

DECOLIGHT CERAMICS LIMITED

Regd. Office : B/h. Romer Ceramics, Old Ghuntu Road, Morbi 363 642.

14th Annual Report 2012-2013



AN ISO 9001 : 2008 & 14001 : 2004



Corporate Information

BOARD OF DIRECTORS

Mr GM Pethapara	- Chairman cum Managing Director
Mr KM Pethapara	- Jt. Managing Director
Mr JM Pethapara	- Whole-time Director
Mr VA Kaila	- Independent Director
Mr VM Vidja	- Independent Director
Mr AH Bopaliya	- Independent Director

COMPANY SECRETARY

Mr Suresh S. Dave

AUDIT COMMITTEE

Mr VM Vidja
Mr VA Kaila
Mr AH Bopalia

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
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

Survey No.650 & 651P, Old Ghuntu Road, Morbi-363 642.

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+91-2822-241988

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Notice

TO THE MEMBERS

NOTICE is hereby given that the **FOURTEENTH 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 Thursday, the 12th September, 2013 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, 2013 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 Vijay Maganlal Vidja, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a director in place of Shri Ashvin H. Bopaliya, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint SVK & ASSOCIATES, Chartered Accountants, Firm No. 118564W, as the Statutory 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, Firm No. 118564W, be and are hereby reappointed as the Statutory 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."

By order of the Board of Directors
Sd/-

Girishbhai M. Pethapara
Chairman and Managing Director

Place: Morbi
Date: 25th May, 2013

Registered Office :
B/h. Romer Ceramic,
Old Ghuntu Road,
Morbi – 363642.

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote (on poll) instead of himself and a proxy need not be a member of the Company. The proxy forms duly completed should reach the Registered office of the company not less than 48 hours before the meeting. A blank proxy form is attached herewith.
2. Corporate Members intending to send their authorised representatives are requested to send a duly certified copy of the Board Resolution authorizing the representatives to attend and vote at the Annual General Meeting.
3. Members / Proxies should bring duly filled Attendance Slip sent herewith to attend the meeting.
4. The Register of Directors' shareholding, maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
5. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 11th of September, 2013 to Thursday, the 12th of September, 2013, both days inclusive.
6. Members holding shares in physical form are requested to notify immediately changes, if any, in their registered address to Company's Registrar & Share Transfer Agent, at the below-mentioned address quoting their Folio Numbers :-

Bigshare Services Pvt. Ltd.

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

In case shares are held in electronic form, this information should be passed on directly to their respective Depository Participant (DP).

Members holding shares in physical form may please note that as per the recent changes in Listing Agreement, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company / RTAs for registration of such shares.

To serve you better, our RTA Agent has 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."

Queries on accounts may please be sent to the Company seven days in advance of the Annual General Meeting so that the satisfactory answers may be made available at the meeting.

7. Pursuant to Circular No. 17/95/2011 CL-V, dated 21.04.2011, issued by the Ministry of Corporate Affairs, Government of India, as a part of green initiative in Corporate Governance, the Companies have been permitted to send notices / documents to the members through email. Accordingly, the Company proposes to send notices / documents like the annual report in electronic

form to the members who would register their email address with the depositories, and Registrar and Transfer Agent of the Company. The Members are requested to register their email addresses by sending their details to the Registrar and Transfer Agent, Bigshare Services Pvt. Ltd. E-23, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai – 400 072, Tel: 91-22-28470652, Email:investors@bigshareonline.com

8. Share transfer documents and all correspondence relating thereto, should be addressed at the Registered Office of the Company or the Registrar and Transfer Agents of the Company.
9. Members are requested to notify immediately any change in their addresses at the registered office of the Company or to the R.T.A. of the Company.

10. Details of directors retiring by rotation and eligible for reappointment in terms of paragraph IV(G)(i) of Clause 49 of the Listing Agreement

Particulars	Mr. Vijay Maganlal Vidja	Mr Ashvin H. Bopaliya
Date of	19.06.2009 (Last reappointed as Additional Director w.e.f. 19.06.2009)	01.01.2010 (Last reappointed as Additional Director w.e.f. 01.01.2010)
Date of birth	01.01.1977	01.06.1969
Qualification	BSc (Chemistry) from MM Science College, Morbi, affiliated to Saurashtra University.	SSC from Gujarat Board
Expertise in functional area	He has ten years experience in different facts of ceramic segment including vitrified tiles polishing line technical aspects and glazed tiles product research and development filed	He has eleven years experience in Transportation and Logistics business and five years experience in Ceramic industry in production line.
List of other Limited Companies in which Directorships held	NIL	NIL
Chairmanship/ Membership of other Board Committees	NIL	NIL
Share holding in Deco Light Ceramics Ltd.	NIL	NIL

By order of the Board of Directors
Sd/-

Girishbhai M. Pethapara

Chairman and Managing Director

Place: Morbi
Date: 25th May, 2013

Registered Office :

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

Directors' Report



To,

The Members of Decolight Ceramics Limited

Your Directors are pleased to present their report on the working of the company along with the Audited Accounts for the year ended 31st March, 2013:

Financial Performance:

The details of the financial performance of the company are appearing in the Balance sheet, Profit & Loss Account along with other financial statement.

