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. Statement pursuant to provisions of Section 102 of the Companies Act, 2013 is annexed hereto.
8. The Company has transferred the unpaid or unclaimed dividends up to the financial year 2007-08 to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Members who have not encashed their dividend warrants for the financial year 2008-09 onwards are advised to write to the Company immediately claiming dividends declared by the Company.
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or to the registrar.
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.
11. Annual Report 2015-16 along with notice of the AGM, Attendance Slip, Proxy Form and process instructions and the manner of conducting E-voting is being sent electronically to all the members whose email IDs are registered with the Company / Depository Participant(s). For members who request for a hard copy and for those who have not registered their email address, physical copies of Annual Report are being sent through the permitted mode. Members who have not registered their email address are requested to get their email address registered with the Company / Depository Participants and update the same, if required.
12. 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 10:00 a.m. to 1:00 p.m. up to the conclusion of this meeting.
13. Voting through electronic means
In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 18th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL). The members shall refer to the detailed procedures on e-voting attached herewith.
14. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.
15. Members are required to vote only through the electronic system or through ballot at Annual General Meeting only and in no other form. In the event a member casts his votes through both the processes, the votes in the electronic system would be considered and the ballot vote would be ignored.
16. The e-voting period commences on 26th July, 2016 (10:00 a.m.) and ends on 28th July, 2016 (5:00 p.m.). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 22nd July, 2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
17. The e-voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 22nd July, 2016.
18. A member may participate in the Annual General Meeting even after exercising his right to vote through e-voting, but shall not be allowed to vote again.
19. Shri Umesh Parikh, partner of Parikh Dave & Associates, Companies Secretaries, (Membership No. FCS: 4152) has been appointed as the Scrutinizer to scrutinize the e-voting process and voting process at AGM in a fair and transparent manner.
20. The scrutinizer shall, immediately after the conclusion of voting at the Annual General Meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the company and make, not later than three days of conclusion of the meeting, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.
21. The Results will be declared on receipt of Scrutinizer's Report. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.cera-india.com and on the website of CDSL immediately and communicated to the NSE and BSE.
22. Shri Narendra N. Patel, Compliance Officer of the Company, "Madhusadan House", Opp. Navrangpura Telephone Exchange, Ahmedabad - 380 006, shall be responsible for addressing all the grievances in relation to this Annual General Meeting including e-voting. His contact details are **E-mail:** nk_acharya@cera-india.com, **Phone No.** 079-26449781.
23. **MEMBERS HOLDING EQUITY SHARES IN ELECTRONIC FORM AND PROXIES THEREOF, ARE REQUESTED TO BRING THEIR DP ID AND CLIENT ID FOR IDENTIFICATION.**

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

Name of Director	Smt. Deepshikha Khaitan
Date of Birth	17.03.1975
Date of Appointment	29.03.2014
Expertise in Specific Functional Areas	Legal Matters and Management
List of other Directorships	Capital Publishing Pvt. Ltd. Star Agrochem Pvt. Ltd. Indian Council of Sanitaryware Manufactures
Chairman / Member of the Committees of the Board of other Companies	—
Shareholding in the Company	39,116 Shares

Statement pursuant to provisions of Section 102 the Companies Act, 2013.

Item No. 5

The Board on the recommendation of the Audit Committee has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March 31, 2017.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an ordinary resolution as set out at item No. 5 of the notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2017.

The Board of Directors recommends the ordinary resolution as per item No. 5 of the accompanying notice for approval of the members of the Company.

None of the Directors, any other Key Managerial Person(s) of the company and their relatives are, in any way concerned or interested in the said resolution.

Item No. 6

The Company is inter-alia, engaged in the business of Manufacturing, marketing and distribution of Sanitaryware, Faucetware and trading in tiles and other bath room products. The Company in the ordinary course of its business is entering into transactions relating to Purchase of goods, materials and Job work including tiles from various parties. Anjani Tiles Limited (Subsidiary Company) is Related Party within the meaning of Section 2(76) of the Companies Act, 2013 and Provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Anjani Tiles Limited commenced commercial production w.e.f. 01-04-2016. The Company has entered into agreement with Anjani Tiles Limited for purchase of its entire production of Tiles.

