

**BOARD OF DIRECTORS**

Mr. Mahendra K. Daga	Chairman
Mr. Madhur Daga	
Mr. R. N. Bansal	
Mr. S. K. Jatia	
Mr. N. R. Srinivasan	
Mr. Arun Sodhani	
Mr. K. M. Pai	Managing Director
Mr. Anil Agarwal	
Ms. Madhavi Kapadia	Nominee Director
Mr. S. R. Vyas	Executive Director
(Retired w.e.f. 01.04.11)	

**COMPANY SECRETARY**

Mr. S. R. Vyas (Retired w.e.f. 01.04.11)

**BANKERS**

Bank of India  
 Bank of Bahrain and Kuwait  
 Hongkong and Shanghai Banking Corporation  
 Punjab National Bank

**AUDITORS**

M/s S. R. Dinodia & Co.  
 Chartered Accountants  
 K-39, Connaught Place,  
 New Delhi – 110001

**REGISTERED OFFICE**

Village Dora, Taluka Amod,  
 Dist. Bharuch – 392230, Gujarat (INDIA).

**WORKS**

- Village Dora, Taluka Amod,  
 Dist. Bharuch – 392230, Gujarat (INDIA).
- Village Chokkahalli,  
 Taluka Hoskote, Bangalore (Rural) – 562114  
 Karnataka (INDIA).

**REGISTRAR AND SHARE TRANSFER AGENT**

MCS Limited  
 Neelam Apartment, 88, Sampatrao Colony,  
 Above Chappan Bhog Sweets,  
 Alkapuri, Vadodara – 390007  
 Tel. 0265 – 2339397 Fax. 0265 – 2341639  
 Email : mcsbaroda@yahoo.com

**GENERAL INVESTOR QUARRIES:**

Contact Person: Mr. Samir K. Patel  
 Asst. Company Secretary  
 Tel. No.: +91 – 2641 – 235151, 235153  
 e-mail ID: investor@bellceramic.com

**MANAGEMENT TEAM**

Mr. A. N. Rangaswamy	– President (Marketing)
Mr. C. S. Murthy	– Technical Advisor
Mr. G. P. Zala	– GM (Finance & Accounts)
Mr. Krishnakumar T. V.	– GM (Operations)
Mr. G. Vaidyanthan	– AGM (Materials)
Mr. Jagdish Pal	– AGM (Production)

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## NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Saturday, the 28th May, 2011 at 12.00 noon at the Registered Office of the Company at Village Dora, Taluka Amod, District Bharuch - 392230, Gujarat, to transact the following business.

### ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st December 2010, the Profit and Loss Account for the period ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions with or without modifications.

#### Item No. 3 – ORDINARY RESOLUTION

“RESOLVED THAT Shri Mahendra K Daga, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

#### Item No. 4 – ORDINARY RESOLUTION

“RESOLVED THAT Shri Madhur Daga, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

#### Item No. 5 – ORDINARY RESOLUTION

“RESOLVED THAT Shri S K Jatia, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

#### Item No. 6 – ORDINARY RESOLUTION

“RESOLVED THAT Shri R. N. Bansal, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

#### Item No. 7 – ORDINARY RESOLUTION

“RESOLVED THAT Shri N R Srinivasan, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

#### Item No. 8 – ORDINARY RESOLUTION

“RESOLVED THAT Shri Arun Sodhani, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

#### Item No. 9 – ORDINARY RESOLUTION

“RESOLVED THAT Shri Anil Agarwal, who was appointed as an Additional Director of the Company by the Board of Directors of the Company and who holds office up to the date of this Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom, the Company has under section 257 of the said Act, received notice in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

**Regd. Office:**  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 25.02.2011

By Order of the Board  
  
**K. M. Pai**  
Managing Director

**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.
2. The instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 23rd May, 2011 to Saturday, the 28th May, 2011 (both days inclusive).
4. The shareholders are requested to :-
  - a) intimate the change in their address for shares held in physical mode to the Registrar and Transfer Agent, viz, MCS Limited, Vadodara and to the concerned Depository Participants for shares held in electronic mode.
  - b) quote Ledger Folio/client ID numbers in all their correspondence.
  - c) bring copy of the Annual Report and Attendance slip with them at the AGM.
5. Members desirous of getting any information about accounts and operations of the Company are requested to address their communication well in advance so that the same reaches to the Company at least 10 days before the meeting to enable the management of the Company to keep the information required readily available.

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956:**

**Item No. 3**

Shri Mahendra K Daga, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri Mahendra K Daga holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri Mahendra K Daga is a graduate with an Arts Degree from St. Xavier's College, Kolkata and is a fellow member of the Institute of Materials, U.K. He is the Chairman & Managing Director of Orient Ceramics And Industries Limited (OCIL), the holding company of Bell Ceramics Limited. Besides OCIL, he holds directorship in various companies as also a Board member of Indian council of Ceramic Tiles and Sanitarywares. He has over 42 years experience in Ceramic industry.

The Board of Directors is of the view that having such a long and rich experience in the ceramic tile industry, the services and guidance of Shri Mahendra K Daga will be of immense value to the company.

None of the Directors except Shri Mahendra K Daga himself and Shri Madhur Daga his relative on the Board, is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No. 3 for your approval.

**Item No. 4**

Shri Madhur Daga, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri Madhur Daga holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri Madhur Daga is a Science graduate and holding a Master Degree in Business Administration with Finance. He is the Executive Director of Orient Ceramics And Industries Limited (OCIL), the holding company of Bell Ceramics Limited. Besides OCIL, he holds directorship in one another company. He has over 15 years experience in Ceramic industry.

The Board of Directors is of the view that having a very rich experience in Marketing and finance in the ceramic tile industry, the services and guidance of Shri Madhur Daga will be of immense value to the company.

None of the Directors except Shri Madhur Daga himself and Shri Mahendra K Daga his relative on the Board, is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No. 4 for your approval.

**Item No. 5**

Shri S K Jatia, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri S K Jatia holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri S K Jatia is a commerce graduate having a very rich and long experience of managing companies engaged in the manufacturing and service providing. He has been associated with the company management since last 25 years. He holds directorship in various other companies. He has over 30 years experience in various fields of management.

The Board of Directors is of the view that the services and guidance of Shri S K Jatia will be of immense value to the company.

None of the Directors except Shri S K Jatia himself is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No. 5 for your approval.

