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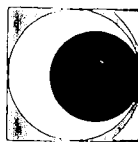
ANNUAL REPORT
1996-97



CERTIFIED TRUE COPY

For Orient Ceramics & Industries Ltd.

Pankaj
Company Secretary



ORIENT CERAMICS AND INDUSTRIES LTD.



Mahendra K. Daga
Chairman & Managing Director



ORIENT CERAMICS AND INDUSTRIES LTD.

BOARD OF DIRECTORS	HEAD OFFICE
Mahendra K. Daga, Chairman	Iris House, 16, Business Centre Nangal Raya, New Delhi - 110 046
R.N. Bansal	
Sunil Kapoor (Nominee of IFCI)	REGD. OFFICE & PLANT
Dhruv M. Sawhney	8, Industrial Area Sikandrabad-203 205 Distt. Bulandshahr (U.P.)
Rajive Sawhney	
N.R. Srinivasan	BANKER
	Punjab National Bank
COMPANY SECRETARY	AUDITORS
Pankaj Goyal	S.R. Dinodia & Co., New Delhi

CONTENTS	
Notice to Members	2
Directors' Report	5
Auditors' Report	9
Balance Sheet	11
Profit & Loss Account	12
Schedules to Balance Sheet and Profit & Loss Account	13
Accounting Policies & Notes on Accounts	19
Cash Flow Statement	24
Subsidiary Company Accounts	25



ORIENT CERAMICS AND INDUSTRIES LTD.

2

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the members of Orient Ceramics And Industries Ltd. will be held on Friday, the 26th day of September, 1997 at 11.00 a.m. at the Registered Office of the Company at 8, Industrial Area, Sikandrabad-203 205, Distt. Bulandshahr (U.P.) to transact the following business :-

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 1997.
3. To appoint a Director in place of Sh. Rajive Sawhney who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Section 198, 269 and 309 and all other applicable provisions, if any, of the Companies Act, 1956 or any amendments thereto, consent of the Company be and is hereby accorded for appointment of Sh. Madhur Daga as Executive Director of the Company, not liable to retire by rotation, for a period of five years w.e.f. 01.01.1998, on the following terms and conditions, with liberty and powers to the Board of Directors to change his designation and/or alter and vary the terms and conditions in such manner as the Board may deem fit and is acceptable to Sh. Madhur Daga and/or increase his remuneration, within the overall limits specified in schedule XIII to the Companies Act, 1956 or any amendments thereto:-

(a) Salary :

Rs. 35,000/- per month which may be increased from time to time by the Board of Directors in accordance with Schedule XIII to the Companies Act, 1956 or any amendments thereto.

(b) Commission:

On net profits of the Company determined in accordance with relevant provisions of the Companies Act, 1956, to be fixed by the Board of Directors from time to time, provided the total remuneration including salary, commission and other perquisites shall be subject to the overall ceilings laid down in the relevant provisions of the Companies Act, 1956 or any amendments thereto.

(c) Perquisites :

In addition to the salary and commission, Sh. Madhur Daga shall be entitled, as per rules of the Company, to the following perquisites with an authority to the Board to grant, alter or vary from time to time, the amount and type of perquisites payable to him but within the overall limits prescribed under schedule XIII to the Companies Act, 1956 or any amendments thereto :

- (i) Rent free furnished/unfurnished residential accommodation or HRA of 60% of salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962.
- (ii) Full reimbursement of all medical expenses incurred for self and family including hospitalisation, membership of any hospital and/or doctors' scheme.
- (iii) Leave Travel Concession for self and family once in a year.
- (iv) Subscription to clubs.
- (v) Personal accident insurance.



- (vi) The Executive Director shall be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified above :
 - (a) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the Company's rules to the extent either singly or put together are not taxable under the Income Tax Act, 1961.
 - (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
 - (c) Encashment of leave at the end of tenure.
- (vii) Use of Company car with driver and telephone at the residence. Use of car with driver and telephone, for office purposes shall not be considered as a perquisite. The valuation of personal use of car would be as per Income-tax Rules.
- (viii) The Executive Director shall be entitled to such other benefits or amounts as may be approved by the Board and permissible under Schedule XIII to the Companies Act, 1956 or otherwise.

(d) Other Terms and Conditions :

- (i) Minimum Remuneration :

In case of no profits or inadequate profits in any financial year, the remuneration including perquisites shall be subject to overall limits as prescribed under section II of part II of Schedule XIII to the Companies Act, 1956 and shall be adjusted accordingly.

