

DECOLIGHT CERAMICS LIMITED

(Manufacturers of Vitrified Tiles & Aluminium Composite Panels)

10th Annual Report 2008-09

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Aluminium Composite Panels Beautification



Green Power Generation



Corporate Information

BOARD OF DIRECTORS (As on 31.07.2009)

Mr. GM Pethapara	- Chairman & Managing Director
Mr. KM Pethapara	- Joint Managing Director
Mr. JM Pethapara	- Whole-time Director
Mr. GM Thoriya	- Independent Director
Mr. RG Dhamasana	- Independent Director
Mr. VM Vidja	- Independent Director
Mr. VA Kaila	- Independent Director

COMPANY SECRETARY

Mr. Ramachandran Pillai

AUDIT COMMITTEE

Mr. RG Dhamasana - Chairman
Mr. GM Thoriya
Mr. VM Vidja
Mr. VA Kaila

AUDITORS

SVK & ASSOCIATES
Chartered Accountants, Ahmedabad.

REGISTRAR AND TRANSFER AGENTS

BIGSHARE SERVICES PVT. LTD.
E-23, Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (E), Mumbai – 400 072
Tel: 91-22-28470652, Email: info@bigshareonline.com

BANKERS

Bank of India, Morbi
HDFC Bank Ltd., Morbi
Punjab National Bank, Morbi
ING Vysya Bank Ltd., Rajkot
State Bank of India, Morbi

REGD. OFFICE

B/h. Romer Ceramics, Old Ghuntu Road, Morbi – 363 642.

CORPORATE OFFICE

B/h. Romer Ceramics, Old Ghuntu Road, Morbi – 363 642.

FACTORY LOCATIONS

VITRIFIED TILES : Survey No. 650 & 651 P, Old Ghuntu Road, Morbi – 363 642.

ACP UNIT : Survey No. 580 P1, Old Ghuntu Road, Morbi – 363 642.

WINDMILLS : M-15 & M-38,
Survey No. 84/P & 114/P,
Village Khadoli,
Tal.: Abdasa, Kutch.
T-1, Survey No. 283,
Village Motti Sindhodi,
Tal.: Abdasa, Kutch.

PHONE NO. : +91-2822-241156,
+91-2822-241988

FAX NO. : +91-2822-241225

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dcl@decocovering.com

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Chairman's Message

"Determination, patience and courage are necessary to improve any situation; fearing the winds of adversity does not make sense as a kite rises against the wind rather than with it"



Girishbhai M. Pethapara
(Chairman & Managing Director)

Greetings from Deco Group!

Welcome to the Tenth Annual General Meeting of the company.

Industry Scenario

VITRIFIED TILES

The dynamically growing Ceramic Tiles industry in India is stimulated by the activities of retail and real estate sectors in metro and non-metro cities. While in the Indian sub-continent, traditional products like marble, mosaic, cement flooring, etc. have been found predominantly in use; vitrified tiles being a contemporary and innovative product have also been finding wider acceptance. The construction and real estate activities, which provide growth impetus to the Ceramic Tiles Industry, were badly affected after the second half of the financial year 2008-09, especially in Tier-I and Tier II cities. With construction activities regaining in rural areas from the middle of February-2009 ceramic industry manufacturers now expect production and sales of ceramic tiles to pick up in the periods ahead. Hit by the global recession and its impacts on Indian economy, all the industries witnessed a set back and ceramic industry in general was not an exception to it; though the impact might be different for different industries.

Presently, vitrified tiles segment constitutes the size of Rs 2000 Cr out of the Rs 6500 Cr Ceramic Tiles Industry. The production of vitrified tiles has been increased to 2,90,000 sq mtrs per day contributed by about 35 units which in the year 2007-08 stood

at 1,90,000 sq mtrs per day and 25 units respectively. On global front, the consumption per head of ceramic tiles comes to 3 to 4 sq mtr in Europe, 1.6 sq mtr in China and 0.17 Sq mtr in India. With the awareness of the vitrified tiles expected to increase since the modern flooring has witnessed a paradigm shift from conventional designing to contemporary and innovative outlooks; the company believes that a sizeable portion of the current demand for traditional items like marble, mosaic and many more can be translated into vitrified tiles in the periods ahead because the invaluable aura and elegance of vitrified tiles flooring is distinctly visible. Affordable Housing in India has become the new Mantra for everyone related to the realty sector in the country. With the mushrooming aspiration of Indian middle class looking at affordable housing in and around mega cities and tier I – II cities; the demand for vitrified tiles is expected to surge. Therefore, the prospects for the company's business of vitrified tiles appear to be bright and encouraging barring unexpected adverse macro-economic conditions.