**Item No. 6**

Shri R. N. Bansal, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri R. N. Bansal holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri R. N. Bansal is holding a master degree in Arts and a Fellow Member of the Institute of Chartered Accountants of India as also the Associate Member of the Institute of Company Secretaries of India. He is having almost more than 56 years, a very rich and long experience in various fields of management. He has been associated with the management of OCIL, the holding company since 1989. He also holds directorship in various other companies as also members of committees of Directors including chairmanship of audit committees and remuneration committees.

The Board of Directors is of the view that the services and guidance of Shri R. N. Bansal will be of immense value to the company.

None of the Directors except Shri R. N. Bansal himself is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No. 6 for your approval.

**Item No. 7**

Shri N. R. Srinivasan, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri N. R. Srinivasan holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri N. R. Srinivasan is M.Sc. in Tech Ceramic Technology. He is having almost more than 59 years, a very rich and long experience in the fields of ceramic technology. He has been associated with the management of OCIL, the holding company since 1988. He also holds directorship in various other companies as also members of committees of Directors.

The Board of Directors is of the view that the services and guidance of Shri N. R. Srinivasan will be of immense value to the company.

None of the Directors except Shri N. R. Srinivasan himself is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No.7 for your approval.

**Item No. 8**

Shri Arun Sodhani, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri Arun Sodhani holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri Arun Sodhani is B.A. and has done Business Management Course from London (U.K.) with almost more than 30 years, a very rich and long experience in various fields of corporate management.

The Board of Directors is of the view that the services and guidance of Shri Arun Sodhani will be of immense value to the company.

None of the Directors except Shri Arun Sodhani himself is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No.8 for your approval.

#### Item No. 9

Shri Anil Agarwal, was appointed by the Board of Directors as an Additional Director of the Company with effect from 24.11.2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, Shri Anil Agarwal holds office up to the date of this Annual General Meeting of the Company. Notice under Section 257 of the Act, has been received from a member of the Company proposing him as a candidate for the office of Director, liable to retire by rotation.

Shri Anil Agarwal is a graduate in Mechanical Engineering. He is having almost more than 24 years, a very rich and long experience successfully operating the ceramic tile plants. He has been associated as President Operations with OCIL, the holding company.

The Board of Directors is of the view that the services and guidance of Shri Anil Agarwal will be of immense value to the company.

None of the Directors except Shri Anil Agarwal himself is in any way concerned or interested in this resolution.

The Board recommends the resolution at Item No.9 for your approval.

#### Documents for Inspection;

Copies of the documents mentioned in the notice as above is available for inspection by the members on any working day at the Registered office of the company during office hours.

**Regd. Office:**  
Village Dora, Taluka Amod  
District Bharuch, Gujarat  
Date: 25.02.2011

By Order of the Board  
**K. M. Pai**  
Managing Director

#### Details of Directors seeking re-appointment (appointment at the Annual General Meeting) (In pursuance of clause 49 of the Listing Agreement)

- 1. Name of the Director:** Shri Mahendra K Daga, **Age:** 72Years, **Qualification:** BA,FIM (UK), **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in ceramic tile industry, **Directorships as on 31.12.10:** Orient Ceramics And Industries limited (Chairman & Managing Director) , Good Team Investment & Trading Co. Pvt Ltd, Freesia Investment & Trading Co Ltd, Triveni Engineering & Industries Ltd, Indian Council of Ceramic Tiles and Snitarywares, Bell Ceramics Limited- Chairman, **Chairman/ member of Audit committees;** Orient Ceramics and Industries Ltd -Member, **Chairman/ member of Shareholders'/ Investors Grievance committees;** Orient Ceramics and Industries Ltd - Member, **Shareholding in the Company:** 14759 Equity shares of Rs 10/- each
- 2. Name of the Director:** Shri Madhur Daga, **Age:** 38Years, **Qualification:** B.Sc (Mktg & Fin), MBA (Finance) , **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in ceramic tile industry, **Directorships as on 31.12.10:** Orient Ceramics And Industries limited (Executive Director) , Good Team Investment & Trading Co. Pvt Ltd, Bell Ceramics Limited, **Chairman/ member of Audit committees;** Nil, **Chairman/ member of Shareholders'/ Investors Grievance committees;** Orient Ceramics and Industries Ltd - Member, **Shareholding in the Company:** Nil
- 3. Name of the Director:** Shri S.K.Jatia, **Age:** 58 Years, **Qualification:** B.Com, **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in ceramic and Hotel industry, **Directorships as on 31.12.10:** Asian Hotel (North) Ltd., Chairman & Managing Director, Energy Infrastructure (I) Ltd., Chairman, Foods Fats & Fertilisers Ltd., Gurgaon Recreation Park Ltd., Magus Estates & Hotels Ltd., Leading Hotels Ltd. Asian Holdings Pvt. Ltd., Chanakya Hotels Pvt. Ltd., Country Development & Management Services Pvt. Ltd., Pergo India Pvt. Ltd., Danisco Ingredients (I) Pvt. Ltd., Rose Serviced Apt. India Pvt. Ltd., Hind Broadcasting Co. Pvt. Ltd., Bollywood

Broadcasting Co. Pvt. Ltd., Smart Realtors Pvt. Ltd., Amazing Academics Pvt. Ltd., Amazing Energy Pvt. Ltd., Smart Tourism Pvt. Ltd., R S J Developers Pvt. Ltd., Keppel Magus Development Pvt. Ltd., Prudential Hotels Pvt. Ltd., Ascent Hotels Pvt. Ltd., Newtown Leisure Pvt. Ltd., Axis Commercial Pvt. Ltd., **Chairman/ member of Audit committees; Nil, Chairman/ member of Shareholders'/ Investors Grievance committees;, , Shareholding in the Company: 28383**

4. **Name of the Director:** Shri R . N . Bansal , **Age;** 80 Years, **Qualification:** MA, FCA, ACS, ACIS , **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in Finance, **Directorships as on 31.12.10:** Orient Ceramics And Industries limited, Chambal Fertilizer & Chemicals Ltd, Essar Shipping Ports & Logistics Ltd, Gobind Sugar Mills Ltd, Pushpsons Industries Ltd, The Hindoostan Spinning & Weaving Mills Ltd, The Vadinar Oil Terminal Ltd, Essar Logistics Ltd, Imaging Products Pvt Ltd , Bell Ceramics Limited, **Chairman/ member of Audit committees;** Orient Ceramics And Industries limited- Chairman, Chambal Fertilizer & Chemicals Ltd- Member, Essar Shipping Ports & Logistics Ltd- Chairman, Gobind Sugar Mills Ltd- Member, Bell Ceramics Limited- Chairman, Pushpsons Industries Ltd- Chairman, The Hindoostan Spinning & Weaving Mills Ltd-Member, Vadinar Oil Terminal Ltd- Member, **Chairman/ member of Shareholders'/ Investors Grievance committees;** Chambal Fertilizer & Chemicals Ltd-Chairman, **Shareholding in the Company:** Nil

