

ANNUAL 2013-14 REPORT

CERTIFICATION



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Corporate information

BOARD OF DIRECTORS

Mr. Mahendra K. Daga, Chairman & Managing Director
 Mr. Madhur Daga, Joint Managing Director
 Mr. K.M. Pai, Executive Director & Chief Financial Officer
 Mr. Dhruv M. Sawhney
 Mr. N.R. Srinivasan
 Mr. P.M. Mathai
 Mr. R.N. Bansal
 Mr. Satish Chandra, Nominee Director – IDBI Bank

AUDIT COMMITTEE

Mr. R.N. Bansal, Chairman
 Mr. Mahendra K. Daga
 Mr. K.M. Pai
 Mr. N.R. Srinivasan
 Mr. P.M. Mathai

STAKEHOLDERS RELATIONSHIP AND GRIEVANCE COMMITTEE

Mr. N.R. Srinivasan, Chairman
 Mr. Mahendra K. Daga
 Mr. Madhur Daga

NOMINATION AND REMUNERATION COMMITTEE

Mr. N.R. Srinivasan, Chairman
 Mr. Dhruv M. Sawhney
 Mr. R.N. Bansal
 Mr. P.M. Mathai

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Madhur Daga, Chairman
 Mr. K.M. Pai
 Mr. N.R. Srinivasan
 Mr. R.N. Bansal

COMPENSATION COMMITTEE

Mr. Madhur Daga
 Mr. P.M. Mathai
 Mr. N.R. Srinivasan
 Mr. R.N. Bansal

COMPANY SECRETARY & HEAD-LEGAL

Mr. Yogesh Mendiratta

STATUTORY AUDITORS

M/s S.R. Dinodia & Co.LLP, New Delhi

BANKERS / LENDERS

State Bank of India
 Punjab National Bank
 ING Vysya Bank
 IndusInd Bank
 IDBI Bank
 Axis Bank
 Export Import Bank of India
 Tata Capital Financial Services Limited

REGISTRAR & SHARE TRANSFER AGENT

M/s MCS Limited
 F-65, Okhla Industrial Area, Phase-I,
 New Delhi – 110 020
 Tel: +91 11 41406149-52

REGISTERED OFFICE

8, Industrial Area, Sikandrabad – 203 205
 Distt. Bulandshahr (U.P.)
 CIN:L14101UP1977PLC021546
 Tel: +91 5735 222203/22424, +91 8191004575 / 76
 Fax: +91 5735 222642

CORPORATE OFFICE

IRIS House, 16, Business Centre,
 Nangal Raya, New Delhi – 110 046
 Tel: +91 11 47119100
 Fax: +91 11 28521273

PLANTS

1. Industrial Area
 Sikandrabad,
 Bulandshahr (U.P.)
2. Village Dora, Taluka Amod,
 Dist. Bharuch – 392230, Gujarat.
3. Village Chokkahalli,
 Taluka Hoskote,
 Bengaluru (Rural)- 562114
 Karnataka.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the 37th Annual Report and the audited accounts for the financial year ended March 31, 2014.

FINANCIAL RESULTS

(₹ in lakhs)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2013
Gross Income	63,588.07	62,359.93	63,588.07	62,359.93
Profit before interest, depreciation and taxation	4,823.25	6,100.98	4,824.05	6,101.84
Interest	2,423.13	2,501.84	2,423.13	2,501.84
Depreciation	1,941.39	1,855.65	1,941.39	1,855.65
Profit before taxation	458.73	1,743.49	459.53	1,744.35
Tax expense	256.07	760.20	256.05	760.20
Profit after tax	202.67	983.29	203.49	984.15
Earning per share (₹)	1.49	7.24	1.50	7.25

OPERATIONS

During the year under review, Gross Income has increased marginally by 1.02% over the last year from ₹ 62,360 Lakhs in previous year to ₹ 63,588 Lakhs in current year. The Profit before tax, however, dipped from ₹ 1,743.49 Lakhs to ₹ 458.73 Lakhs. The adverse hit on profits during the year under review was mainly due to the increase in fuel cost. Regasified Liquified Natural Gas (RLNG) is a major component of cost of production which your Company purchases from GAIL (India) Limited. During the year under review, the prices of RLNG increased sharply thereby increasing cost of production. Due to difficult market conditions, your Company was unable to pass on the increased cost to its customers. Your Company has taken steps to rejig the product profile in favour of high value digital and larger format tiles to improve profitability in the coming years.

