

ANNUAL REPORT 1998-99

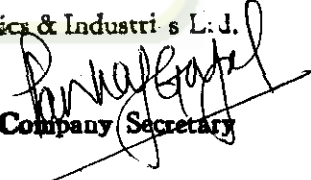
Report



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For Orient Ceramics & Industries Ltd.


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*

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

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

PLANTS

8, A-76 to A-80 & A-84, Industrial Area,
Sikandrabad-203 205
Distt. Bulandshahr (U.P.)

BANKER

Punjab National Bank

AUDITORS

S.R. Dinodia & Co., New Delhi

STOCK EXCHANGES

The Delhi Stock Exchange Association Ltd.
West Plaza, Indira Gandhi Stadium
Indraprastha Estate
New Delhi-110 002.

The Stock Exchange
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai-400 001

The Calcutta Stock Exchange
Association Ltd.
7, Lyons Range
Calcutta-700 001

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ORIENT CERAMICS AND INDUSTRIES LTD.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of the members of Orient Ceramics And Industries Ltd. will be held on Tuesday, the 28th day of September, 1999 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:-

- 01) To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1999 and the Profit & Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
- 02) To declare Dividend for the year ended 31st March, 1999.
- 03) To appoint a Director in place of Sh. Dhruv M. Sawhney who retires by rotation and being eligible offers himself for re-appointment.
- 04) To appoint Auditors and fix their remuneration.

By order of the Board

Place : New Delhi
 Dated : 28th May, 1999
 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 lodged at the Head Office of the Company not less than 48 hours before the commencement of Meeting.
- 2) The Register of Members and Share Transfer Books will remain closed from 24.09.1999 to 28.09.1999 (both days inclusive) for the purpose of Annual General Meeting and Dividend, if approved by the shareholders.
- 3) Members are requested to notify 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) The members were earlier advised to forward particulars of their Bank Account with full name of the Bank, Number and Nature of Account, which would enable the Company to draw the Dividend Warrants payable to the respective Bank Accounts of the shareholders. Those shareholders, who have not yet sent these particulars, may kindly send the enclosed Bank Account Particulars Form duly filled and signed, which would help to avoid fraudulent encashment of Dividend Warrants.



- 6) Pursuant to amendment in the section 205A of the Companies Act, 1956, any money transferred to Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established under section 205C of the Companies Act, 1956. Accordingly, unpaid or unclaimed dividend will be transferred to the said fund as and when it becomes due. Members who have not claimed their Dividends are being notified separately.
- 7) Transport will be provided to those shareholders who are 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 - 110 046 to the place of Annual General Meeting and back to the Head Office. Transport will leave the Head Office sharp at 9.30 a.m. on 28th September, 1999. 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, 1999. Requests received after that date will not be entertained.
- 8) ***As usual, no gifts will be distributed at the meeting.***

By order of the Board

Place : New Delhi
Dated : 28th May, 1999
Regd. Office:
8, Industrial Area
Sikandrabad-203 205
Distt. Bulandshahr (U.P.)

Mahendra K. Daga
Chairman & Managing Director

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors are happy to present the 22nd Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS	(Rs. in Millions)	
	1998-99	1997-98
Sale and other Income	633.3	566.7
Profit before Interest, Depreciation and Taxation	117.0	130.0
Interest	52.4	51.8
Depreciation	54.9	50.7
Profit before Taxation	9.7	27.5
Provision for Taxation	1.0	3.0
Profit for the year	8.7	24.5
Brought forward Profit from the last Balance Sheet	33.3	31.0
Prior period and other adjustments	(3.2)	(1.7)
Amount available for appropriation	<u>38.8</u>	<u>53.8</u>
Appropriations :		
(i) Debenture Redemption Reserve	12.0	8.0
(ii) General Reserve	5.0	10.0
(iii) Proposed Dividend	2.3	2.3
(iv) Dividend Tax	0.2	0.2
(v) Surplus carried to Balance Sheet	<u>19.3</u>	<u>33.3</u>
	<u>38.8</u>	<u>53.8</u>

DIVIDEND

Your Directors recommend a Dividend @ 10% (Re. 1/- per Share) on paid up capital of 2,340,000 Equity Shares. 283,920 Equity Shares, which were allotted on conversion of Detachable Warrants during the year, are entitled for Dividend on prorata basis. A provision for tax on proposed Dividend @ 10% has been made in the accounts as per the provisions of the Income Tax Act, 1961. Besides direct outgo of the Dividend, your Company will bear this Dividend Tax. However, such 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

The production of 42,275 MT in 1998-99 was 25% higher than last year's production of 33,817 MT.

The Turnover during the year was Rs. 620.3 million as compared to the previous year's turnover of Rs. 536.9 million registering a growth of 16%.

Your Company's Gross Profit subject to Interest, Depreciation and Tax was Rs. 117 million during the financial year ended 31st March, 1999 as compared to Rs. 130 million during the previous year. The decrease was mainly on account of over production and lower sales realisation, because of slow down in the economy and the continuing sluggishness in the Building Material Industry. The net profit was lower at Rs. 8.7 million on account of higher Financial Charges and Depreciation.

