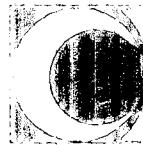


ANNUAL REPORT 1997-98

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Report Junction.com
For Orient Ceramics & Industries Ltd.
Pankaj Patel
Company Secretary



ORIENT CERAMICS AND INDUSTRIES LTD.





ORIENT CERAMICS AND INDUSTRIES LTD.

BOARD OF DIRECTORS

Mahendra K. Daga
Chairman & Managing Director

R.N. Bansal

Madhur Daga
Executive Director

Sunil Kapoor (Nominee of IFCI)

Dhruv M. Sawhney

Rajive Sawhney

N.R. Srinivasan

COMPANY SECRETARY

Pankaj Goyal

HEAD OFFICE

Iris House, 16, Business Centre,
Nangal Raya, New Delhi - 110 046.

REGD. OFFICE & PLANT

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

BANKER

Punjab National Bank

AUDITORS

S.R. Dinodia & Co., New Delhi

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the members of Orient Ceramics And Industries Ltd. will be held on Monday, the 28th day of September, 1998 at 11.30 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, 1998 and the Profit & Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
- 2) To declare Dividend for the year ended 31st March, 1998.
- 3) To appoint a Director in place of Sh. N. R. Srinivasan who retires by rotation and being eligible offers himself for reappointment.
- 4) To appoint a Director in place of Sh. R. N. Bansal who retires by rotation and being eligible offers himself for reappointment.
- 5) To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

- 6) 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 and subject to approval of Financial Institutions, who have granted and / or sanctioned financial assistance to the Company, consent of the Company be and is hereby accorded for re-appointment of Sh. Mahendra K. Daga as Managing Director of the Company, not liable to retire by rotation, for a period of five years w.e.f. 01.12.1998, on the following terms and conditions as to remuneration, within the overall ceiling specified in Schedule XIII to the Companies Act, 1956 or otherwise, with liberty and powers to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions in such manner as the Board may deem fit and is acceptable to Sh. Mahendra K. Daga and / or change his remuneration within the overall limits specified in Schedule XIII to the Companies Act, 1956 or any statutory amendment, modification, re-actment thereof:-

A) Salary :

On the present Salary of Rs. 1,00,000/- per month which may be increased from time to time to be determined by the Board.

B) Commission :

On net profits of the Company computed in accordance with relevant provisions of the Companies Act, 1956, to be determined by the Board from time to time.

C) Perquisites :

In addition to the Salary and Commission, Sh. Mahendra K. 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 the Managing Director.

- (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.



ORIENT CERAMICS AND INDUSTRIES LTD.

- (iii) Leave Travel Concession for self and family once in a year.
- (iv) Subscription to clubs; subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal accident insurance.
- (vi) The Managing 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 and personal use of telephone for long distance calls will be charged on actual basis.
- (viii) The Managing 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 11 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 Managing Director will be considered continuous service with the Company from the date he joined the services of this Company in any capacity including renewal of his agreement with the Company as Managing Director or in any other capacity as may be decided by the Board of Directors from time to time.

RESOLVED FURTHER that the Board be and is 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 his appointment and/or change his designation as may be agreed to between the Board of Directors and Sh. Mahendra K. Daga."

Place : New Delhi

Dated : 30th June, 1998

By order of the Board

Regd. Office :

8, Industrial Area

Sikandrabad - 203 205

Dist. 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 lodged at the Head Office of the Company not less than 48 hours before the commencement of Meeting.



ORIENT CERAMICS AND INDUSTRIES LTD. _____

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- 2) The Register of Members and Share Transfer Books will remain closed on 28th September, 1998 for the purpose of payment of Dividend.
- 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 unpaid / unclaimed Dividend up to financial year ended 31st March, 1994 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, Kanpur (U.P.). Members who have not claimed their Dividends for the subsequent years are being notified separately.
- 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. Also members are requested to provide their Permanent Account Numbers.
- 7) Transport will be provided to those shareholders who are interested in attending the Annual General Meeting. In case of joint shareholders, the Company will provide conveyance to one of them. Transport will be available from the Company's Head Office at Iris House, 16, Business Centre, Nangal Raja, New Delhi - 110 046 to the place of AGM and back to the Head Office. Transport will leave the Head Office sharp at 9.30 a.m. on 28th September, 1998. Members who are 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 21st September, 1998. Requests received after that date 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. 6

At the 17th Annual General Meeting held on 6th December, 1994, the members approved the appointment of Sh. Mahendra K. Daga as Managing Director for a period of five years from 01.12.1993 to 30.11.1998 and the powers were given to the Board of Directors to alter and vary the terms and conditions of his appointment as to remuneration or otherwise, from time to time.

Now the term of appointment of Sh. Mahendra K. Daga as Managing Director is expiring on 30.11.1998, the consent of the members is required for his re-appointment. The Board of Directors in its meeting held on 30th June, 1998 have approved the re-appointment of Sh. Mahendra K. Daga as Managing Director for a period of five years w.e.f. 01.12.1998 on the existing terms and conditions as to remuneration or otherwise.

The Company has made steady progress during the tenure of Sh. Mahendra K. Daga as Managing Director. The installed capacity has increased from 15000 TPA to 52000 TPA. Looking to the progress made by the Company during his tenure as Managing Director, the Board recommends re-appointment of Sh. Mahendra K. Daga as Managing Director. The Directors accordingly recommend the resolution for your approval.