- (ii) Others :

- (a) The Company shall reimburse travelling, entertainment and other business promotion expenses actually incurred for the business of the Company.
- (b) For the purpose of Gratuity and other benefits, the services of the Executive Director will be considered continuous service with the Company from the date he joined the services of the Company in any capacity including renewal of his agreement with the Company as Executive Director or in any capacity as may be decided by the Board of Directors from time to time.

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to grant increments and other perquisites so as not to exceed the maximum limit for payment of remuneration specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto and / or alter and vary the terms and conditions of the said appointment and/or change his designation as may be agreed to between the Board of Directors and Sh. Madhur Daga."

Place : New Delhi
Dated : 28th June, 1997

By order of the Board

Regd Office :
8, Industrial Area
Sikandrabad - 203 205
Distt. Bulandshahr (U.P.)

Mahendra K. Daga
Chairman & Managing Director

NOTES :-

- 1 The members entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
The proxies in order to be effective, must be received at the Head Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books will remain closed on 26.09.1997 (the record date) for the purpose of payment of Dividend.



ORIENT CERAMICS AND INDUSTRIES LTD.

4

3. Members are requested to notify any change in their address, if any.
4. Members who hold shares under more than one folio in name(s) in the same order, are requested to send their share certificates to the Company for consolidation into one account.
5. Pursuant to section 205 A of the Companies Act, 1956 all dividend upto financial year ended 31st March, 1993 which remain unpaid or unclaimed, have been transferred to the General Revenue Account of the Central Government. Members concerned are requested to claim the amount from the Registrar of Companies, Delhi & Haryana, New Delhi. Members who have not claimed their dividends are being notified seperately.
6. Members are requested to intimate the Company under the signature of the first/sole joint holder, the Account Number, type of Account - Saving (SB) or Current (CA), name and address of the Bank, in which they intend to deposit the dividend warrant, so that the same can be printed on Dividend Warrant, to avoid the incidence of fraudulent encashment of the instrument.
7. Transport will be provided to those shareholders who may be interested in attending the Annual General Meeting. In case of joint Shareholders, only one shareholder will be provided conveyance. Transport will be available from the Company's Head Office at Iris House 16, Business Centre, Nangal Raya, New Delhi - 110046 to the place of Annual General Meeting and back to the Head Office. Transport will leave the Head Office sharp at 9.00 a.m. on 26.09.1997. Members who may be interested in attending the Annual General Meeting are requested to give their name, folio number, number of shares held by them at Head Office latest by 19.09.1997. Requests received after 19.09.1997 will not be entertained.
8. *As usual, no gifts will be distributed at the meeting.*

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

With the substantial expansion of Company's plant by enhancement of installed capacity from 24000 TPA to 52000 TPA and increase in its operations, a need to further strengthen the top management team has been felt by creating a post of Executive Director. Sh. Madhur Daga has been working in the Company as Manager (Marketing and Operations) since November, 1995 and on account of his wide exposure in Finance, Marketing and EDP, the Company has been benefitted substantially.

Sh. Madhur Daga graduated in Business Administration from University of Southern California, Los Angeles, USA and Masters in Commerce, Specialisation in Finance from University of New South Wales, Sydney, Australia and having wide experience in Equity Financing Investment & Funds Management, analysing Financial potential of Marketing Plans, Financial Research etc. Bestowed with a keen business sense and acumen, he will prove to be an invaluable asset to the organisation. The Directors accordingly recommended the resolution for your approval.

Sh. Mahendra K. Daga, Chairman & Managing Director, who is related to Sh. Madhur Daga may be deemed to be interested in the resolution. No other Director is concerned or interested in the resolution.

Place : New Delhi
Dated : 28th June, 1997

By order of the Board

Regd Office :
8, Industrial Area
Sikandrabad - 203 205
Distt. Bulandshahr (U.P.)

Mahendra K. Daga
Chairman & Managing Director



DIRECTORS' REPORT

Dear Shareholders,

We are happy to present the 20th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 1997.