The transactions with the aforesaid related party are entered into in the ordinary course of business and on arm's length price. However, for abundant caution and as a good corporate practice, your directors thought it fit to get the approval of members.

Details of proposed transactions relating to purchase of tiles from Anjani Tiles Limited for period of two years with effect from 01-04-2016 will be on following terms and conditions:

The particulars of the contracts /arrangements / transactions are as under:

Name of the Related Party	Anjani Tiles Limited
Name of Director(s) or KMPs who is/are related	Shri S. C. Kothari Shri Atul Sanghvi Shri Rajesh B. Shah
Nature of Relationship	Subsidiary Company
Nature of contracts/ arrangements/transactions	Purchase of goods, materials and job work
Material terms of the contracts/ arrangements/ transactions.	At prevailing prices on arm's length basis and On Industry practice terms.
Monetary Value	Up to ₹ 150 Crores in each financial year.
Any other information relevant or important for the members to make a decision on the proposed transactions	None

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at item No. 6 of the notice for approval of related party transactions.

The Board of Directors recommends the ordinary resolution as per item No. 6 of the accompanying notice for approval of the members of the Company.

None of the Directors, any other Key Managerial Person(s) of the Company and their relatives are, in any way concerned or interested in the said resolution.

Item No. 7

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 is very helpful to the Company. He is assisting 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 consented to continue 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.

The Central Government in its letter No. SRN/A-59204081 – CL-VII dated 09.07.2009 has expressed the opinion under provision 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. Members at their Annual General Meeting held on 11.07.2013, approved his appointment at remuneration up to ₹ 4,50,000/- p.m. over a period of 5 years up to 31.03.2019. Pursuant to the provisions of Sec. 197 of the Companies Act, 2013, Nomination and Remuneration Committee at its meeting held on 11.07.2014 opined that Dr. Kedar Nath Maiti possesses requisite qualification for the practice as ceramic scientist and approved the payment of remuneration as stated above. Dr. Kedar Nath Maiti is related party within the meaning of section 2(76) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Presently he is working at a remuneration of ₹ 3,00,000/- per month. It is proposed to increase his remuneration upto ₹ 6,25,000/- per month over a period of 5 years upto 31.03.2021,

depending upon his valuable and expert services, results attained by him and its impact on overall efficiency and performance of the Company.

Details of proposed transaction related to holding of office or place of profit by Dr. Kedar Nath Maiti for a period of 5 years w.e.f. 01.04.2016 will be on following terms and conditions:

The particulars of the arrangements / transactions are as under:

Name of the Related Party	Dr. Kedar Nath Maiti
Name of Director(s) or KMP who is/are related	Dr. Kedar Nath Maiti
Nature of Relationship	Holding office or place of profit by related party
Nature of contracts/ arrangements/transactions	Retaining Professional services as Ceramic Scientist
Material terms of the contracts/arrangements/ transactions	At prevailing prices on arm's length basis and on industry practice terms.
Monetary Value	Payment of monthly remuneration upto ₹ 6,25,000/- over a period of 5 years upto 31.03.2021
Any other information relevant or important for the members to make a decision on the proposed transaction	None

Letter received from the Central Government dated 09.07.2009 is available for inspection at the registered office of the Company on any working day except Saturday, between 10:00 a.m. to 1:00 p.m. up to the conclusion of this meeting.

Accordingly, consent of the members is sought by passing an ordinary resolution as set out at item no. 7 of the notice for increase in the remuneration payable to Dr. Kedar Nath Maiti, as related party transaction.

The Board of Directors recommends the ordinary resolution as per item no. 7 of the accompanying notice for approval of the members of the Company.

Except, Dr. Kedar Nath Maiti, none of the Directors, any other Key Managerial Person(s) of the Company and their relatives are, in any way concerned or interested in the said resolution.