5. **Name of the Director:** Shri N . R . Srinivasan , **Age;** 85 Years, **Qualification:** M.Sc, Tech Ceramic Technology, **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in ceramic technology, **Directorships as on 31.12.10:** Orient Ceramics And Industries limited, Bell Ceramics Limited, **Chairman/ member of Audit committees;** Orient Ceramics And Industries limited- Member , **Chairman/ member of Shareholders'/ Investors Grievance committees;** Orient Ceramics And Industries limited -Chairman , Bell Ceramics Limited- Chairman, **Shareholding in the Company:** Nil
6. **Name of the Director:** Shri Arun Kumar Sodhani , **Age;** 66 Years, **Qualification:** B.A. & Business Management Course from U.K., **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in Trading & Export, **Directorships as on 31.12.10:** Bell Ceramics Limited, **Chairman/ member of Audit committees;** Bell Ceramics Limited - Member , **Chairman/ member of Shareholders'/ Investors Grievance committees:** Nil, **Shareholding in the Company:** Nil
7. **Name of the Director:** Shri Anil Agarwal , **Age;** 45 Years, **Qualification:** BE- Mechanical , **Date of Appointment:** 24.11.2010, **Expertise:** Having rich and vast experience in Ceramic tile Industry , **Directorships as on 31.12.10:** Morning Glory Leasing and Finance Ltd, Bell Ceramics Limited, **Chairman/ member of Audit committees;** Nil, **Chairman/ member of Shareholders'/ Investors Grievance committees;** Bell Ceramics Limited- Member, **Shareholding in the Company:** Nil

## DIRECTORS' REPORT

Your Directors submit herewith the Twenty Fifth Annual Report and the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> December 2010.

### FINANCIAL RESULTS

	(Rs. in lacs)	
	Current Period 2010-11 (9 Months)	Previous Year 2009-10 (12 Months)
Sales & Other Income	<b>11943.70</b>	16666.11
Profit Before Interest, Depreciation and Taxation	<b>1015.76</b>	1464.98
Interest	<b>1235.65</b>	1088.02
Profit Before Depreciation & Amortization	<b>-219.89</b>	376.96
Depreciation	<b>837.64</b>	1114.59
<b>Profit/(Loss) before tax</b>	<b>-1057.54</b>	-737.63
Less : Provision for Tax		
- Current Year/earlier year	<b>0.00</b>	-95.65
- Deferred Income Tax	<b>267.65</b>	202.57
- FBT	<b>-4.81</b>	-6.61
<b>Profit/(Loss) after Tax</b>	<b>-794.70</b>	-637.32
Profit/(Loss) b/f from previous year	<b>-3442.22</b>	-2804.90
Less: Written off under the scheme of Arrangement & Restructuring as per order of Hon'ble High court of Gujarat	<b>2838.18</b>	0.00
Profit/(Loss) carried to Balance Sheet	<b>-1398.74</b>	-3442.22

### Business Performance:

With continuous reduction in the market share of the company's product, there was further fall in the capacity utilization of the plants. During the year on an annualized basis, the production reduced by 6% in terms of quantity whereas the sales reduced by 10% in terms of quantity over the previous year performance. With the under utilization of the plant capacity, the fixed cost could not be amortised resulting into the higher effective per unit cost of production.

With the change in the management control effected in the later part of the year, the Company has started receiving technical and marketing support from the holding company i.e. Orient Ceramics and Industries Ltd. The Company has already started witnessing improvement with reduction in the energy cost and higher yield in the form of improved percentage of first quality production. Steps are being initiated to improve the marketability of products by up

gradation in the existing product and by improving the product mix to suit the market requirements. All efforts are being made which would result into higher capacity utilization.

### DIVIDENDS

In view of the losses for the year, your Directors do not recommend any dividend on the Equity Share Capital.

### Scheme of Arrangement – Restructuring of Capital

The Scheme of Arrangement (the Scheme) under the provisions of Section 391 and 394 and 100 to 104 of the Companies Act, 1956 as approved by the Shareholders of the company at their EGM held on 10.11.09 has been approved by the Hon'ble Gujarat High court vide its order dtd 02.07.10. The scheme has been made effective from 15.07.2010 being the date of filing the certified copy of the order with the office of the Registrar of Companies, Gujarat.

Pursuant to the approval received from the High court, the scheme has been implemented as under:

- a) a sum of Rs 1434.76 lakh being 2/3<sup>rd</sup> of the total amount of Equity Share Capital as appeared in the books of the Company on the effective date was written off from the Share capital and the said amount was credited to Capital Restructuring Account.
- b) On writing off the amount of Rs 1434.76 lakh from the share capital of the company, the paid up value of equity share of Rs 10/- each was reduced to Rs 3.33 per equity share, fully paid up.
- c) After the adjustments of writing off capital was made, the Company has consolidated 3 equity shares of Rs. 3.33 (as reduced) each fully paid up into 1 equity share of Rs. 10/- each fully paid up;
- d) General Reserve Balance of Rs 1460.75 lakh as at 31.03.08 was transferred to Capital Restructuring Account.
- e) The Company has set off its accumulated losses of Rs 2838.18 lakh as at 31<sup>st</sup> March, 2008 against the Capital Restructuring account of the Company created from the reduction of the paid up capital of the Company and transfer from General Reserve as above .
- f) The Company has converted its 1,50,00,000 Redeemable cumulative Preference shares of Rs 10/- each fully paid up into 50,00,000 Equity share of Rs 10/- each fully paid up at a premium of Rs 20/- per share.
- g) Accumulated amount of preference dividend aggregating to Rs. 1564.51 lakh payable as on 31.03.2008 and further amount payable to the Preference shareholders as dividend till the effective date of the scheme stood cancelled.

For the purpose of issue of new Equity shares on reduction of capital, 27.07.2010 was decided as the Record Date and new share certificates were issued .