INITIATIVES

Opening of Orient Tile Boutiques and Bell Tile Boutiques

A good and prominent display is important in selling. Your Company is focusing on creating defined spaces in the dealer's shops where only your Company's products are always displayed. Such exclusive display areas are named as Orient Tile Boutique (OTB) for displaying 'Orient' brand and another as Bell Tile Boutique (BTB) for displaying 'Bell' brand. At such OTBs and BTBs the company has the advantage of displaying its entire range and customer the opportunity to choose from a wide selection. During the year under review your Company has opened 55 OTBs and 8 BTBs PAN India and the number is growing. Such boutiques are expected to create significant demand of your Company's higher value products in the medium to long term future.

Patent Pending Products

Your Company's four out of the box Patent Pending Products (PPPs) viz., Forever Tiles, Germ-Free Tiles, Cool Tiles and Life Tiles have been well received by retail & institutional customers. Forever Tile's self cleaning feature, Germ Free Tile's anti bacterial and hygiene feature, Life Tile's self cleaning and smog removal feature and Cool Tile's reduction of heat and electricity saver feature define their edge over others. Various test reports of recognized laboratories have already proven these features. Due to the environment friendly features of PPPs your Company has been registered with associations like Green Rating for Integrated Habitat Assessment (GRIHA) and Indian Green Building Council (IGBC) which are aggressive in making the environment greener.

The contemporary and elegant designs of PPPs together with their exclusive technology feature set them apart from regular tiles. Various prestigious institutions such as DLF, Ansals, Ashiana Housing, IIT - Patna, Medanta – The Medicity, Gurgaon, Sobha Developers, Hotel Silverline, Devi Narayana Housing and Paharpur Industries have already installed & are happy with the performance of your Company's PPPs. Apart from direct representation to prospective customers & influencers, your Company is actively promoting PPPs through a variety of social media & hopes to gain many more customers for PPPs over the next few quarters.

Launch of Mobile Application – m.orientbell.com

With the increasing significance of mobile phones and their applications in people's lifestyles, the necessity for new technologies and new applications has risen. Your Company has launched mobile applications on Apple and Android

platforms to help us to build relationship with the customers, increase company's accessibility, increase exposure across mobile devices, and to connect with the on-the-go customers. On the other hand the customer gets easy access to Company's products, Company events like new product launches, display centres etc.

Participations – ACETECH (Delhi & Bengaluru & Kolkata), Green Building and Retrofits Expo Asia held in Thailand

During the year under review your Company has reached Architects, Builders, Interior Designers and General Public to show its innovative designs and products through Acetech Exhibition held at Delhi, Bengaluru and Kolkata and also through GBR EXPO Asia 2014-the 4th International Exhibition and Conference on Green Building & Retrofits held in Thailand for the Asia Market.

DIVIDEND

For the year under review, your Directors have recommended a dividend of ₹ 0.50 per equity share for the financial year ended March 31, 2014. The total outgo of dividend (inclusive of tax of ₹ 11.53 lakh) would amount to ₹ 79.40 lakh as against ₹ 238.20 lakh in the previous year. The dividend payout is subject to approval of members at the ensuing Annual General Meeting.

EMPLOYEE STOCK OPTION SCHEME

During the year under review, your Company has come out with Orient Bell Employees Stock Option Scheme – 2013 ("Scheme"). The Compensation Committee of the Board monitors and administers the Scheme in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines").