Highlights are as under:-

(₹ In lacs)

Particulars	2012-13	2011-12
Total Income from operations	1711.30	6073.81
Profit before considering Exceptional items, Prior Period Items, Interest, Depreciation and Taxation	-534.46	-182.83
Less: Interest & Financial Charges	549.28	589.08
Less: Depreciation	444.91	536.26
Profit / (Loss) before considering Exceptional Items, Prior Period Items and Tax	-1528.65	-1308.17
Less: Exceptional Items	—	-211.69
Profit / (Loss) after exceptional items and before prior period items and tax	-1528.65	-1519.86
Less: Prior period items	36.33	—
Profit / (Loss) Before Tax	-1564.98	-1519.86
Provision for taxation	-120.69	-454.31
Profit / (Loss) after Tax	-1444.29	-1065.55
Add: Balance of Profit brought forward from previous year	1698.64	2058.25
Profit available for appropriation	254.34	992.70
Add : Partly Paid Equity Convertible Warrants Forfeited	—	705.93
Appropriation to:	—	—
Proposed Dividend on Equity Shares	—	—
Balance Carried over to the Balance Sheet	254.34	1698.64

Dividend

Your directors do not recommend any dividend for the year 2012-13 due to the performance of the company not meeting management expectation.

Business Performance:

As can be seen from the financial performance highlighted above, the company could achieve income from operations of only ₹ 17 Cr as against ₹ 60.74 Cr of year 2011-12. Because of the reduced volume of sales operations owing partly to persistent recessionary conditions and partly to restricting the production in one kiln only, operational and financial expenses remained unabsorbed leading to posting a loss after Tax of ₹ 14.44 Cr for the year 2012-13 as against the reported loss after Tax of ₹ 10.65 Cr for year 2011-12. Besides, ever since the catastrophic incident occurred to the company in year 2010-11, the company's business operations affected badly. This has resulted, in addition to deferring production in one of the kilns, increased cash flow problems coupled with production disruptions. Inadequate compensation from the insurance company and lack of working capital stemming from our ongoing financial difficulty to service our bankers highly impacted and further aggravated the company operations.

During the year 2012-13, production remained exclusively in one kiln only and therefore the capacity utilization was very lower. While the management already installed a new coal gas plant and the same is in operation presently, installation of another coal gas plant is also proposed. With the installation of the new coal gas plant, management expects increased fuel efficiency, higher capacity utilization and saving in cost, especially at a situation in which the power and fuel expenses of the company is mounting day by day due to the damage suffered machinery over consuming productive resources. The management has however taken technical solutions to overcome the issues and the same are being implemented.



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It is anticipated that going steam the other kiln soon, the production activities of which has been deferred for the last two years, would contribute to increased utilization of productive capacity and increased sales turnover so as to make a turn around to absorb the losses accumulated all through the years and thus take the company on growth path.

Besides, the company has not carried out business of Aluminum Composite Panel due to non-viability of the operations owing to credit risk coupled with sales and marketing issues, henceforth it has sold substantial part of fixed assets of Aluminum Composite Panel manufacturing division.

Corporate highlights:

Capacity Expansion:

The current capacity of the company's manufacturing facilities for the production of vitrified tiles stand at 12000 sq. mtrs per day. There was no capacity expansion during the year under review.

Share Capital

Presently the company's total issued, subscribed and paid up capital stands at ₹ 48,33,54,440. The company's shares have been listed in the Bombay Stock Exchange Ltd. and The National Stock Exchange Ltd.

Fixed deposits

Your Company has not invited/accepted any Fixed Deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

Listing

The equity shares of the Company are listed with Bombay Stock Exchange (BSE), and National Stock Exchange (NSE). There are no arrears on account of payment of listing fees to the Stock Exchanges

Awards and Recognitions

During the year under review the company is not in receipt of any award or recognition.

Health, Safety, and Environment:

The Company is taking continuous steps and also developing environment friendly processes for effective resource management with specific focus to energy, water and basic raw materials. Monitoring and periodic review of the HSE Management System is done on a continuous basis with emphasis and focus given to safety at workplace. For better environment management operations, the Company has implemented a Management System complying with the requirements of ISO 14001:2004 for manufacturing of Vitrified Tiles.