#### **CHANGE IN THE MANAGEMENT CONTROL OF THE COMPANY AND CONSEQUENT TO THAT THE COMPANY BECOMING THE SUBSIDIARY OF ORIENT CERAMICS AND INDUSTRIES LIMITED (OCIL) :**

As the members are aware, during the year, pursuant to the Share Purchase Agreement (SPA) executed on 20.09.10, between Shri Shiv Kumar Jatia, one of erstwhile promoters of the company, OCIL and Bell Ceramics Limited, OCIL has acquired from Shri Shiv kumar Jatia, 75,87,709 (62.33%) of the Equity Shares of Rs. 10/- each fully paid up in the Company at a price of Rs. 20.69 per share. With this there was a change in the management control of the company from Shri Shiv Kumar Jatia to OCIL.

On acquisition of Equity shares from the promoters as above, pursuant to Regulation 10 & 12 of SEBI (SAST) Regulation 1997, OCIL had made an offer for purchase up to 20% of the Equity shares from the public shareholders of the company. On completion of this offer, OCIL has acquired further 6,56,475 (5.39%) Equity shares of Rs. 10/- each fully paid up in the Company at a price of Rs. 25/- per share

With this, OCIL has acquired 82,44,184 (67.72%) Equity shares of Bell Ceramics Limited. On completion of the transaction as above, effective 29.12.2010, Bell Ceramics Limited has become the subsidiary of OCIL.

#### **SCHEME OF AMALGAMATION / MERGER OF BELL CERAMICS LIMITED (BCL) WITH ORIENT CERAMICS AND INDUSTRIES LIMITED (OCIL)**

As explained hereinabove, effective 29.12.2010, BCL has become the subsidiary of OCIL.

Both BCL and OCIL are in similar line of business and OCIL believes that it can derive significant synergy with the business of BCL. It further believes that BCL has plants and strong presence in South and West India whereas OCIL has plant in North India and strong presence in North and East Indian markets which is a good business synergy. To the extent required and to optimise the value to the shareholders of both BCL and OCIL, it has been thought in the interest of both the companies to amalgamate/ merger of BCL with OCIL.

Since last few years, BCL has been incurring losses and facing financial difficulties to run its operations smoothly. The amalgamation will enable OCIL to make BCL a financially viable unit which would facilitate rehabilitation or revival of the business of BCL, to diversify its activities and to explore the possibility of expanding its production capacity. Apart from the usual benefits and economics of amalgamation, reduction in overhead expenses, costs of management and administration, the business of the said

companies can be conveniently and advantageously combined together.

The proposed Amalgamation / Merger will enable the aforesaid two companies to rationalize and streamline their management and finance so as to enable them to successfully withstand the recession and competition.

The proposed Scheme of Amalgamation/ Merger of BCL with OCIL will however be subject to the required statutory and other approvals.

#### **CHANGE IN THE CURRENT FINANCIAL YEAR OF THE COMPANY**

As mentioned hereinabove, effective 29.12.2010, BCL has become the subsidiary of OCIL. The Board of the Directors have subject to necessary approvals, proposed amalgamation / merger of BCL with OCIL.

For the purpose of implementing the proposal of amalgamation / merger, it is necessary to decide the exchange ratio of Equity shares of the transferor company (BCL) with that of the transferee company (OCIL). For this purpose it was felt necessary to get the accounts of the Transferor Company (BCL) audited as early as possible.

As per the earlier practice the accounts of BCL were being prepared and audited for a financial year of 12 months commencing from 1<sup>st</sup> April and ending at 31<sup>st</sup> March of the subsequent calendar year. It was recommended to close the current financial year of the company for a period of 9 months. Accordingly the current financial year of BCL has been changed from 01.04.2010 to 31.03.2011 (12 months) to 01.04.2010 to 31.12.2010 (9 months).

Pursuant to the provisions of Section 210 of the Companies Act, 1956, at every Annual General Meeting of the company the Board of Directors of the company shall lay before the company a balance sheet and Profit and loss Account for the period beginning with the day immediately after the period for which the account was last submitted and ending with a day which shall not precede the day of the meeting by more than six months or if extension granted than by more than six months and the extension so granted. Further pursuant to Section 210(4) of the said Act, the period of financial year to which the account relates may be less or more than a calendar year but not exceed 15 months or for a period of 18 months with ROC permission. Accordingly it is permissible to have accounts of the company for the period of 9 months also.

#### **MANAGEMENT DISCUSSIONS & ANALYSIS**

Management discussion and analysis report annexed herewith is forming part of this report inter alia adequately deals with the operation and the current and the future outlook of the Company.

## **CORPORATE GOVERNANCE**

As required under clause 49 of the Listing Agreement with the Stock Exchanges, the Report on "Corporate Governance" together with Auditors' Certificate regarding compliance of the code of Corporate Governance is annexed herewith.

## **DIRECTORS' RESONSIBILITY STATEMENT**

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your directors hereby confirm that:

- a) in the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the accounting policies selected had been applied consistently and judgments and estimates made 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 31 December 2010 and of the loss for that period;
- c) proper and sufficient care had been taken 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; and
- d) the annual accounts have been prepared on a going concern basis.

## **AUDITORS' REPORT**

Referring to the remark printed in italic in para (v) of the Auditors Report, the Directors would like to submit that the request of the company for removal of the disqualification of the Directors have been favourably considered by the Central Government and the approval to this effect has been received by the company on 25.02.11.

Referring to the remark printed in italic in para 9a) in the Annexure of the Auditors Report, the Directors would like to submit that on account of poor financials of the company there were delay in few cases in making the payment of tax deducted at source and the value added tax. The dues of tax deducted at source and fringe benefit tax aggregating to Rs. 169.77 lakhs have since been settled by making payment of Rs. 160.43 lakhs after adjusting the extra provision.

## **PUBLIC DEPOSITS**

The Company has not accepted any deposits from the Public during the financial year ended 31 December 2010.

## **DIRECTORS**

The Company's applications for removal of the disqualification of its Directors under the provisions of Section 274 (1) (g) of the Companies Act, 1956 have been considered by the Central government and with this the said disqualification have now been removed.

At the ensuing Annual General meeting, none of the Directors shall retire by rotation. Till 24.11.2010, the Company had five Directors on the Board including two Whole-time Directors and one Nominee Director from IDBI Bank Ltd. The other two directors out of the total five Directors namely Ms Anita Thaper and Shri Rameshwar Lal Maheshwari, who were liable to retire by rotation resigned from the Board effective 24.11.2010.