ALUMINIUM COMPOSITE PANELS

Aluminium composite panels or glazing systems are being increasingly used for sustainable construction. Today, the world has woken up to the advantages of aluminium in construction. It is lightweight and has a high strength-to-weight ratio; is non-corrosive and has high tensile strength; and enjoys high thermal conductivity and pliability. It



also provides an eco-friendly option as it replaces wood and promotes forest conservation. The use of Aluminium Composite Panel continues to find wider acceptance in Europe, USA and China because of the substantial energy cost savings that the product offers in centralized air-conditioning set up. In the context of India's upcoming construction and realty activities in the office segment, IT parks, shopping malls and hotels, SEZs, redevelopment of airports and construction activity related to the Commonwealth Games in 2010, opportunities are galore for any suppliers of quality aluminium composite panels. In fact, a 20 per cent growth is projected for architectural products and advanced engineering materials. The market size of aluminium composite panels for architectural requirements in India is estimated to be around 2 million sq m, and about another 70,000 sq m for displays. I am therefore confident that the company's aluminum composite panels business will see newer and bright opportunities and prospects in the periods ahead.

WIND POWER

Wind Power has become one of the prominent power generation technologies among the renewable energy production methods. Publicly available information shows that India has a renewable power generation capacity of 13,878.58MW, which is not even 10% of the total power generation capacity of 147,000MW in the country. Of this, wind power accounts for around 7,844MW. The 11th Five Year Plan ending 2012 has set a target of 14,000 MW of grid interactive and distributed / decentralized renewable power generation capacity, including 10,500 MW of wind energy. The leading other countries in Wind Power installation include USA, Germany, Spain and China. The company has a total capacity of 4.60 MW out of Wind Power Generation contributed by two 1.25 MW WTGs and one 2.10 MW WTG which in essence meets about 70% of company's electric power requirements.

Operational Performance

During the year under review, your company's total income from operations stood at Rs 7272.15 lakhs with a PAT of Rs 282.25 lakhs. Detailed workings and performances of the company are available in the Directors Report and Audited Reports and Balance Sheet and Profit & Loss Accounts forming part of the Annual Report. The performance of the company was not satisfactory due to bleak market conditions, rising input cost and intense competition in the vitrified tiles segment and to come out of this the company opened up about thirty-two representative sales depots in different part of the country involving substantial expenditure in the initial year of step. Presently the Company boasts of about 400 authorized dealers in ceramic tiles. The Company's marketing strategy is on the line of providing almost all the varieties of ceramic tiles including floor and wall tiles at one place and therefore the company has been stocking different varieties of ceramic tiles so as to provide the customers more choices and options. Thinking on these lines, the marketing net work of the company will be strengthened further and consequently the sales of the company's product is expected to surge. In this background, it is expected that the existing marketing facilities can support the company achieve a sales turn over of more than Rupees One Hundred crores in year 2009-10. Besides, hoping that the outlook of the global and Indian economy will be on positive growth trajectory and construction and real estate activities which provide growth impetus to the tiles industry would be on track in the periods ahead; I am optimistic taking the company to healthy growth and greater heights in the period ahead.

Vitrified Tiles Unit

The company's existing capacity of its vitrified tiles stands at 12000 SMPD. It was the plans of the company to enhance the production capacity to 21000 SMPD during the year 2008-09 but owing



to the ongoing down turns in the construction and realty sectors, the company did not pursue the plans of expansion for at least the economy is turned up.

Aluminium Composite Panel Unit

The Company has started Commercial Production of its Aluminium Composite Panel (ACP) Unit in the last week of May 2008. The present installed capacity of the unit is 25,000 Sq. Ft. per day. While the company was overcoming the initial teething troubles particular to new unit in the initial year of set up and commercial production, the construction, realty and infrastructure sectors started slowing down in activities and as a result sales of aluminum composite panels plummeted and its commercial production disturbed. With the signs of revival of the economy round the corners, I am confident that avenues for growth and development in this new area of business for the company will be available in the coming periods.

Windmill Power Generation Unit

I am pleased to inform that the company has already installed and commissioned two WTG of 1.25MW each and another one WTG OF 2.10 MW at Village: Kadoli, Tal.: Avdasa, Dist.: Kutch, Gujarat, whereby taking the total Wind Mill Power Generation capacity to 4.60 MW. While the two WTG of 1.25 MW are working satisfactorily, the third one of 2.10 MW is put on watch because of the performance not picking up to the desired level. Efforts are on to increase the performance of this 2.10 MW on which the company has the credit of being first in India to embark on such venture. During the year under review the company could generate 78.46 lakhs units of wind power from all the three units; a feat in the history of the company that contributed about 70% of company's total power requirements.