The applicable disclosures as stipulated under the SEBI Guidelines as on March 31, 2014 with regard to the Scheme are provided in Annexure 'A'.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

'Management Discussion and Analysis Report', as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges forming part of this report, has been given under separate section in the Annual Report.

CORPORATE GOVERNANCE REPORT

Your Company has implemented the mandatory as well as certain non-mandatory requirements of Corporate Governance as per clause 49 of the Listing Agreement. A report on Corporate Governance with detailed compliance has been given under a separate section in the Annual Report. Your Company has also obtained a certificate for compliance of the provisions of Corporate Governance from the Statutory Auditors.

SUBSIDIARY COMPANY

In terms of Section 212 of the Companies Act, 1956 read with the General Circular no. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, Government of India, Balance Sheet, Profit and Loss Account and other documents of its subsidiary Elit International Trading (HK) Pvt. Ltd., are not being attached with the Balance Sheet of the Company. However, the financial information of Elit International Trading (HK) Pvt. Ltd. is disclosed in the Annual Report in compliance with the said circular. The accounts and the related detailed information of subsidiary company will be made available to any shareholder on request. The annual accounts of the subsidiary company will also be kept open for inspection by any shareholder at the Corporate Office of the Company and also at the venue during the Annual General Meeting.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, Consolidated Financial Statements are provided in the Annual Report.

PUBLIC DEPOSITS

Pursuant to Section 58A of Companies Act 1956, during the year your Company has neither invited nor accepted deposits from the public.

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 as Annexure 'B'.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 (hereafter referred to as 'the Act'), read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. However, as per the provisions of Section 219(1) (b) (iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the statement of particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy at the Corporate Office of the Company.

DIRECTORS

Mr. K. M. Pai was appointed as Non Executive-Non Independent Director of the Company effective 02.04.2012. The Board of Directors has, in its meeting held on 24.04.2014 approved the appointment of Mr. K.M. Pai as Whole Time Director of the Company for a period from 24.04.2014 to 31.03.2017. The Board of Directors recommends the appointment and remuneration of Mr K.M. Pai as Whole Time Director of the

Company to be passed by the members at the ensuing Annual General Meeting.

Being longest in office, Mr. K.M. Pai will retire by rotation and being eligible, offers himself for reappointment. The Board of Directors recommends his re-appointment.

IDBI Bank has nominated Mr. Satish Chandra as its Nominee Director in place of Ms. Madhavi Kapadia w.e.f. 21.04.2014.

Mr. Mahendra K. Daga and Mr. Madhur Daga earlier appointed as Managing Director and Whole Time Director respectively not liable to retire by rotation are proposed to continue to hold their offices as such whose period of office shall be liable to determination by rotation.

To comply with the provisions of Section 149 and other applicable provisions of the Act, the Board has recommended the appointment of all the existing non executive Independent Directors as Independent Directors viz., Mr. R.N. Bansal, Mr. N.R. Srinivasan, Mr. P.M. Mathai and Mr. Dhurv M. Sawhney to hold office as per their tenure of appointment mentioned in the notice of the forthcoming Annual General Meeting of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (a) that in the preparation of annual accounts for the financial year ended March 31, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit or loss of your Company for the year under review;
- (c) that the Directors had 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) that the Directors had prepared the accounts for the financial year ended March 31, 2014 on a 'going concern' basis.

AUDITORS

M/s S. R. Dinodia & Co. LLP, Chartered Accountants, New Delhi Statutory Auditors of your Company, hold office till the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Company has received a letter from M/s S.R. Dinodia & Co. LLP, confirming that their appointment, if made, would be

within the limits prescribed under section 139 and 141 of the Companies Act, 2013 and that they are not disqualified for re-appointment.