(Rs. in Millions)

FINANCIAL RESULTS	1996-97	1995-96
Sale and other Income	483.8	420.0
Profit before Interest, Depreciation and Taxation	110.0	106.6
Interest	14.5	11.5
Depreciation	19.8	15.3
Profit before Taxation	75.7	79.8
Provision for taxation	15.9	24.0
Profit for the year	59.8	55.8
Brought forward Profit from the last Balance Sheet	22.1	3.3
Prior period adjustments	(3.4)	(3.8)
Amount available for appropriation	<u>78.5</u>	<u>55.3</u>
Appropriations:		
(i) Debenture Redemption Reserve	4.0	-
(ii) General Reserve	40.0	30.0
(iii) Proposed Dividend	3.2	3.2
(iv) Dividend Tax	0.3	-
(v) Surplus carried to Balance Sheet	31.0	22.1
	<u>78.5</u>	<u>55.3</u>

DIVIDEND

The working results are satisfactory and your Directors are happy to recommend a dividend of Rs.3.50 per share on the present paid up capital. A provision for tax on proposed dividend @ 10% has been made in the accounts as per relevant provisions of the Finance Bill, 1997. Besides direct outgo of the dividend, your Company will bear this Corporate Tax. However, such Corporate Tax on the dividend is payable subject to the approval of the proposed dividend by the shareholders in the ensuing Annual General Meeting.

OPERATIONAL HIGHLIGHTS

Your Directors are pleased to report that the Company has successfully completed its expansion by an additional capacity of 27000 MT of Glazed Wall Tiles.

The production of 25628 MT in 1996-97 was 10.69 % higher than last year's production of 23153 MT.

The Turnover during the year was Rs. 477.9 million as compared to the previous year's turnover of Rs. 404.8 million registering a growth of 18.06 %.

The net profit after tax stood at Rs. 59.8 million showing a growth of 7.17 % over previous year figure of Rs. 55.8 million.

The production was substantially disrupted due to nil supply of natural gas for a period of 23 days during January, 1997. The authorities had taken a shut down for some maintenance work. But for this, the production would have been higher. Recently, the authorities have informed of another forthcoming shut down of natural gas supply during October/November, 1997 for a period of 26 days. Such long shut downs are National loss and no Country can afford this.



ORIENT CERAMICS AND INDUSTRIES LTD.

6

EXPANSION

During the year under review, the installed capacity of the plant has increased to 52000 MT per annum. The expansion plan was successfully implemented and the new plant came into production during the end of March, 1997. The larger tiles manufactured by the upto date technology was well received by the trade. Unfortunately since April, the power situation is very unsatisfactory with frequent non availability for long hours. Under such situation, it became absolutely impossible to continue operating the plant without causing irreparable harm to the sophisticated machinery and therefore the plant was shut-off pending alternative source of power. A hired generating set has now been installed as back up and the plant was recommissioned. The generating set which is capable of providing power to the new unit, was inordinately delayed by the Russian manufacturer. In fact, the generating set was to be commissioned by early March, 1997. It has now been despatched and is expected to be energised by August, 1997 end.

PROSPECTS

The tile industry, though growing has become highly competitive as a result of which the profit margins have substantially eroded. In the current scenario, the liquidity crisis has affected the economy in general. The growth of this industry is directly related to the growth of core Industries like coal, cement, paint, steel and other building materials, which too are adversely influenced. The fall in property prices in general, reflects in the slow down of the building industry where the consumption of ceramic tiles is high. Moreover, the unhealthy competition from the so called small sector is a cause for concern. The excise duty of 25% on the tile industry is the highest in the ceramic group and is obviously hindering the growth potential. Once the economy starts to improve, the demand for tiles is bound to be buoyant. With the introduction of larger sizes of tiles, your Company is now better geared to meet the market requirement. From under one roof, your Company now has the capacity to deliver from 108 x 108 mm to 300 x 400 mm size in attractive designs to a strong net work of dealers, concentrated in the North and East and strategically located in the South and West. Due to the strong commitment towards quality and customer satisfaction, your Company is confident of marketing the additional production.

RIGHTS ISSUE

The funds raised through the issue of 16% - 720,000 Secured Redeemable Non-convertible Debentures of Rs. 100/- each for cash at par aggregating to Rs. 72 million on Rights basis, has been utilised on the project. The Non-convertible Debentures and Detachable Warrants have been listed at Delhi, Mumbai and Calcutta Stock Exchanges.

DEPOSITS

Your Company has neither invited nor accepted deposits from the public pursuant to section 58 A of the Companies Act, 1956 during the year.

INDUSTRIAL RELATIONS

Relationship of the employees continued to remain cordial.

