



SPORTER
Cement Mills Limited

BOARD OF DIRECTORS

Sadanand A. Shetty
M.N. Rao
S. Ramasubramanian (Nominee of ICICI)
N.M. Ambade (Nominee of IDBI)
K.E.C. Raja Kumar (Nominee of UTI)
T. Venkateswara Rao
Krishna Prasad Tripuraneni, Managing Director

**GROUP D.G.M. (LEGAL) AND
COMPANY SECRETARY**

R. Jayaraman

AUDITORS

Brahmayya & Co.
Chartered Accountants
Chennai

LEGAL ADVISER

T. Raghavan
Advocate
Chennai

BANKERS

Central Bank of India
Indian Bank
State Bank of India

REGISTERED OFFICE

Mittapalem
Narasingapuram P.O.
Chandiragiri Taluk
Chittoor District
Andhra Pradesh
Pin 517 102

HEAD OFFICE

No. 15, Cenotaph Road, II Lane,
Teynampet, Chennai - 600 018.

CERAMICS DIVISION

Mittapalem
Narasingapuram P.O.
Chandiragiri Taluk
Chittoor District
Andhra Pradesh
Pin 517 102

GRANITES DIVISION

Gudapakkam Village
Puduchatiram (Post)
Chinglepet District
Tamilnadu - 602 107

SHARE TRANSFER AGENTS

M/s. Integrated Enterprises (India) Ltd.
Kences Tower, 2nd Floor,
No. 1, Ramakrishna Street,
North Usman Road, T. Nagar,
Chennai - 600 017.

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NOTICE TO MEMBERS

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Spartek Ceramics India Limited will be held at 11:30 A.M. on Wednesday, the 30th April, 2003 at Hotel Mayura, T.P.Area, Tirupati – 517 501 to transact the following business:

ORDINARY BUSINESS

- 1) To consider and adopt the Profit and Loss Account for the year ended 30.09.2002 and the Balance Sheet as on that date and the Report of the Auditors' thereon and Directors' Report.
- 2) To appoint a Director in place of Mr. M.N. Rao who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint Auditors and fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, Chennai retire at this Annual General Meeting and are eligible for reappointment.

By Order of the Board
For SPARTEK CERAMICS INDIA LIMITED

Place : Chennai
Date : 28.03.2003

R. JAYARAMAN
Group D.G.M. (Legal) &
Company Secretary

NOTES:

- 1) A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy Form is enclosed herewith. Proxies in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company or at its Head Office at No.15, Cenotaph Road, 2nd Lane, Teynampet, Chennai – 600 018 not later than 48 hours before the Meeting.
- 2) The Register of Members and the Share Transfer Books of the Company will remain closed for one day on 29.04.2003.
- 3) Members are requested to intimate to the Company any change in the address clearly quoting their Ledger Folio numbers.
- 4) The transfer deeds in the case of shares held in physical form should be lodged on or before 29.04.2003 with the Company or with the Registrar of the Company viz., M/s. Integrated Enterprises (India) Limited. The above details in respect of shares held in electronic / demat form should be sent to the respective depository participant of the shareholder.

DIRECTORS' REPORT

To

The Members of Spartek Ceramics India Limited

Your Directors are pleased to present the Eighteenth Report and Audited Accounts of the Company for the year ended 30.09.2002.

FINANCIAL RESULTS

Particulars	(Rs. in lakhs)	
	2001-2002	2000-2001
Gross Income	5941.85	5721.57
EBDLIT-before provisions & write offs	568.39	249.86
Profit / (Loss) before taxation	(944.18)	(1077.31)
Provision for taxation	—	—
Profit / (Loss) after tax	(944.18)	(1077.31)
Extra-ordinary items	—	17.76
Net Profit (after Extra-ordinary items)	(944.18)	1059.55)
Surplus / (Deficit) brought forward from previous year	(3168.82)	(2109.27)
Net Profit / (Loss) for the year available for appropriation	(4113.00)	(3168.82)

APPROPRIATIONS

Dividends	—	—
General Reserve	—	—
Debenture Redemption Reserve	—	—
Surplus/(Deficit) transferred to Balance sheet	(4113.00)	(3168.82)

CERAMIC DIVISION

The Ceramic Tiles division has been the mainstay of your company and it continued to perform well, despite liquidity problems. Production during the year under

review was 16.74 lac Sq.mtrs. While the plain varieties continued to dominate the markets, efforts are underway in moving to higher value products and the share of printed products and other value added products are steadily going up. Your company has also introduced new products in the category TOPGLOSS which have a high glossy finish. These have been very well received in the market.