SCENARIO

The year ended March, 1999 was a particularly tough year for the construction and buildings material industry. The property market remained depressed throughout the year, which had a negative impact on demand for building materials. The ceramic tiles sector showed some growth only during the last quarter of the year ended March, 1999. However, the most severe strain was on profit margins, as selling prices dropped frequently during the year. Excess supply over demand has increased inventory levels and severe over-capacity has led to the falling prices, putting pressure on margins. The excise duty continues to remain high at 24% while all other ceramic articles attract 16% or lower.



PROSPECTS

The Construction sector has very strong linkages with several other major sectors mainly Steel and Cement. The Union Budget 1999-2000 has promised comprehensive package of fiscal incentives to the construction and housing sector like increase in exemption limit of interest on loans for self occupied property, increase in ceiling on built-up area for dwelling unit etc. The effect of these steps has already translated into better demand for your Company's products. The core sectors of Steel and Cement have also shown higher despatches and price levels.

Encouraged by the satisfactory response to the Golden Jubilee Rural Housing Finance Scheme of National Housing Bank, our Hon'ble Finance Minister has proposed construction of 1.25 lakh dwelling units during 1999-2000 from 1 lakh dwelling units last year. Housing Development Finance Corporation (HDFC) has also reported that housing loan applications has increased by an unprecedented 37% in April, 1999. We are quite optimistic that the next year will show increased volumes and increased penetration into semi-urban markets. due to our consistent quality and wide range of products in different colours, sizes and designs.

During the year under review, your Company embarked on its first national media campaign, which served in popularising the 'Orient Tiles' brand name quite extensively. Your Company also exhibited its product in the exhibitions in almost all the metropolitan cities. The response of about 50,000 visitors at each exhibition was overwhelming. The focus was, and continues to be on developing new markets, and helping the customers with excellent products and service. Your Company has always had the majority of its strong and dedicated distribution network in Northern India. However this year we focussed on expanding our network in other regions also, with special interest to Southern India.

NEW PRODUCTS

During the year, your Company introduced floor tiles into its range of exclusive tiles. The same was well accepted by the high value segment of the market. You will be pleased to know that your Company also introduced India's LARGEST WALL TILE, measuring 400mm x 300mm. This tile, available in ten designs and colours, lends a beautiful view of any marble and / or other patterns. Our products are available in more than 300 designs and colours. Your Company continues to maintain the quality of the products, through modernisation of its plant. During the year, the Company has completed all the modernisation programs and now the plants are running at their full capacity.

EXPORTS

The Company's exports has shown encouraging growth during the year under review. The exports increased to Rs.13.1 million during 1998-99 from Rs. 2.9 million last year. Your Company will continue its efforts to further export in the highly competitive global market.

CONTRIBUTION TO SOCIETY

In continuation of the feeling of social obligation, your Company pioneered the use of ceramic tiles to further a charitable cause. Tile calenders with a painting by a spastic child was printed and all proceeds donated to the Spastics Society of Northern India (SSNI).

INFORMATION TECHNOLOGY, YEAR 2000 COMPLIANCE (Y2K)

Your Company began the Y2K compliance work during the end of 1998, involving all the computer systems, software, hardware deployed in data processing and main application of Accounting, Inventory, Finance, Shares, Production Planning and Production. The entire process of identification of the impact of year 2000 change, to the extent of information available as on date on Y2K problem, has been completed. The Company has under gone various tests on these equipments and most of them have been found Y2K compliant. The estimated cost to the Company to address Y2K problem is Rs. 4.00 lakhs.

Your Company is also planning to incorporate Enterprise Wide Information Technology to cope with the growing information needs necessary to manage operations more effectively and efficiently.

**CONVERSION OF DETACHABLE WARRANTS**

The Company issued 1,440,000 Detachable Warrants along with 16% Secured Redeemable Non-convertible Debentures in terms of Letter of Offer dated 2nd August, 1996. 1,156,080 Detachable Warrants were converted into Equity Shares during the year 1997-98. Balance 283,920 Detachable Warrants have been converted during the current year. All the Equity Shares issued on conversion of Detachable Warrants have been listed with Delhi, Mumbai and Calcutta Stock Exchanges and rank pari-passu with the existing Shares except for the entitlement of Dividend, which is payable on prorata basis.

DEPOSITS

Your Company has neither invited nor accepted deposits from the public pursuant to section 58A of 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 of 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 manufacturing process. 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. Dhruv M. Sawhney retires by rotation and being eligible, offers himself 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 re-appointment for the year 1999-2000.

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.

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.

INFORMATION PURSUANT TO THE LISTING AGREEMENT

Your Company has duly paid the Annual Listing Fee to Delhi, Mumbai and Calcutta Stock Exchanges, where the securities of the Company are listed. Trading in securities of the Company was suspended by the Mumbai Stock Exchange for fourteen days w.e.f. 13th July, 1998 on the ground that the Company closed its Share Transfer Books for one day and the same was intimated as record date, instead of Book Closure, the trading was duly resumed w.e.f. 27th July, 1998.