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

Place : New Delhi
Dated : 30th June, 1998

By order of the Board

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

Mahendra K. Daga
Chairman & Managing Director



DIRECTORS' REPORT

Dear Shareholders,

Your Directors' are happy to present the 21st Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS	(Rs. in Millions)	
	1997-98	1996-97
Sales and other Income	566.0	480.8
Profit before Interest, Depreciation and Taxation	130.0	107.9
Interest	51.8	12.4
Depreciation	50.7	19.8
Profit before Taxation	27.5	75.7
Provision for Taxation	3.0	15.9
Profit for the year	24.5	59.8
Brought forward Profit from the last Balance Sheet	31.0	22.1
Prior period and other adjustments	(1.7)	(3.4)
Amount available for appropriation	<u>53.8</u>	<u>78.5</u>
Appropriations :		
(i) Debenture Redemption Reserve	8.0	4.0
(ii) General Reserve	10.0	40.0
(iii) Proposed Dividend	2.3	3.2
(iv) Dividend Tax	0.2	0.3
(v) Surplus carried to Balance Sheet	33.3	31.0
	<u>53.8</u>	<u>78.5</u>

DIVIDEND

Your Directors recommend a Dividend of Rs. 2.50 per share on paid up capital of 900,000 Equity shares. No Dividend is payable on the Equity Shares issued on conversion of Detachable Warrants as the same has been allotted on 31st March, 1998. A provision for tax on proposed Dividend @ 10% has been made in the accounts as per relevant provisions of the Income Tax Act, 1961. Besides direct outgo of the Dividend, your Company will bear this Dividend Tax. However, such Dividend Tax is payable subject to the approval of the proposed Dividend by the shareholders in the ensuing Annual General Meeting.

OPERATIONAL HIGHLIGHTS

The production of 33,817 MT in 1997-98 was 32% higher than last year's production of 25,628 MT

The Turnover during the year was Rs. 536.2 million as compared to the previous year's turnover of Rs. 477.0 million registering a growth of 12%.

Your Company's Gross Profit subject to interest, depreciation and tax was Rs. 130 million during the financial year ended 31st March, 1998. This was a 20% increase over the previous year. However, the net profit dropped to Rs. 24.5 million, primarily on account of higher finance charges and depreciation.

SCENARIO

Growth in construction activity plays a key role in the success of the ceramic tile industry. During the year under review, this had shown very little sign of revitalizing and the market conditions generally remained depressed. This has had a negative effect on the demand for ceramic tiles.



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Over capacity, coupled with a rise in the cost of production both on the local and foreign front (depreciating Rupee) has squeezed margins to a point never seen before in the ceramic industry. Intense competition because of over supply has led to major price-cutting resulting in tile prices falling consistently throughout the year in review. Our industry had hoped that the 1998-99 Budget would lower the excise duty in parity with other ceramic goods where the duty does not exceed 15%, but this has not happened and the excise duty continues to remain at 25%.

Historically, European manufacturers have dominated the vast export market for ceramic tiles. However, your Company's products have been well received both in Europe and the Middle East, and we shall continue to make inroads into this largely untapped market. The benefit of a depreciating Rupee has unfortunately been overshadowed by the massive devaluations in other Asian currencies due to the Asian financial crisis.

PROSPECTS

The Housing sector in India has tremendous potential. Our esteemed Prime Minister & Finance Minister have shown a keen interest in reviving its dormant state through the 1998-99 Budget. They have proposed construction of 20 lakhs dwellings annually. Obviously, this presents a rich opportunity for your Company, and we propose to service it through an expanding distribution network and increasing customer loyalty. The high quality value added products manufactured at your Company's state of the art unit has been extremely well received not only by the domestic but also the export market.

Your Company's cost of production will further increase due to the 4% additional non-MODVATable customs duty imposed by the 1998-99 Budget, as well as the unfair and biased 5% reduction in the availment of MODVAT on inputs. Your Company will therefore continue its strict cost cutting policies to ensure maximum efficiency under these trying conditions.

The Ceramics Tile industry is extremely capital intensive. In order to produce highest quality products in accordance with global standards, your Company has made and will continue to make substantial investment in capital and technology. The small scale manufacturers of ceramic tile, which compete with the large scale players, enjoys a much lower cost of production, on account of both inferior equipments and negligible excise duty, at the expense of quality. However, the Indian Council of Ceramic Tiles and Sanitary ware (ICCTAS) of which your Company is a founder member, has made pressing representations to the Hon'ble Minister of Finance to seriously review the unjustified high rate of excise duty levied on Ceramic Tiles, which further cripples our ability to meet with the unhealthy competition from the small scale units, inspite of the highest quality.

EXPANSION

Recognizing the need for larger economies of scale to further lower the cost of production, your Company is in dialogue with various European machine manufacturers to implement raising of capacity to 75000 TPA.

CONVERSION OF DETACHABLE WARRANTS

The Company issued 14,40,000 Detachable Warrants along with 16% Secured Redeemable Non-convertible Debentures in terms of Letter of Offer dated 2nd August, 1996. The Company has converted 11,56,080 Detachable Warrants into Equity Shares on 31.03.98 and the Equity Shares, so issued have been listed with Delhi, Mumbai and Calcutta Stock Exchanges. On the request of the warrant holders, who have failed to apply, the Company extended the period for exercising right of conversion and allotment has been made in the current financial year.

DEPOSITS

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