Your company has introduced larger format ceramic tiles (40 cm X 40 cm) in the current year. With the Spartek brand equity in markets supporting further, the introduction of new products/formats will improve the company's market share further in the current year.

Due to working capital constraint, the ceramic tiles plant at Stiles (subsidiary) could be operated for only four months during the year under review. The positive impact of the performance of this division has been partially undone by the increase in the fuel prices. As fuel prices are linked to international crude prices, the prices have gone up beyond industry expectations affecting the production cost adversely.

GRANITE DIVISION

The Vitrified (Granites) Tiles division has come a long way both in terms of quality and volume. It is pertinent to note that the average realization /Sq.m has gone up by almost 40 – 50 %. The capacity utilization has been going up steadily thanks to the encouraging response from the markets.

The performance of the division especially during the 2nd half of the year has been the hallmark of the company's improved top line and bottom line. In fact, the division has always been posting huge backlog order book almost close to one month's sale. As sufficient working capital could not be made available, the company was not able to service the growing demand from all the regions. The market has responded extremely well for all the new

products of the division. The division has successfully introduced the larger format 50 cm X 50 cm tiles. These larger formats are likely to result in increased net realization from vitrified tiles.

With the production/sales volumes picking up the cost of production has been coming down, though partially offset by increased cost of power & fuel. The division has embarked upon several cost saving measures including composition of the body, import substitution and engineering modifications. All these efforts should fructify and therefore would get reflected in the division's performance during the current year.

With a marked market preference towards Vitrified tiles, Your company has a huge opportunity to be tapped which will become visible in the current year's performance.

FINANCE

The financial management of your company has been thoroughly streamlined and overhauled. Despite no infusion of any external funding, the company could achieve higher levels of production. In order to have a long term solution to the financial constraints, the company has submitted during the current year a comprehensive Debt Restructuring proposal (under CDR) to the lead institution IDBI and the same is under active consideration. Once this proposal is implemented the financial parameters of the company is expected get strengthened substantially.

EXPORTS

During the year the Company has achieved a export turnover of Rs.72 lakhs as compared to Rs.97 lakhs during the previous year. While there is a great potential especially for vitrified tiles, lack of availability of adequate working capital has deterred your company in cashing in on the opportunity.

NEYCER INDIA LIMITED

Neycer's business is closely linked with the construction industry and largely depends on the industrial activity in the country. Due to the major slump in the real estate sector and tight monetary conditions, the company could not perform well. All these culminated in the company posting a loss of Rs. 129 lakhs as against a profit of Rs. 28 lakhs for the previous year. However, the thrust to housing sector by the government of India as enunciated in its policy would certainly help in the market picking up during the current year ended 31st March 2003.

The 12 year long process of BIFR / AAIFR has been finally resolved with AAIFR ordering the Scheme of Rehabilitation. Necessary funding has been tied-up for OTS payment and modernisation of its Tiles plant and also expansion of the Sanitaryware plant have also been completed.

There are a lot of positive signs relating to buoyancy in the market and a number of new patterns and colours from Neycer have been launched during this year. With this, the company's sanitary ware division should do very well both in terms of volume and per ton realization. Therefore, the company is hopeful of posting improved results. In this endeavour, the factory personnel have been imparted several intensive training programs with a view to upgrading their skills and work towards improved quality.

Neycer India Limited's Balance Sheet as at 31.03.2002, Profit and Loss Account, Auditors' Report and Directors' Report for the year ended 31.03.2002 are attached to this report for information.

STILES INDIA LIMITED

Stiles produced Spartek brand tiles on job order basis for a period of about 7 months after the factory was re-opened during June 2001. However due to paucity of working capital this could not be sustained and the factory had to be closed on 31.01.2002. Efforts are



on to tie up working capital funding to restart the operations. The company has also submitted a Debt Restructuring Proposal under CDR during the current year and the same is under process. Once the restructuring proposal is implemented the company will be able to run its factory at full capacity.

Stiles India Limited's Balance Sheet as at 31.03.2002, Profit and Loss Account, Auditors' Report and Directors' Report for the year ended 31.03.2002 are attached to this report for information.

FUTURE PROSPECTS

With the financial restructuring expected during the current year your company will get revitalised with Capital expenditure, product promotions and infusion of working capital. These developments coupled with the improved market conditions hold a bright future for Spartek. The company is also putting in place newer distribution strategies which would enhance Spartek's presence all over India.