The Board of Directors recommends the re-appointment of M/s S.R. Dinodia & Co. LLP as Statutory Auditors from the conclusion of ensuing Annual General Meeting till the conclusion of 38th Annual General Meeting in accordance with the provisions of Section 139 of the Companies Act, 2013 and rules there under at such remuneration as shall be fixed by the Board of Directors of the Company.

During the year, the Company had received intimation from M/s S.R. Dinodia & Co. LLP stating that M/s S.R. Dinodia & Co. had been converted into a Limited Liability Partnership (LLP) under the provisions of the Limited Liability Partnership Act, 2008 with effect from 15.10.2013. In terms of Ministry of Corporate Affairs, Government of India, General Circular No. 9/2013 dated April 30, 2013, if a firm of Chartered Accountants, being an auditor in a Company under the Companies Act, 1956, is converted into an LLP, then such an LLP would be deemed to be the auditor of the said Company. The Board of Directors of the Company has taken due note of this change. Accordingly, the audit of the Company for financial year 2013-14 was conducted by M/s S.R. Dinodia & Co. LLP.

AUDITORS' REPORT

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

COST AUDITORS

During the year under review, the Board of Directors has, on recommendation of Audit Committee, and subject to Central Government approval, appointed M/s J.C. Chandra & Associates, Cost Accountants, as cost auditors of the Company for the FY 2013-14. Central Government has, confirmed the appointment of M/s J.C. Chandra & Associates.

ACKNOWLEDGEMENT

Your Directors acknowledges with gratitude and appreciation, the continued support and assistance received from banks, government authorities, customers, vendors, business associates, financial institutions and members and also wish to place on record their deep sense of appreciation for the hard work, dedication and committed services by the Company's executives, staff and workers.

On behalf of the Board

Place: New Delhi
Date: 29-07-2014

Mahendra K. Daga
Chairman & Managing Director

ANNEXURE – A TO THE DIRECTORS REPORT

DISCLOSURES REQUIRED UNDER THE SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999

	Nature of Disclosure	Particulars
a.	Options granted	2,63,100
b.	Pricing formula	Exercise Price is Nil.
c.	Options vested	Nil
d.	Options exercised	Nil
e.	Total number of shares arising as a result of exercise of options	Nil
f.	Options lapsed	3,600
g.	Variation of terms of options	None
h.	Money realized by exercise of options	Nil
i.	Total number of options in force	a. (-) d. (-) f. = 2,59,500
j.	Employee wise details of options granted to:-	Mr. Vijay Shankar Sharma - 1,12,500; Mr. Anil Agarwal - 12,000; Mr. Ashish Mehta - 9,000; Mr. Sanjeev Gupta - 6,000; Mr. S.P. Sharma - 6,000
	i) senior managerial personnel	
	ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Mr. Vijay Shankar Sharma - 1,12,500
	iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	None
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	₹ 1.48
l.	Method of calculation of employee compensation cost Difference between the employee compensation cost computed using the intrinsic value of the stock options and the employee compensation cost that shall have been recognized if the fair value of the options had been used and its impact on profits and EPS of the Company.	Employee Compensation cost has been calculated using Intrinsic Value of Stock Options. The Employee Compensation Cost would have been lowered by ₹ 20.33 lakh and the profits would have been increased by ₹ 20.33 lakhs and the EPS would have been increased by 0.12 paise if the Fair Value method had been adopted.
m.	(i) Weighted average exercise prices and weighted average fair values of options whose exercise price equals the market price of the stock.	N.A.
	(ii) Weighted average exercise prices and weighted average fair values of options whose exercise price exceeds the market price of the stock.	N.A.
	(iii) Weighted average exercise prices and weighted average fair values of options whose exercise price is less than the market price of the stock.	Weighted average exercise price :- Nil Weighted average fair value:- ₹ 38.50
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	Black - Scholes Method (i) Risk-free interest rate 7.57% (ii) Expected life 1 year (iii) Expected volatility 3.14% (iv) Expected Dividend 1.28% (v) The price of the underlying share in market at the time of option grant ₹ 39.00 per share