Regd. Office : 9, GIDC Industrial Estate,
Kadi – 382 715
3rd May, 2016
CIN : L26910GJ1998PLC034400

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

Procedure on e-voting

The instructions for shareholders voting electronically are as under:

- The voting period begins on 26th July, 2016 (10:00 a.m.) and ends on 28th July, 2016 (5:00 p.m.). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22nd July, 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- The shareholders should log on to the e-voting website www.evotingindia.com
- Click on Shareholders.
- Now Enter your User ID
 - For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- Next enter the Image Verification as displayed and Click on Login.
- If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN Field. The Sequence Number is printed on the address slip. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB#	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- After entering these details appropriately, click on "SUBMIT" tab.
- Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN of Cera Sanitaryware Ltd. on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES / NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then enter the User ID and Image Verification Code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-

Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xix) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be e-mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.

- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

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, 2016.

Performance

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

	(₹ in lacs)	
	Yearended March 31, 2016	Yearended March 31, 2015
Profit before Depreciation and Taxes & Exceptional item	14578.40	11638.71
Deducting there from Depreciation of	1631.98	1546.09
Profit before Tax	12946.42	10092.62
Deducting there from taxes of:		
- Current Year	3943.12	2525.25
- Deferred Tax	656.88	800.92
Profit after Tax	8346.42	6766.45
Add: Balance brought forward from previous year	5000.00	3000.00
Amount available for Appropriations	13346.42	9766.45
The proposed appropriations are:		
1. Proposed Dividend	1170.53	812.87
2. Tax on Proposed Dividend	244.67	165.48
3. General Reserve	3931.22	3788.10
4. Balance carried forward	8000.00	5000.00
Total	13346.42	9766.45

Transfer to Reserves

The Company has transferred a sum of ₹ 3931.22 Lacs to General Reserve in the current year (previous year ₹ 3788.10 Lacs).

Highlights / Performance of the Company

Turnover of the Company for the year increased by 13.63% to ₹ 933.69 Cr. as compared to ₹ 821.67 Cr. previous year.

Profit before tax for the year increased by 28.26% to ₹ 129.46 Cr. as compared to ₹ 100.93 Cr. previous year.

Profit after tax for the year increased by 23.35% to ₹ 83.46 Cr. as compared to ₹ 67.66 Cr. previous year.

The Directors are pleased to inform you that your Company has continued to grow despite adverse market conditions in 2015-16 due to its customer loyalty, distribution strength, product quality, brand equity and after-sales service.

The well-entrenched distribution network of your Company is being supplemented with an array of CERA Style Studios and CERA Style Galleries in different towns, which showcase your Company's products in an exclusive ambience.

Sanitaryware Unit

During the year the plant had run at its optimum capacity. The focus of your Company now is on premiumisation by producing more of high value items now onwards, thus maximizing its optimum capacity.

Faucetsware Unit

The new ranges and designs of Faucets have been well accepted by the market. The expansion plan of the Company has been attained in the year. Owing to this success, the Company has plans for premiumisation by producing more of high value items.

Bathware Unit

Your Company has continued to market products like kitchen sinks and mirrors to its range besides products like shower cubicles, shower panels, steam cubicles, whirlpools and importing & marketing high-end wellness range under the brand name CERA.

Tiles Unit

Your Company has successfully launched CERA tiles in all markets. The exclusive tie up with manufacturers of tiles has helped your Company maintain its quality standards which distinguishes CERA tiles.

Joint Ventures

Your Company has entered into a Joint Venture with Anjani Tiles Limited at Andhra Pradesh with 51% Equity and 55.92% Preference Share holding amounting to ₹ 19.64 Cr. for producing Vitrified Floor Tiles of 10,000 Sq. Mtr. per day having total project cost of ₹ 68 Cr. The commercial production of tiles from this plant has started from 1st April, 2016.

Green Energy Unit

As a part of national policy and Green initiative, company has stabilized power cost by generation of electricity through non-conventional sources for captive use.

The installed capacity of Non-conventional Energy unit of the Company now stands at 12.825 M.W.