HUMAN RESOURCES DEVELOPMENT

Human Resources are the most important assets for Spartek and therefore the company is putting maximum emphasis on Training and nurturing these resources. Your company has been imparting on job and off job training on a regular basis at all levels so as to derive the best out of the employees. Career planning by offering opportunities to grow within the company is yet another key initiative taken by your company. The focus areas of development are productivity, quality and customer service.

FIXED DEPOSITS

Your Company has not accepted and renewed any deposits during the year under review.

INDUSTRIAL RELATIONS

During the year under review, the industrial relations remained stable and cordial.

DIRECTORS

Mr.M.N.Rao, Director retires by rotation and being eligible offer himself for reappointment.

AUDITORS

M/s. Brahmayya & Co., Chartered Accountants, Chennai the Company's Auditors retire at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

DEPOSITORY SYSTEM

The Company's shares are traded compulsorily in dematerialised form. In this connection Company has already entered into agreements with NSDL and CDSL and about 11.74% of the shareholders have already availed this facility.

The other shareholders are also requested to demat their shares in view of the advantages in holding shares in the electronic form.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND RESEARCH AND DEVELOPMENT

The progress made and details on energy conservation, technology absorption and research and development are furnished in Annexure A to this Report.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report is given in the Annexure B to this report.

CORPORATE GOVERNANCE

Pursuant to the provisions contained in the Listing Agreement, a Management Discussion and Analysis

Report (Annexure C) and a report on Corporate Governance together with the Auditors' Certificate on the compliance of conditions of Corporate Governance (Annexure D) is furnished as Annexures forming part of this Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors report:

- i) that in the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the directors had selected such accounting policies and applied them consistently and 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 profit or loss of the company for that period;
- iii) 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 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors had prepared the annual accounts on a going concern basis.

AUDITORS' REPORT

In respect of observations made by the Auditors in their Report pertaining to point nos. in:

- 1) Para 2(e) : The Company has formed a team for credit control headed by an experienced Manager to focus on old debt collection as well control on current receivables and is confident of realizing the major amount of outstandings. Once the reconciliation process is completed, the Company

will be in a position to take a view on the extent of provisions and write-offs that may be required. This is most likely to get completed and reflected in the accounting year 2003-2004. Effective control on current dues and close monitoring are emphasized to avoid further accumulation of debts. The Company's products are currently sold on cash and carry basis or with a lower credit period.

- 2) Para 2(f) : In view of non-availability of profits for appropriation, transfer of Debenture Redemption Reserve could not be effected. However, the debenture holders have agreed to a revised redemption schedule including deferment of interest with the interest repayment starting from 1st April 2002.
- 3) Para 2(h) : The Granite plant of the Company was not in operation during the years 1996-97 to 1998-99. Consequently no provision for depreciation was made for that period. However, the plant started its operations from 1999-2000 and as such necessary provision for depreciation is being made since then.
- 4) Para 2(i) : The Company had submitted a proposal under Corporate Debt Restructuring (CDR) Scheme to the Financial Institutions led by IDBI and our proposal is under their active consideration. The Company is hopeful of getting waivers and concessions and as such no provision for penal interest has been made in the books of accounts.
- 5) Para 2(j) : As stated in point No. (1) above, steps are being taken by the Company to reconcile and update the debtors, creditors and inter-company accounts and the company expects to complete the same during the current year.
- 6) Para 2(k) : The non-compliance of provisions of Section 372A of the Companies Act, 1956, had arisen subsequent to the investments, out of



changes in the law coupled with reduction in the networth of the Company. The Company had already approached IDBI, Lead Institution and made necessary application seeking permission.

- 7) Para 2(l) : The outstanding from Group Companies are under reconciliation. As these companies are going through a restructuring phase, the dues will be recovered after implementation of the restructuring package and hence the same are realizable.
- 8) Para 2(m) : In respect of dues from the Collaborators towards compensation, the avenues for legal remedy is being examined for recovering the same and a view will be taken in 2003-04 after final attempts are completed.
- 9) Para 2(n) : The Company has made an application to the Central Government seeking approval for re-appointment and payment of remuneration to

the Managing Director for a period of five years and the requisite approvals are awaited. The shareholders and the Remuneration Committee have already approved the payment of remuneration to the Managing Director.