Quality

The company's products undergo different quality parameter checking and the company continues to focus on delivering products and services that consistently meet customers' expectations. Quality consciousness through continual development and improvement of its all processes, procedures and systems has been inculcated throughout the plant of vitrified tiles unit. The Company has implemented a Management System complying with the requirements of ISO 9001: 2008 for manufacturing, supply and export of vitrified tiles. Strict quality control is maintained through raw materials, in line and finished products inspection.

Management Discussion and Analysis Report

Management Discussion and Analysis Report as required under the Listing Agreement with the Stock Exchanges is attached as Annexure 'A'.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company -

- i) Mr Vijay Maganlal Vidja , Director of the Company, retires by rotation and, being eligible, offers himself for re-appointment.



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- ii) Mr Ashvin H Bopaliya, Director of the Company, retires by rotation and, being eligible, offers himself for re-appointment.

Appropriate resolutions for the appointment of the aforesaid Directors are being moved at the ensuing Annual General Meeting for your approval.

Corporate Governance

The disclosures as required under the Corporate Governance have been furnished as part of this report. The Company has taken the requisite steps to comply with the recommendations concerning Corporate Governance. A report on Corporate Governance together with a certificate of compliance from the Practicing Company Secretary, forms part of this report.

Directors' Responsibility Statement

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departure;
- The Directors have selected such accounting policies and have applied them consistently and have 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 at the end of the financial year and of the loss of the Company for the year under review;
- The directors have taken proper and sufficient care 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;

- (d) The Directors have prepared the annual accounts on a going concern basis.

Auditors:

SVK & Associates, Chartered Accountants, Ahmedabad, Firm No. 118564W, the Auditors of the Company, retire at the ensuing Annual General Meeting and ' being eligible, offer themselves for reappointment. The Company has received a copy of valid Peer Review Certificate issued by ICAI Board and letters from auditors to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said Act. The observation of the auditors referred to in the Auditors' Report have been suitably explained in the Notes on Accounts.

Auditors' Qualification

Auditors have qualified the financial statements about unutilized funds of equity preferential issue privately placed lying in ICD of ₹ 28.32 Cr is pending for renewal / receipt from respective parties. In this context the management is following up the matter with the respective parties for renewal / receipt.

Cost Accounting Records

Your Company, being a listed Company, is required to maintain cost accounting records as per (Cost Accounting Records Rules 2011 prescribed by Central Government under section 209(1)(d) of the Companies Act, 1956. Accordingly, the company will be obtaining necessary Cost Compliance Certificate from Practicing Cost Accountants in conformity with legal requirements within the stipulated time.

Insurance

All the assets of the Company are adequately insured and the policies are valid and subsisting.

Particulars Of The Employees:

Particulars of employees in accordance with provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, are not given as none of the employees qualify for such disclosure.

Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo

A) Conservation of Energy

a) Energy Conservation measures taken:

Your Company continues to be committed to energy conservation in its manufacturing operations.

b) Some significant Energy conservation measures implemented in the recent past are:

1. The company is taking every necessary step towards reducing the consumption of energy.
2. The Company continues to reduce the firing cost of Tiles driers by effective recovery of waste heat for using in Roller Kilns and for this the company on a regular basis identified leakage points and necessary prevention / rectification is done / being done .
3. The Company made regular maintenance to plant and machinery in addition to design modifications in the machinery and allied equipments to aid in conservation of energy and improvement in operational efficiency.
4. The instructions of the energy auditor have been disseminated throughout the manufacturing set ups with the objective of creating awareness towards effective conservation of energy and reduction of costs.

5. Majority of the instructions have been implemented leading to substantial savings in specific energy consumptions.
6. The Company also uses the energy saving techniques by using the waste steam converting into vapors and then reusing the same in cooling and filtering the Coal gas.
7. To reduce the company's Spray Dryer fuel cost further, the company imported new Coal Stove in the past.
8. The company also imported digital testing machines towards upgrading its laboratory.

c) Impact of the measures

Total power and fuel cost during the year was ₹ 1262.24 lakhs while the same was ₹ 2911.48. lakh in the last year against production of 15325 MT and 51770 MT of Vitrified Tiles respectively for year 2012-13 and 2011-12.

B) Technology absorption:

Efforts made in technology absorption:

a) Research & Development (R & D)

1. The Company continues to pursue its research and development efforts in the areas of product concept development, raw material usage giving priority to local contents and product features and product quality improvement, reduction in the Kiln cycling of Vitrified Tiles, etc. and is adequately equipped with its own R&D Department with qualified manpower.

Benefits derived as a result of the above R & D

- 1 During the year under review, the company continued to use local clay and for this the Company has been receiving cooperation from Central Glass & Ceramic research Institute (CGCRI), Naroda, Ahmedabad, for the development of local Indian clay.



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Consequently, local contents of the product increased and dependence on Ukraine Clay completely stopped.