Clean Development Mechanism Project

As part of environmental programmes, the Company was contemplating development of three Clean Development Mechanism Projects involving a) 4.6 MW Wind Power Project; b) Fuel switch from fossil fuel based producer gas to Natural Gas; and c) Fuel switch over from fossil fuel to biomass. It was earlier expected that the projects would become fully functional before 31st March 2009. In this context, I am pleased to inform that the Company has received Host Country Approval from the Ministry of Environment & Forests, New Delhi, for all these projects in August – October 2008. While the Projects are under Third Party evaluation at present, it is anticipated that it would take some more time to complete the entire procedural formalities before being eligible to get registration from United Nations Framework Convention on Climate Change.

Marketing Outlook

During the year under review, the company has set up thirty-two representative sales depots at different cities and potential sales points to augment sales of the company in the context of the impending slow down in economic activities. Increasing the penetration level is one of the cardinal requirements for the company to grow and sustain and to consolidate its presence in the ceramic tiles industry further. Penetration on a deeper scale has therefore been planned with the plans of further exploring potential sales points where representative sales depot can be set up, strengthening the man power resources in the marketing wing, launching new products, increasing authorized retail network, and divesting of non-viable sales depots, etc. The newly launched Glazed vitrified tiles in design, special effect and colour collaboration with a Spanish vendor and another product, Rustic vitrified tiles for flooring in 60 x 60 cm as well as for all other



applications are all focused your company to enrich its product portfolio and to take the company to greater heights in the periods ahead.

Health and eco-friendly Initiatives

During the year under review, free medical check ups were organized in the plant premises of the company. Recently a Primary Health Centre has been started for providing free of cost medical services to the nearby village inhabitants and general public. Besides, the company has undertaken certain eco-friendly plantations in the nearby village of Morbi namely "Biliya". Additional eco-friendly plantations in the area surrounding the Aluminium Composite Panels unit are also planned.

Corporate Governance

Your Company is committed to the continued adoption and adherence to good Corporate Governance practices as the Company continues to believe that implementing good corporate governance practices add value and thus contribute to the overall performances.

Investor Relations

The investors' relations were cordial and flawless during the year under review. There were no complaints from investors during the year under review for which credit goes to Bigshare Services Pvt. Ltd., the existing Registrar & Share Transfer Agent, who have recently launched Gen-Next Investor Module i'Boss the most advanced tool to

interact with shareholders. Please log on to i'Boss (www.bigshareonline.com) and help them serve you better.

Preferential issue of shares and allied matters

In order to augment the required financial resources and to take the Company on desired growth track, the Company is planning to launch this year issue of convertible warrants through preferential issue of shares and/or issue of convertible warrants/shares through GDR/ADR/QIP route.

Conclusion

Finally, I convey my sincere gratitude to all shareholders and stakeholders of the Company. I also wish to place on record the support of Board Members, Customers, Business Associations and Employees of the Company and the cooperation extended by the government and look forward the same in the future too.

On behalf of the Board of Directors of the Company, my best wishes for the periods ahead!

Girishbhai M Pethapara

Chairman and Managing Director

Place : Morbi

Date : 31st July, 2009

Notice

TO THE MEMBERS

NOTICE is hereby given that the **TENTH ANNUAL GENERAL MEETING** of the Members of **DECOLIGHT CERAMICS LIMITED** will be held at the **Registered Office of the Company at Old Ghuntu Road, Behind Romer Ceramics, Morbi – 363 642, Dist: Rajkot, Gujarat, India, on Monday, the 7th September, 2009 at 12.30 p.m.** to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2009 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a director in place of Shri Rajendra D Dhamasana, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a director in place of Mr Jayantibhai M Pethapara, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint SVK & ASSOCIATES, Chartered Accountants, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration and to pass the following resolution:

“Resolved that M/s SVK & Associates, Chartered Accountants, be and are hereby reappointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting on such remuneration as may be determined by the Board of Directors in consultation with the Auditors.”