ACKNOWLEDGEMENT

The Directors acknowledge the support received from various Government Departments, Financial Institutions, Banks, Shareholders, Debentureholders, Customers, Dealers and Employees.

For and on behalf of the Board

SADANAND A SHETTY
Director

Place : Chennai **KRISHNA PRASAD TRIPURANENI**
Date : 28.03.2003 Managing Director

Report  junction.com

ANNEXURES TO THE DIRECTORS' REPORT**ANNEXURE A :**

Information under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 which forms part of the Directors' Report.

Form A**Form for Disclosure of Particulars with respect to Conservation of Energy****Power and Fuel Consumption:**

	TIRUPATI		GRANITES	
	2001-2002	2000-2001	2001-2002	2000-2001
A) Electricity				
a) Purchased Units	4552453	4307056	2434900	2414786
Amount paid - Rs.	19764493	19123000	12428266	9840566
Cost/Units (Rs./KWH)	4.34	4.44	5.10	4.08
b) Self Generation	449567	1797820	1511194	825512
Units/Lit. of Diesel	2.96	3.26	3.13	
Cost/Units (Rs./KWH)	5.96	4.82	5.78	5.10
B) LPG Consumption (MTS)	1937.69	2143.17	1073.773	757.95
Total Cost	32063909	44702634	17681356	16289949
Cost/Unit (Rs./Mt.)	16547.49	20858.18	16466.56	21492.12
C) LDO/HSD Consumption	1626.12	1992.26	1123.759	715.35
Total Cost	25080792	26875177	17921365	10967941
Cost/Unit (Rs./Kt.)	15423.70	13489.80	15947.69	15332.34
D) Consumption/Unit of Production				
Total Production (in sq.m)	1674130	1908568	253396	180544
a) Power (Units)	2.99	3.20	11.16	17.95
b) LPG (Kg./sq.m)	1.16	1.12	3.03	4.20
c) LDO/HSD (Lit./sq.m)	0.97	1.04	3.17	3.96

Form B**Research & Development**

Continuous product development efforts are made by the Company as a result of which 32 new shades have been introduced to improve Spartek's share in the intensively competitive glazed tile market. Designs like Ambra, Onyx, Taiga, Venezia are very well received by the customers.

R & D efforts concentrated on development of products with new designs and effects particularly in high glossy segment. Continuous efforts are made to increase

printed percentage to more than 60% to improve realization of the product. For this purpose cost effective designs are also introduced to attract lower end customers.

Benefits derived from R & D

Import substitution in frits and reducing Zirconium percentage in the glazes resulted in reduced cost of production.

Newly developed designs had given wider flexibility in meeting market requirements.

Power consumption has been significantly reduced by energy audit and by introducing innovative measures ultimately reducing the cost of production.

Future plan of action

Continuous R & D efforts are proposed for new product development to meet domestic as well as international markets.

Efforts are made to introduce bigger size tiles with a lot more attractive designs and shades in the near future.

Efforts are also made to promote energy saving measures in fuel as well as power consumption.

Foreign Exchange Earnings and outgo

	2001 - 2002 (12 months) (Rs.in.lakhs)
Earnings	71.94
Outgo	221.34

For and on behalf of the Board

SADANAND A SHETTY
Director

Place : Chennai **KRISHNA PRASAD TRIPURANENI**
Date : 28.03.2003 Managing Director

ANNEXURE B**Annexure to the Directors' Report**

Information as per Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period of 12 months ended 30th September, 2002.

S. No.	Name	Designation of the Employee	Remuneration Rs.	Qualification Experience (Years)	Age	Date of Commencement of employment	Last Employer	Last Designation
A. Employed throughout the year								
1.	Mr. Krishna Prasad Tripuraneni	Managing Director	44,00,349	BE., M.S. (Illinois, USA) (17 Years)	46	04.12.1983	Central Corporation USA	Development Engineer
B. Employed Part of the year								
1.	Mr. Richard D Moore	President (India & U.S. Operations)	27,17,618	Graduate in Industrial Management (University of South Florida, USA) (40 Years)	61	01.04.2002	Interkiln Corporation	Vice-President (Operations)
Note <ul style="list-style-type: none"> i) Nature of Employment of all above employees are Contractual. ii) Mr. Krishna Prasad Tripuraneni is related to Mr. T. Venkateswara Rao, Director. iii) Mr. Krishna Prasad Tripuraneni is covered by the provisions of Section 217 (2A) (a) (iii) of the Companies Act, 1956. 								