ANNEXURE – B TO THE 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:

At Sikandrabad Plant:

1. Modified MP-2 plant -
 - a. Pre kiln dryer entry & exit up to kiln entry from double line to single line for reducing the power consumption by providing the elevator system.
 - b. Press dryer entry table for smooth running production and reducing power consumption.
2. Modified MF-2 plant - Pre kiln dryer entry table & double layer press dryer exit table from double line to single line for reducing the power consumption.
3. Installed Variable Frequency Drives (VFDs) at multiple locations to save electrical energy.
4. Gas saved in all kilns by maintaining proper air and fuel ratio.
5. Provided energy efficient lights i.e. LED/CFL by progressively replacing Sodium Vapor and Metal Halide Lamps.
6. Reduced idle running of machines in the plant.
7. Modified the glazing line in MP-4 plant from double line to single line after digital machine for power saving.
8. Reduced gaps in kiln feeding significantly. This has resulted in reduction of both power & fuel consumption.
9. Erection of new FBCC for Nasseti spray dryer has been completed. Its commissioning is under process. This will result in cost saving by replacing expensive natural gas by Biomass fuel.
10. Provided energy efficient motors for power saving.

At Hoskote Plant:

1. Reduced air compressor power consumption by reducing air leakages across the plant and optimizing air pressure required for operation.
2. Provided energy efficient lighting by replacing Sodium Vapor and Metal Halide Lamps with LED lights.
3. Reduced electricity consumption in dryer.
4. Reduced idle running of machineries in the plant.
5. Continuously maintaining the Time of the Day (TOD) metering to take advantage of cheaper Non-peak hour energy pricing.
6. Continuously purchasing power from Open Access Trade through Indian Energy Exchange to reduce cost of electricity.
7. Reduced LPG consumption in press dryer by modifying hot air circulation mechanism.

At Dora Plant:

1. Provided VFDs at various locations for better efficiency of machine and to conserve electricity.
2. Reduced kiln feeding gaps to improve power and fuel efficiency.
3. Avoided idle running machines/equipments to save power.
4. Created awareness among users and service provider for less power and fuel consumption.
5. Installed cyclic timers at various locations in body preparation for power conservation.
6. Modified the SACMI kiln entry table by replacing mechanical variator drives with Variable Frequency drives which has resulted saving in power.

(b) Additional investment and proposals being evaluated for reduction consumption of energy:

At Sikandrabad Plant:

1. To provide energy management system in MF plant. Work is under progress.
2. To provide further VFDs at other strategic locations for a much higher efficiency and to save power.
3. To replace many of existing metal halide lamps with LED/CFL lights.
4. Further fuel saving in kiln & Press dryer with the help of machine manufacturer.

At Hoskote Plant:

1. To provide 132KW VFD for pendular mill blower.
2. To provide 55KW VFD for SACMI kiln hot air blower.
3. To provide 30KW VFD for SITI kiln smoke suction blower.
4. To provide air cooling system for hydraulic oil of presses in place of chilling plant.
5. To provide VFD for silo discharging to reduce powder spillage as well as electricity consumption.

At Dora Plant:

1. Planning for utilization of waste heat from gas generator to spray dryer.
2. Conversion of silica grinding media to alumina in slip house ball mills to reduce grinding hours and power saving.
3. To use more LED lights.
4. Conventional motors to be replaced with high efficiency motors to save power.
5. To install EMS (Energy Management System) for power monitoring & saving thereafter.
6. To introduce multilayer dryer in place of Zhongyao kiln (being used as a dryer) for fuel saving.

- (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:**

By an ongoing system of applied research in body composition, by re-engineering the glaze composition and applying value engineering in packing we are able to keep the cost under control despite continuous rise in input costs.