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** Mr Vijaybhai Maganlal Vidja who was appointed as Additional Director of the Company under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 141 of the Articles of Association of the Company and who holds such office up to the date of this Annual General Meeting and who is eligible for reappointment and in respect of whom the Company has received a notice in writing along with a deposit of Rs 500/- (Rupees Five Hundred Only) from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation”

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

“**RESOLVED THAT** Mr Vasant Avacharbhai Kaila who was appointed as Additional Director of the Company under Section 260 and other applicable provisions, if any, of the Companies Act, 1956, read with Article 141 of the Articles of Association of the Company and who holds such office up to the date of this Annual General Meeting and who is eligible for reappointment and in respect of whom the Company has received a notice in writing along with a deposit of Rs 500/- (Rupees Five Hundred Only) from a member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of

Director, be and is hereby appointed as a Director of the Company and shall be liable to retire by rotation”

7. 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 Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies act, 1956 or any statutory amendment, re-enactment or modification(s) thereto and subject to such further consent as may be necessary, approval of the Company be and is hereby accorded to the reappointment of Mr. Girishbhai. M. Pethapara as the Chairman & Managing Director of the Company, not liable to retire by rotation, for a period of three years with effect from 1st October, 2009 upon the terms, conditions and remuneration as approved by Remuneration Committee and Board of Directors of the Company as contained in the draft agreement placed in this meeting”

“RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII of the Companies, 1956, the Board of Directors or Committee(s) thereof be and are hereby authorized to vary or increase / decrease the remuneration including basic salary, perquisites, allowances, benefits, etc. within such prescribed limits / ceiling and the aforesaid draft agreement between the Company and Mr Girishbhai M Pethapara be suitably amended to give effect to such modification, relaxation or variations without any further reference to the Company in General Meeting”

“RESOLVED FURTHER THAT, in the event of any loss, absence or inadequacy of profits in any financial year of the Company during the tenure of Mr. Girishbhai M. Pethapara as Chairman & Managing Director, the remuneration payable to him shall be in accordance with limits as prescribed in Part II Section II (1) (A) of Schedule XIII to the Companies Act, 1956 as amended from time to time subject to the compliance of provisions thereof but in any event the remuneration payable shall not exceed the ceiling limit of Rupees Twenty-four Lakh Per annum or Rs Two Lakh per month as per the provisions of Part II Section II (1) (A) of Schedule XIII to the Companies Act, 1956 as amended from time to time”

“RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorized to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution or otherwise considered by it be in the best interest of the Company.”

8. 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 Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies act, 1956 or any statutory amendment, re-enactment or modification(s) thereto and subject to such further consent as may be necessary, approval of the Company be and is hereby accorded to the reappointment of Mr. Kantibhai M. Pethapara as the Joint Managing Director of the Company, for a period of three years with effect from 1st



October, 2009 upon the terms, conditions and remuneration as approved by Remuneration Committee and Board of Directors of the Company as contained in the draft agreement placed in this meeting”

“RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII of the Companies, 1956, the Board of Directors or Committee(s) thereof be and are hereby authorized to vary or increase / decrease the remuneration including basic salary, perquisites, allowances, benefits, etc. within such prescribed limits / ceiling and the aforesaid draft agreement between the Company and Mr Kantibhai M Pethapara be suitably amended to give effect to such modification, relaxation or variations without any further reference to the Company in General Meeting”

“RESOLVED FURTHER THAT, in the event of any loss, absence or inadequacy of profits in any financial year of the Company during the tenure of Mr. Kantibhai M. Pethapara as Joint Managing Director, the remuneration payable to him shall be in accordance with limits as prescribed in Part II Section II (1) (A) of Schedule XIII to the Companies Act, 1956 as amended from time to time subject to the compliance of provisions thereof but in any event the remuneration payable shall not exceed the ceiling limit of Rupees Twenty-four Lakh Per annum or Rs Two Lakh per month as per the provisions of Part II Section II (1) (A) of Schedule XIII to the Companies Act, 1956 as amended from time to time “

“RESOLVED FURTHER THAT the Board of Directors, be and is hereby authorized to

do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution or otherwise considered by it be in the best interest of the Company.”

9. 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 Sections 198, 269, 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies act, 1956 or any statutory amendment, re-enactment or modification(s) thereto and subject to such further consent as may be necessary, approval of the Company be and is hereby accorded to the reappointment of Mr. Jayantibhai M. Pethapara as the Whole-Time Director of the Company, for a period of three years with effect from 1st October, 2009 upon the terms, conditions and remuneration as approved by Remuneration Committee and Board of Directors of the Company as contained in the draft agreement placed in this meeting”

“RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation by the Central Government to Schedule XIII of the Companies, 1956, the Board of Directors or Committee(s) thereof be and are hereby authorized to vary or increase / decrease the remuneration including basic salary, perquisites, allowances, benefits, etc. within such prescribed limits / ceiling and the aforesaid draft agreement between the Company and Mr Jayantibhai M Pethapara