- The company replaced the old technology polishing line with the latest technology and longer length polishing line. This step continued to contribute improvement in quality, reduction in energy consumption, saving in working hours, and reduced use of abrasives leading to cost savings in production.
- Reduction in the company's Spray Dryer fuel cost because of importation and installation of new Coal Stove.
- Regular overhauling and upgrading of the machinery resulted in improvement in the functioning of the machineries.
- Routine and Preventive Maintenance carried out to its Auxilassing Calibrating Machine reflected improved quality and product life in the products of the company in addition to reduction in the consumption of abrasives and electricity.
- The company uses CNG in its manufacturing facilities which promote environmental cleanliness, leads to more efficiency and less polluting.
- The company already switched over to alternate "Petkoke" which is more efficient and less polluting.
- The above measures continue to contribute conservation of resources and reduction in pollution and costs, productivity enhancement, improved product quality and eco-friendly products.

Future Plan of action

- Introduction of two product variations in its product portfolio of vitrified tiles.
- Introduction of Nano Technology backed machinery for manufacturing of high Nano quality Vitrified Tiles.
- Drive to position the company's products in untapped and potential markets.

Expenditure on R & D tentatively planned

- Capital Expenditure ₹ 0.50 Cr
- Recurring ₹ 0.50 Cr
- Total ₹ 1.00 Cr

b) Technology absorption, adaptation and innovation

The company is using Chinese and Spanish technologies in its manufacturing facilities since year 2004.

The benefits derived are reflected in the products of the company in the form of improved product features, quality, product life, and better hygienic contents in addition to the increased business opportunities for the company's product that may accrue in the periods ahead.

The company has not imported any Technology during the last five years reckoned from the beginning of the financial year.

C) Foreign Exchange Earning & Outgo

		2012-13	2011-12
1.	Total foreign exchange earned	₹ 2,040,494	₹ 343,915
2.	Total foreign exchange used in lakhs	NIL	NIL

Industrial / Human Relations:

The Industrial relations during the year under review continue to remain cordial between the workers and management. The Management appreciates the employees of all cadres for their dedicated service to the Company, and expects continued support for higher level of productivity in achieving the targets set for the future. The Company continued its efforts in the HR policies and processes to further its performance.

Acknowledgement:

Your Directors place on record their sense of appreciation for the co-operation received from the Banks, Financial Institutions, Employees, Customers and Suppliers of the Company at all levels during the year under review.

For and on behalf of Board of Directors
Sd/-

Place : Morbi **Girishbhai M. Pethapara**
Date : 25th May, 2013 Chairman

Annexure A to the Directors' Report

Management Discussion and Analysis

Financial Highlights

Highlights are as under:-

(₹ In lacs)

Particulars	2012-13	2011-12
Total Income from operations	1711.30	6073.81
Profit before considering Exceptional items, Prior Period Items, Interest, Depreciation and Taxation	-534.46	-182.83
Less: Interest & Financial Charges	549.28	589.08
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Profit / (Loss) Before Tax	-1564.98	-1519.86
Provision for taxation	-120.69	-454.31
Profit / (Loss) after Tax	-1444.29	-1065.55
Add: Balance of Profit brought forward from previous year	1698.64	2058.25
Profit available for appropriation	254.34	992.70
Add : Partly Paid Equity Convertible Warrants Forfeited	—	705.93
Appropriation to:	—	—
Proposed Dividend on Equity Shares	—	—
Balance Carried over to the Balance Sheet	254.34	1698.64

Segment information

The company is presently operating in one segment namely "Tiles and other building material, as given in the financial statement. The major and material activities of the company are restricted to only one geographical segment i.e. India, hence the secondary segment disclosure is not applicable.

Industry Structure & Developments:

Vitrified Tiles: The total size of the Indian ceramic industry is expected to be around ₹ 15000 Cr and out of this vitrified tiles segment is expected to constitute the size of ₹ 5500 Cr. The production capacity of vitrified tiles continued to remain 6,22,500 sq mtrs per day contributed by about 83 units which in the year 2011-12 stood at 5,50,000 sq mtrs per day and 55 units respectively. On global front, the consumption per head of ceramic tiles, which includes vitrified tiles, comes to 3 to 4 sq mtr in Europe, 1.8 sq mtr in China and 0.45 sq mtr in India. The demand for vitrified tiles is driven by the developments and growth in construction, realty, housing and infrastructure sectors.

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 foresees bright prospects for its vitrified tiles business as the invaluable aura and elegance of vitrified tiles flooring is distinctly visible. Globally the vitrified tiles segment has been growing at a rate of 18% per annum over the past three years, accounting for around 10 – 12% of the total tile production. It is expected that India's per capita consumption of ceramic tiles will have a healthy growth in the periods ahead in view of rising disposable income, rapidly growing middle class and increased urbanization. While India growth story continues in spite of inflationary pressures, indications are that the long term scenario for the ceramic industry in general and the vitrified segment in particular will remain healthy.