2. **Future plan of action:**

The Company has strived to be a leader in manufacturing of quality tiles with rich colours and in different designs at very competitive price. The Research and Development work is an ongoing process which the team at Orient Bell adapts with excellence.

3. **Expenditure on R&D:**

No separate record of the expenditure incurred is maintained.

Technology Absorption, Adaptation and Innovation

- (a) **Efforts made towards technology absorption, adaptation and innovation:**

Following initiatives has been taken and some are under consideration.

At Sikandrabad Plant:

1. Started Fluidized Bed Combustion Chamber for FT production to reduce the specific cost of fuel.
2. Started cold glue application for size 200x300 mm at auto sorting line for better packing of carton.
3. More Variable Frequency Drives (VFDs) have been ordered for the electrical energy conservation.
4. Increased productivity by almost 15% after numerous modifications and system changes in the plant.
5. Production trials are in process to reduce to cost of engobe & glaze without compromising with the quality of the product.
6. Started automatic strapping at MP2 line to improve the quality of packing and to improve the productivity as well.

At Hoskote Plant:

1. Installed and commissioned higher capacity Dry Edge Cut machine to improve production, quality and productivity.
2. Digital printing machine has been installed successfully and started production of digital designs.
3. Production trials are in process to substitute costly Fire clay with suitable local clay to reduce cost of body.
4. Successfully started producing IS Specification complied tiles (Min. 300kg/cm² MOR and 3-6% WA) by modifying the body formulation and by increasing cavity size in press mould.
5. Some VFDs are planned for the electrical energy conservation.
6. Work is on to replace LPG with natural gas as and when GAIL pipe line is ready. Signing of contract agreement with GAIL is completed. Natural gas is expecting by Sep'14.
7. Started recycling waste glaze and using ETP glaze in matt engobe to reduce glaze consumption.

At Dora Plant:

1. Modified kiln entry with PLC and AC drives to have smooth kiln feeding process & for better efficiency of the machine.
2. Glue application started at sorting machine for better packing of cartons.
3. Production trials are under progress to have common body for all the sizes.
4. Blunger started for reprocessing of the green pitcher and waste powder for power saving.
5. Modified Zhongyao kiln gas train for better safety.
6. Modified press dryer exit table and made it in line to have ease of operation, less loss and better layout.
7. Modified Zhongyao kiln exit table outlet from two line to one line to reduce breakdown & easy operation.
8. Introduced hydro filter on g/line for brushing unit to avoid fly dust in the atmosphere.

- (b) **Benefit derived as a result of the above efforts:**

As a result of these efforts, cost reduction, improved yield, energy saving, and quality up gradation became possible.

- (c) **Technology imported:** New Squaring machine at Hoskote plant during the FY 2013-14.

All the earlier relevant technologies are fully absorbed

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) Foreign Currency used : ₹ 984.34 Lakh.
(b) Foreign Currency earned : ₹ 0.22 Lakh.

On behalf of the Board

Place: New Delhi
Date: 29-07-2014

Mahendra K. Daga
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

As per the requirement of Clause 49 of the Listing Agreement the Management Discussion and Analysis Report is provided as under:

ECONOMIC REVIEW

The FY 2013-14 was a year of uncertainty when expectations weathered a setback. The constant change in the Indian and global economic landscape created uncertainty and risks to the growth momentum. The Indian economy continued to languish recording a below 5% growth for the second consecutive year during FY 2013-14. The sudden and strong depreciation of rupee towards the end of Q1 FY14 let down expectations of an upturn in the growth prospects of the economy in the near term. India's Current Account Deficit widened while GDP growth slowed from above 8.5% to below 5%. Despite the loss of momentum of the Indian economy, inflation continued to remain elevated, especially the retail inflation. While high cost of borrowing, low business confidence and delays in project approvals impacted investments, high inflation and slowdown in employment generation led to reduced spending by households. Confronted with a difficult macroeconomic situation of slowing growth, high inflation and depreciating rupee, the Government and the RBI had taken a number of corrective measures to support economic growth. The Indian as well as the global economy is thus at crossroads poised to witness recovery during the FY 2014-15.