During the year, on account of change in the management control of the company from Shri Shiv Kumar Jatia ( the erstwhile promoter of the company) to Orient Ceramics And Industries limited, seven new Directors namely Shri Mahendra K Daga, Shri Madhur Daga, Shri S K Jatia, Shri R N Bansal, Shri NR Srinivasan, Shri Arun Sodhani and Shri Anil Agrawal were appointed as Additional Directors on the Board effective 24.11.10. Pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") read with Article 104 of the Articles of Association of the Company, all the seven Additional Directors hold office up to the date of the ensuing Annual General Meeting of the Company. Notices under Section 257 of the Act, have been received proposing all of them as candidates for the office of Directors, liable to retire by rotation.

Effective 07.02.11, IDBI Bank has changed its nomination on the Board and in place of Shri Pawan Agarwal, Ms Madhavi Kapadia has been appointed as Nominee Director of IDBI Bank Ltd.

The Board welcome all the new Directors on the Board and with a sense of appreciation take note of the co operation and guidance extended by all the three outgoing Directors namely, Ms Anita Thaper, Shri Rameshwar Lal Maheshwari and Shri Pawan Agarwal during their association with the company.

## **PARTICULARS OF EMPLOYEEES**

The information required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report.

However, as per the provisions of Section 219(1)(b) of the Companies Act, 1956, the Report and Accounts are being circulated to the shareholders do not include the Statement of Particulars of Employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office.

## **PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY ETC.**

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosures of Particulars in respect of the Board of Directors) Rules, 1988 and forming part of this report is annexed to and forming part of this report.

## AUDITORS

As per the resolution approved at the previous Annual General Meeting of the company held on 18.09.2010, M/s. R. P. Malhan & Company, Chartered Accountants, New Delhi, were appointed as Auditors of the Company for the period till the conclusion of the ensuing Annual General Meeting. They have however resigned from the office of Auditors effective 25.02.2011.

The Board of Directors have subject to the approval of the shareholders at their Extra Ordinary General Meeting scheduled to be held on 16.04.11, considered appointment of M/s. S. R. Dinodia & Co., Chartered Accountants, New Delhi, as the Statutory Auditors of the Company in place of M/s. R. P. Malhan & Co. A consent from M/s. S. R. Dinodia & Co., was received along with a certificate from them pursuant to the provisions of Section 224(1B) of the Companies Act, 1956. Their present appointment in the office of the auditors is for the period till the date of ensuing Annual General Meeting. A fresh certificate from them is also received under the provisions of section 224(1B) of the Companies Act, 1956 for considering their reappointment as the auditors of the company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

The Board with a sense of appreciation took note of the valuable services and the co-operation extended by M/s. R. P. Malhan & Co., Chartered Accountants during their association as auditors of the Company.

## ACKNOWLEDGEMENT

Yours Directors place on record their sincere appreciation of the continued co-operation and support extended by IDBI Bank Ltd. and other Banks, Suppliers, Dealers, C&F Agents, Customers, Employees and various Central and State Government Agencies. The Directors also take this opportunity to thank the shareholders for their continued confidence reposed in the Management of the Company.

For and on behalf of the Board

Place : New Delhi  
Date : 25.02.2011

**Mahendra K Daga**  
Chairman

## ANNEXURE TO THE DIRECTOR'S REPORT

### Conservation of Energy:

#### A. Energy Conservation measure taken:

With the support of technical team of the holding company, focus is given on the various energy saving measures. This group identifies potential areas for improvement, scan environment for innovative and reliable solutions and considers proposals for implementation. Efforts are being taken to reduce energy

consumption in both the plants of the company. Steps have been taken to optimize the operation of 1000 KVA Generating Set taken on BOOT for generation of electricity.

#### B. Technology absorption:

Despite lower capacity utilization at the Bangalore plant, the per unit consumption of LPG could be controlled by effectively managing the process parameter.

#### C. Research and Development (R&D):

##### I. Specific areas in which R & D is carried out by the company;

###### a) Production Development:

- Efforts are in the pipe line to improve the surface of the tiles to provide a longer life to the finish of the product and have higher resistance.
- development of wall tiles & floor tiles with new tones/hues in popular designs, new textures as per the requirement of the market.
- development of local sources for spares for the imported machines to reduce dependence on import.
- Improvement in the process parameters for better quality of the products.

###### b) Cost Reduction:

- Efforts made to source alternative raw materials for reduction in the cost as also flexibility in the input materials.

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

- Due to under utilization of the plant capacity, the benefits could not be noticed of the various steps taken in the process. However in the later part of the year improvement in the product quality and per unit energy consumption could be noticed.

##### III. Future Plan of Action:

- To install heat recovery system
- To upgrade the equipments to conserve the energy
- To focus on improving the production to an optimum level and to concentrate on quality products.

##### IV. Expenditure on R&D:

- Expenses on the development being nominal, no separate records of these expenditure have been maintained.

#### C. Foreign Exchange Earnings & Outgo:

The information of foreign exchange earnings & outgo are contained in para 16, 17 and 18 of the notes to accounts in Schedule 17.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industrial Scenario

Mix reports are being received in the matter of witnessing signs of recovery in the world economy. The market remained volatile for most part of the year. Inflationary trends prevailed in the developing economies like China and India adversely affecting their estimated growth in GDP. In the earlier part of the year the financial situation in the European countries had gone out of control. In the later part of the year, there are reports of improvement in performance of some of these countries. There was constant pressure of increase in the prices of crude oil which has further fueled the inflation in the prices of important minerals and metals. Efforts are still on to improve the situations but the conditions are so bad that it may take long time for normalcy in the situation.

The Indian economy largely depending on imports for its requirement of crude oil, the increase in the international prices of the crude oil coupled with appreciation of US dollars vis a vis the Indian currency, the balance of payment position was not satisfactory to support the desired growth in GDP. Recessionary trends in the countries importing Indian materials have restricted growth in the export earning of the country. The situation of inflationary trend started in the previous year in the prices of basic food grains have further worsen for most part of the year. The corrective measures taken by the government hardening the credit norms also could not yield the desired results to curb the inflation. High volatility in the international market more particularly in the economies of developed countries like USA and Europe resulted into increase in the prices of major minerals. There is still uncertainty prevailing in the international market. In the circumstances, more efforts would be required to sustain the Industrial growth at the desired rate.