POLLUTION AND ENVIRONMENTAL CONTROLS

Strict and regular monitoring of discharge effluents and air emissions is maintained. The treated effluent discharge is restricted and is being used in the process. Your Company does not use any hazardous chemical in the tile manufacturing. Your Company is continuing to remain conscious for providing a greener environment.

DIRECTORS

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Sh. Rajive Sawhney, retires by rotation and is eligible for re-appointment.

AUDITORS

M/s. S.R. Dinodia & Co, Chartered Accountants, New Delhi, Statutory Auditors of the Company, retire in accordance with the provisions of the Companies Act, 1956 at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment for the year 1997-98.



AUDITORS' REPORT

The Auditors' Report read with notes to the accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

SUBSIDIARY

Particulars as required to be disclosed for your Company's subsidiary is attached together with the statement under section 212 of the Companies Act, 1956.

INFORMATION PURSUANT TO SECTION 217 (1) (e)

The information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto.

PARTICULARS OF EMPLOYEES

The particulars of the employees as required under section 217 (2A) of the Companies Act, 1956 are given in an annexure to this report. However as per provisions of section 219 (1) (b) (iv) of the Companies Act, 1956, the report and accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Those shareholders who are interested in obtaining such particulars may write to the Company Secretary at the Company's Registered Office.

On behalf of the Board

Place : New Delhi
Date : 28th June, 1997

Mahendra K. Daga
Chairman & Managing Director

ANNEXURE TO DIRECTORS' REPORT

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 forming part of Directors' Report.

A. CONSERVATION OF ENERGY

- (a) Energy Conservation measures taken :

The Company continues to efficiently utilise the energy by improving production design and manufacturing process. The Company maintains a strict control over the use of fuel and utilities such as gas, electricity lighting, air conditioning etc.

- (b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

The Company has installed energy efficient machines and equipments for use in the manufacturing activities.

- (c) Impact of measures at (a) and (b) above for reduction of energy, consumption and consequent impact on the cost of production of goods :

The impact of the measures at (a) and (b) has resulted in energy saving.

- (d) Total Energy consumption and energy consumption per unit of production as per Form-A of the Annexure in respect of Industries specified in schedule thereto:

The Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company :

The development activities of the Company are mainly towards Quality Improvement, Pollution Control, Energy Conservation, Waste re-cycling and green environment.

2. Benefits derived as a result of the above R&D :

Reduction in consumption of energy and improved productivity.



ORIENT CERAMICS AND INDUSTRIES LTD.

3. Future plan of action :
The Research and Development work is an on-going process.
4. Expenditure on R&D :
No separate record of the expenditure incurred is maintained.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made towards technology absorption, adaptation and innovation :
Continuous efforts are being made to check on the actual performance against design.
2. Benefit derived as a result of the above efforts :
As a result of efforts, cost reduction has been possible.
3. (a) Technology Imported :
Fast Firing
- (b) Year of Import:
1996-97
- (c) The above technology has been partially absorbed

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Exports:

- | | |
|------------------------------|-------------------|
| (i) Foreign Currency used | Rs. 200.8 million |
| (ii) Foreign Currency earned | Rs. 1.8 million |

Efforts are being made to export.

On behalf of the Board

Place : New Delhi
Date : 28th June, 1997

Mahendra K. Daga
Chairman & Managing Director

Statement pursuant to section 212 of the Companies Act, 1956, relating to Subsidiary Company

GANGOTRI CATTLEFEED PRIVATE LIMITED

- | | |
|--|--|
| (1) The accounting period of the Subsidiary Company | 1st April, 1996 to 31st March, 1997 |
| (2) Extent of Interest in Subsidiary Company | 4000 Equity Shares of Rs. 10/- each
(fully paid up) i.e. 66.67% of the paid
up capital |
| (3) Net aggregate amount of the profits/(losses)
of the Subsidiary Company for the period,
so far as it concerns members of
Orient Ceramics And Industries Ltd. | Rupees |
| a) Not dealt with in the Accounts of the Company | |
| i. For the financial year of the Subsidiary | 13274 |
| ii. For the previous financial years since it
became the Subsidiary of the Company | Nil |
| b) Dealt with in the Accounts of the Company | |
| i. For the financial year of the Subsidiary | Nil |
| ii. For the previous financial years since it became
the Subsidiary of the Company | Nil |