(Source: D&B's India Outlook 2014-15)

INDUSTRY STRUCTURE AND DEVELOPMENT

In the residential replacement industry, ceramic tiles are used for many purposes such as designing, floor and wall fittings, protection from rain and moisture, and other environmental hazards. Residential replacement, besides having maximum market share, is also expected to be the fastest growing application segment of ceramic tiles at a CAGR of 8.6% from 2012 to 2018. Similarly, the floor tiles product category within the ceramic tiles market boasts the maximum share and has the fastest growth at a CAGR of 8.6% from 2012 to 2018.

Floor tiles were followed by wall tiles, and other tiles that include countertop, façade, and so on, respectively. Wall tiles alone accounted for approximately 40% of the total ceramic tiles market in 2011. The global demand for wall tiles is expected to reach 7,096.4 million square meters by 2018, growing at a CAGR of 8.0% from 2012 to 2018. The increasing applications of all types of ceramic tiles are expected to drive the global ceramic tile market.

(data source: www.reuters.com)

OUTLOOK

The growth of Ceramic Industry is directly linked with the growth of real estate sector to a great extent. Over the past few years, residential segment in India has rapidly grown in demand. However, given slowdown in the economic activity and moderation in income, housing sector has suffered a setback. According to data released by Centre for Monitoring Indian Economy (CMIE), during FY 2013-14, approximately Rs. 214.9 billion worth of new investment was made in the housing construction sector as compared with Rs. 412.04 billion during FY 2012-13 – plummeting by 48% year on year basis. Demand

for ceramic tiles in India is driven by a combination of factors like rise in housing sector, urbanization rate, rise in nuclear families, rise in per capita income. Commercial sector and infrastructure projects form a huge customer base for tile industry. The commercial segment comprises office space, retail and hospitality space. The resourcing boom coupled with economic uptrend is expected to create a huge demand for office space in India and this in turn will boost increased sale of tiles.

OPPORTUNITIES & THREATS

With the increasing construction activities, the tiles market in the country is set to flourish. The demand from institutional customers is outpacing the retail demand in many regions of the country. The overall Indian tiles market is expected to witness compounded annual growth rate of more than 18% till 2017. However, during the same period demand for vitrified tiles is expected to grow at the compounded annual growth rate of 21% due to increasing institutional sales.

Your Company sees opportunity in the digitally printed tiles – the latest in trend. These tiles are increasingly in fashion as they give walls a stunning art work look deviating from the clichés of the dull painted walls. These tiles are created based on principles and procedures which are similar to graphic art work which offer photo-like high-resolution impressions. Through digital design, tiles can be decorated virtually with the best photo-quality image or design on plain or a textured surface. The USP of such tiles are that they are high definition (HD) digital tiles, that is, advanced digital printing technology which provides enhanced high-definition reproduction of colours and objects and also provides exact impressions of stones, marble and wood.

The continuous sharp increase in the prices of natural gas a major source of fuel in manufacture of tiles, and the tiles manufactured in unorganized sector are the major threats to your Company.

(data source: www.techsciresearch.com)

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

Your Company deals with products which come under one segment only i.e. 'ceramics tiles'.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has in-house internal audit department which ensures strong and adequate internal control systems within the Company. As a routine feature of the Internal Audit department, it ensures regular and minute check on the working of every department identifying risks and problem areas and to apprise the Audit Committee and Board. The regular Internal Audits increases efficiency and brings out quality in the working culture. The Internal auditors conduct audits of various departments as per the Annual Internal Audit Plan duly approved by the Audit Committee. The Internal Audit Reports are periodically reviewed by the Audit Committee. The Company is continuously upgrading its internal control systems under valuable guidance of the Audit committee and the Board.