### Outlook of the Industry

The trend of growth in the real estate market of the country, started in the previous year continued during the year. This has been supported by the Central and state Government agencies in the form of huge spending on infrastructures. However on account of very high increase in the prices of basic construction materials like steel and cement, in the later part of the year, the industry witnessed a pressure of with holding the growth. With the increase in prices of fuel (both for transport of raw materials as also fuel used in the manufacturing process), the cost of manufacturing has increased. Increase in the outward freight has lowered the per unit sales realization. To avoid the situation of high ratio of NPA in their real estate financing, banks have become more vigilant in their lending to this sector. Apart from increase in the interest rate on housing loans, the banks have also stipulated higher margin money by the investors. Despite the overall growth rate of 15% in the Ceramic tiles industry, it continues to face the problem of overcapacity situation. Export market in ceramic tiles did not see any improvement due to very high ratio of default in the financial commitments noticed in the international market. There was

always a pressure in selling the products in the domestic market resulting into lower per unit sales realizations. With finance becoming costlier, the industry has to carry higher cost of inventory holding.

With the expected spending on infrastructures by the Government, the industry is looking up to sustain the present growth rate of 10% to 15% in years to come.

### Review of Company's operation:

With continuous reduction in the market share of the company's product, there was further fall in the capacity utilization of the plants. During the year on an annualized basis, the production reduced by 6% in terms of quantity whereas the sales reduced by 10% in terms of quantity over the previous year performance.

### DORA (Baroda) Unit

Due to lower off take in the market, the company was forced to reduce the production resulting into under utilization of the plant. During the year of 9 months there was fall in both production and sales quantity by 21% and 23% respectively on an annualized basis. This unit was operated at 50% of the installed capacity. With the under utilization of the plant capacity, the fixed cost could not be amortised resulting into the higher effective per unit cost of production.

With the change in the management control effected in the later part of the year, the unit has started receiving technical and marketing support from the holding company i.e. Orient Ceramics and Industries Ltd. The unit has already started witnessing improvement with reduction in the energy cost and higher yield in the form of improved percentage of first quality production. Steps are being initiated to improve the marketability of products by up gradation in the existing product and by improving the product mix to suit the market requirements. All efforts are being made which would result into higher capacity utilization.

### HOSKOTE (Bangalore) Unit

The performance for the 9 months of the current year were comparable with the performance of the similar period of previous year. However this was not enough to optimize the plant capacity. Overall reduction in the market share forced the company to operate the plant at lower capacity. During the year there was an annualized increase in the production by 2% and reduction of sales at 3% in terms of quantity over the previous year. This unit was operated at 85% of the installed capacity. LPG being the major component in the cost of manufacturing, consistent high prices of LPG through out the year, reduced the operating margin considerably. With the ability to use higher % of electricity from the grid, the unit has seen some sign of relief in the cost of power and rescued the situation to some extent. The unit is looking for the opportunity to replace use of LPG (a costly fuel) by availability of natural gas in years to come through proposed pipe line from GAIL.

As mentioned earlier, this unit has also started receiving technical and marketing support from the holding company i.e. Orient Ceramics and Industries Ltd. The unit has

witnessed improvement with reduction in the energy cost and higher yield in the form of improved percentage of first quality production. Steps are initiated to improve the marketability of products by up gradation in the existing product and by improving the product mix to suit the market requirements. All efforts are being made which would result into higher capacity utilization.

#### **Opportunities and Threats:**

##### **Opportunities:**

With a very low per capita consumption of ceramic tiles in India as compared to global average, the opportunity for growth in the domestic market is high. Continuous thrust on the real estate industry noticed in last so many years annual budget of the Indian Government, keep the hope of maintaining the overall growth of the industry at 15% in the years to come. Significant importance is given by the Central Government on the development of urban infrastructures, Agricultural sector, affordable housing etc which are expected to aid for the growth directly or indirectly. With the consistent higher GDP, there will be improvement in the disposable income of the people.

##### **Threats & Risks:**

- (a) Power & Fuel cost is a major ingredient in manufacturing of ceramic tiles. Increase in the prices of natural gas and LPG is a matter of worry. During the year 2010-11, the prices of the domestic gas increased to almost more than 75%. Similarly the prices of imported gas and LPG also increased as per the international prices. The gap in the demand supply position of natural gas (including the imported gas) is widening and this is adversely affecting the supply of gas on a continuous basis and at a normal price.
- (b) Working of the ceramic tile industry in India which is more dependent on the European countries for its requirements of machinery parts, some raw materials and the capital equipments would likely to be affected due to continuous financial disturbances prevailed in those countries.
- (c) Dumping of ceramic tiles at a very low price both from China and the unorganized sector in the domestic market is a big threat to the industry.
- (d) Frequent increase in the prices of crude in the international market results into increase in the diesel and petrol prices in the Indian market. This has direct impact on the freight cost for both the incoming and outgoing materials. The position on the supply price of crude oil is not likely to improve in the near future.

##### **Internal Control System and their adequacy**

The various internal control systems prevalent in the Company include:

- (a) Maintenance of an ERP System for Company's logistic system (sales & marketing), accounting systems and for manufacturing activities have strengthened the Management information system.

- (b) Periodical verification of assets at both the plants of the Company and stocks of finished goods at warehouses as well as at the depots through out the country were carried out at a regular interval both internally as well as through independent firms of Chartered Accountants.
- (c) Generation of periodic management reports to monitor the statutory and other compliance.
- (d) Review of the internal audit system and compliance of the accounting standards prescribed by the Institute of Chartered Accountants of India by an independent audit committee.

##### **Discussion on financial performance with respect to the operations of the Company**

Your Company achieved the turnover of Rs. 11368 lakhs during the year (9 months) against the turnover of Rs. 16456 lakhs for the previous year (12 months) which shows annualized reduction in turnover by 8% over the previous year. For the year ended 31.12.2010, the Company has incurred cash loss of Rs. 220 lakhs (previous year cash profit of Rs.377 lakhs) and net loss before Extra ordinary items and tax of Rs. 1058 lakhs (previous year loss of Rs. 738 lakhs). Pursuant to one of the conditions of the Restructuring Agreement, IDBI Bank Ltd. have during the last quarter of the year, raised a demand of recompense amount of Rs. 525.45 lakhs being the differential interest of 3% for the period from 01.04.08 to 01.08.2011. Accordingly the finance cost for the year has increased to the extent of the proportionate amount of the recompense amount as above, worked out for the period upto 31.12.10. During the year under review, there was some delay in meeting the financial obligations with IDBI Bank and other banks.