The non-conventional Wind and Solar Power has produced 2,03,37,139 KWH for captive use against 1,03,61,993 KWH in the previous year.

Packaging Unit

Your Company is also proposing to enter into Joint Venture for packaging unit for manufacture of corrugated boxes with an equity of 51%. The total project outlay will be ₹ 2.70 Cr.

Conservation of energy, technology absorption and foreign exchange earnings and outgo**Conservation of energy**

The Company has two sources of energy i.e. Natural Gas is being supplied by GAIL & Sabarmati Gas Ltd., for operating the plant. The pricing and quantity of the gas is based on the availability, international pricing and contract with the company. For energy conservation Company has installed fuel efficient burners to control gas consumption and every technological development is being taken care of.

Second source of energy for running machineries is electricity supplied by local Discom. To compensate within the energy consumption by way electricity, the Company has set up Wind Turbines of 11.825 MW and 1.00 MW Solar Plant which will generate about 90% of the requirements and it will offset against monthly consumption of energy bill.

Technology absorption and foreign exchange earnings and outgo

The information on technology absorption and foreign exchange earnings and outgo stipulated under Section 134 (3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is annexed herewith as a separate Annexure-I.

Subsidiary Company

The Company has one Subsidiary company namely Anjani Tiles Limited which became subsidiary of the company w.e.f. 23rd November, 2015. It has started commercial production from 1st April, 2016. There are no associate companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act"). Further there has been no material change in the nature of business of the subsidiary.

Those Shareholders who are interested in obtaining a copy of the audited annual accounts of the subsidiary company may write to the Company.

In terms of proviso to sub section (3) of Section 129 of the Act, the salient features of the financial statement of the subsidiaries is set out in the prescribed form AOC - 1, which is attached herewith as a separate Annexure - II.

Particulars of contracts or arrangements with related parties

All transactions entered into with Related parties as defined under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and on an arm's length basis and do not attract the provisions of Section - 188 of the Act.

There were no materially significant related party transactions made by the Company with Directors, Key Managerial Personnel or other designated Persons which may have a Potential Conflict with the interest of the Company at large. All related party transactions were placed before the Audit Committee and also the Board for approval. The Policy on related Party transactions as approved by the Board is uploaded on the Company's website i.e. www.cera-india.com.

The particulars of contracts or arrangements with related parties as per Section 188(1) of the Companies Act, 2013, including arm's length transactions as per Form No.AOC-2 are enclosed as separate Annexure – III.

Corporate Social Responsibility

Your Company has always laid emphasis on progress with social commitment. We believe strongly in our core values of empowerment and betterment of not only the employees but also our communities. Following this principle the Company had laid the foundation of a comprehensive approach towards promoting and facilitating various aspects of our surrounding communities.

The Board has approved a policy for Corporate Social Responsibility and same has been uploaded on the website i.e. www.cera-india.com

As required under Section 135 of the Companies Act, 2013 and to demonstrate the responsibilities towards Social upliftment in structured way, the Company has formed a Policy to conduct the task under CSR, during the year.

The report on Corporate Social Responsibility (CSR) Activities along with Annexure as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed as a separate Annexure – IV.

Directors' Responsibility Statement

In compliance of Section 134 (5) of the Companies Act, 2013, 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 on March 31, 2016 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, 2013 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.

that internal financial controls have been laid down to be followed by the company and that such internal financial controls are adequate and were operating effectively.

that proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Managerial Remuneration and Employees

Details required pursuant to Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are enclosed as a separate Annexure –V.

Details of employees required pursuant to Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is enclosed as a separate Annexure – VI.

Company has not offered its shares to its employees under ESOS during the year under review.

Company has not sanctioned loan to any of its employees for purchase of company's shares under any scheme.

Corporate Governance and Management Discussion and Analysis

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 per separate Annexure -VIII and Annexure-A respectively.

Number of Meetings of the Board

The Board of Directors, during the financial year 2015-16 duly met 5 times on 23.04.2015, 11.06.2015, 15.07.2015, 23.10.2015 and 02.02.2016 in respect of which meetings, proper notices were given