The Company has entered into one time settlement with one of the short term loan providers who have waived off recovery of the principal liability of Rs. 525 lakhs.

Due to shortfall in meeting the projections of financials, the working capital banks though apprised enhancement in the requirement have not provided required fund resulted into lower productivity during the year.

##### **Material developments in human resources and Industrial Relations**

The Company has been regularly monitoring its policy for enhancement in the skills of its employees by providing need based training.

Industrial Relations continued to be cordial during the year resulting in constant co-operation by all the employees in day-to-day work and implementing policies of your Company.

##### **Disclaimer:**

This report is based on the information available to the company in its businesses and assumptions based on experience in regard to domestic and global economic conditions and Government and Regulatory policies. The performance of the Company is dependent on these factors. It may be materially influenced by macro environment changes, which may be beyond the company's control, affecting the views expressed in or perceived in this report.

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company strongly believes that a business run on principles of fairness, transparency and accountability goes a long way in fostering a healthy relationship among all stakeholders. In order to follow the best practices of governance, your company has been proactive to the changes introduced by SEBI for promoting a responsive and responsible business culture through the Corporate Governance code. The company endeavors to constantly upgrade management practices for ideal corporate governance.

This report covers the Corporate Governance aspects in your company for the year ended 31.12.2010.

### BOARD OF DIRECTORS

#### (i) Composition and Category of Directors

The Board of Directors has a mix of Executive and Non Executive Directors. The Board comprises of two whole time Directors ( Managing Director and the Executive Director) and 8 Non Executive Directors including the Chairman of the Board. Five out of the Eight Non Executive Directors are Independent Directors. Accordingly the composition of the Board is in conformity with the stock exchange listing agreement.

Except the Managing Director , the Executive Director and the Nominee Director from IDBI Bank Ltd, all other Directors are liable to retire by rotation as per the provisions of the Companies Act, 1956. The relevant details on the Composition of the Board and the Directors are given below:

Table hereunder gives the composition of Board.

Sr. No.	Category	Name of Director
I.	(a) Promoter and Non-Executive Directors	Shri Mahendra K Daga (appointed w.e.f. 24.11.10) Shri Madhur Daga (appointed w.e.f. 24.11.10)
	(b) Promoter and Executive Director	Nil
II.	Executive Directors	Shri K.M. Pai – Managing Director Shri S. R. Vyas – Executive Director (Retired w.e.f. 01.04.2011)
III.	Independent and Non-Executive Directors	Resigned during year Ms Anita Thapar Shri Rameshwar Lal Maheshwari  New Appointment during year (appointed w.e.f. 24.11.10) Shri S K Jatia, Shri R N Bansal, Shri N R Srinivasan, Shri Arun Sodhani
	Non Independent and Non-Executive Directors	New Appointment during year (appointed w.e.f. 24.11.10) Shri Anil Agarwal
IV.	Nominee Director	Shri Pawan Agrawal - Nominee of IDBI Bank Ltd. (Nomination withdrawn by IDBI w.e.f. 07.02.11) Ms. Madhavi Kapadia - Nominated by IDBI Bank Ltd w.e.f. 07.02.11

Attendance of Directors at the Meeting of Board of Directors ( BoD ) held during the financial year 2010 and the Annual General Meeting ( AGM ) held on 18<sup>th</sup> September 2010 are as follows :

**Details of Meeting of Board of Directors and AGM held during the year 2010.**

Meeting	Date	No. of Directors Present
Board	20.05.10	4
Board	08.07.10	3
Board	31.07.10	4
AGM	18.09.10	3
Board	20.09.10	3
Board	27.09.10	3
Board	13.11.10	4
Board	24.11.10	9

**The record of attendance of Directors at Board Meetings and AGM and the details of their Directorship, Membership and Chairmanship of other Public Limited Companies:**

Name of the Director	No. of Board Meetings	Attendance at the AGM Other attended	No. of other directorship and Committee Membership/Chairmanship		
			Other Directorship	Committee Membership	Chairmanship
Shri Mahendra K. Daga	1	Not Applicable as appointed 24.11.10	3	2	0
Shri Madhur Daga	1	Not Applicable as appointed w.e.f 24.11.10	1	1	0
Shri S K Jatia	1	Not Applicable as appointed w.e.f 24.11.10	6	0	0
Shri R N Bansal	0	Not Applicable as appointed w.e.f 24.11.10	8	4	4
Shri N R Srinivasan	1	Not Applicable as appointed w.e.f 24.11.10	1	1	1
Shri Arun Sodhani	1	Not Applicable as appointed w.e.f 24.11.10	0	0	0
Shri Anil Agrawal	1	Not Applicable as appointed w.e.f 24.11.10	1	0	0
Shri K M Pai	7	yes	0	0	0
Shri S R Vyas	7	yes	0	0	0
Shri Pawan Agarwal	3	no	0	0	0
Ms. Anita Thaper	5	yes	0	0	0
Shri Rameshwar Lal Maheshwari	0	no	0	0	0
Ms. Madhavi Kapadia	0	Not Applicable as appointed w.e.f 07.02.11			

**Notes :**

**Other Directorship-** It includes directorship of public limited companies only ( either listed or non listed)

**Committee Membership and Committee Chairmanship-** only membership and chairmanship of Audit committee and Shareholders/ Investors' Grievance Committee have been considered.

None of the Directors of the Company is the Chairman of more than five Board Committees or member of more than ten Board Committees as stipulated under clause 49 ( Corporate Governance) of the listing Agreement

As required under the Companies Act, 1956 two thirds of the Board of Directors is subject to retirement by rotation. One third of such Directors retire from office at each Annual General Meeting (AGM) and are eligible for re-appointment.

The election / re-election of Directors at the ensuing 25<sup>th</sup> AGM forms part of the Agenda for the said meeting. Brief resume and other details of such Directors seeking appointment/ re-appointment are being produced in the Notice convening the 25<sup>th</sup> AGM.

**Code of Conduct**

Pursuant to clause 49.I.D.(i) of the listing Agreement, the Board has laid down the Code of Conduct for all the members of the Board and the senior management of the company. The same have been posted on the website of the Company. Further the Company has received confirmation from all the members of the Board and the senior management regarding compliance of the code for the year ended 31.12.2010.

**AUDIT COMMITTEE**
**Brief description of Terms of Reference**

To oversee the Company's financial reporting process, internal control systems, review of the accounting policies and practices, reports of the Company's internal auditors and financial statements audited by the statutory auditors as also to review financial and risk management policies.

- (A) Constitution : Reconstituted by the Board of Directors at its meeting held on 24.11.10  
 (B) Composition, Names of Members and Chairperson : Consists of 3 independent Directors as under

Name of Director	No. of Meetings held	No. of Meetings attended
Ms Anita Thaper (ceased to be member and chairman of the committee w.e.f. 24.11.10)	3 (till the time in office)	3
Shri R N Bansal (appointed as chairman of the committee w.e.f. 24.11.10)	0	0
Shri Pawan Agarwal (ceased to be the member w.e.f. 07.02.11)	3 (till the time in office)	3
Shri K. M. Pai	3	3
Shri Arun Sodhani (appointed as a member of the committee w.e.f. 24.11.10)	0	0
Ms. Madhavi Kapadia (appointed as a member of the committee w.e.f. 07.02.11)	0	0

- (C) Details of Audit Committee meetings held during the year 2009-10 :

Date	No. of Directors Present
20.05.10	3
31.07.10	3
13.11.10	3

- (D) Name and designation of Compliance Officer :Shri S. R. Vyas, Executive Director and Company Secretary (Retired w.e.f. 01.04.2011)

## SHARE HOLDERS/ INVESTORS' GREIVANCE COMMITTEE

### Brief description of terms of Reference

To look into redressal of shareholders' / investors' complaints like transfer of shares, non-receipt of dividends, non-receipt of annual report etc. and to improve the efficiency in providing services to the shareholders/ investors , wherever possible.

Constitution : Reconstituted by the Board of Directors at its meeting held on 24.11.2010.

Composition, Names of Members and Chairperson :Consists of 3 Directors as under :

Name of Director	No. of Meetings held	No. of Meetings attended
Shri N.R .Srinivasan – appointed as Chairman of the committee w.e.f 24.11.10	3	3
Shri Anil Agrawal	0	0
Shri S R Vyas	18	18
Shri K M Pai –ceased to be the member of the committee w.e.f 24.11.10	15	15
Shri Rameshwar Lal Maheshwari (ceased to be the director of the company w.e.f. 24.11.10)	0	0

**Name and designation of Compliance Officer :Shri S. R. Vyas, Executive Director and Company Secretary (Retired w.e.f. 01.04.2011)**

### Details of complaints received during the financial year 2010.

Nature of complaints / queries	Number of complaints / queries received	No. of complaints / queries not solved to the satisfaction of shareholders
Transfer and transmission of shares	Nil	N.A.
Share Certificates lost /mismatched / Request to issue fresh certificates due same being lost / mismatched	Nil	N.A.
Request for Stop Transfer of shares	Nil	N.A.
Non - receipt of Annual Report	3	Nil
Pending requests for demat of shares or query related to demat of shares	Nil	N.A.
Pending requests for remat of shares or query related to remat of shares	Nil	N.A.
Non receipt of shares – physical shares	1	Nil
Complaints from SEBI	1	Nil
Complaints from BSE/ NSE	Nil	N.A.
<b>TOTAL</b>		

As at 31.12.2010 there were no complaints pending to be resolved.

There was nil pending in the matter of physical transfer of shares and the transfer in Demat form as at 31.12.2010. All the shares in the physical form received for transfer were processed and dispatched by 01.01.2011

## REMUNERATION COMMITTEE

### Brief description of terms of Reference:

To determine on behalf of the Board of Directors and the shareholders of the company, the terms of appointment / reappointment for the Working Directors of the company including their pension rights and compensation payment if any.

To approve the payment of remuneration to the Managerial Personnel as per the policy laid down by the Company.

Constitution: Reconstituted by the Board of Directors at its meeting held on 24.11.2010.

Composition, Names of Members and Chairperson : Consists of 3 Directors as under:

Name of Director	No. of Meetings held	No. of Meetings attended
Shri N.R .Srinivasan – appointed as Chairman of the committee w.e.f 24.11.10	0	Not applicable as appointed w.e.f. 24.11.10
Shri Madhur Daga appointed as Member of the committee w.e.f 24.11.10	0	Not applicable as appointed w.e.f. 24.11.10
Shri R N Bansal appointed as Member of the committee w.e.f 24.11.10	0	Not applicable as appointed w.e.f. 24.11.10
Shri Rameshwar lal Maheshwari- ceased to be director of the company w.e.f 24.11.10 (earlier chairman)	0	0
Ms. Anita Thaper - ceased to be director of the company w.e.f 24.11.10	0	0
Shri Pawan Agrawal - ceased to be director of the company w.e.f 07.02.11	0	0

### Details of remuneration paid during the FY 2010 to the Whole time Directors are as under:

Name of Director	Designation	Salary & Perks [Rs.]	Commission [Rs.]	Total [Rs.]
Shri K. M. Pai	Managing Director	35.83	0.00	35.83
Shri S. R. Vyas	Executive Director	23.48	0.00	23.48

During the Financial year 2010, no commission has been paid to any of the Directors.

During the Financial year 2010, the Directors other than the Working Directors as above have been paid sitting fees of Rs. 7500/- per meeting of Board of Directors and committee thereof attended by them. Shri Mahendra K Daga, Shri Madhur Daga and Shri S K Jatia opted not to draw sitting fees for time being.

## OPERATION REVIEW COMMITTEE

**Brief description of terms of Reference :** To review the operation of the company if required by the Board.

Reconstituted by the Board of Directors at its meeting held on 24.11.2010.

The committee consists of 3 Directors namely Shri Madhur Daga, Shri K M Pai and Shri Anil Agrawal. During the year no meeting was held.

## ANNUAL GENERAL MEETING

Brief information of Directors proposed for appointment / reappointment.

The information of directors proposed for appointment / reappointment at the ensuing Annual general meeting is as under;

At the ensuing Annual General meeting, none of the Directors shall retire by rotation as till 24.11.2010, the Company had five Directors on the Board including two Whole-time Directors and one Nominee Director from IDBI Bank Ltd. The other two

Directors out of the total five Directors namely Ms Anita Thaper and Shri Rameshwar Lal Maheshwari, who were liable to retire by rotation resigned from the Board effective 24.11.2010.

**Brief particulars of Annual General Meetings held:**

Particulars	F.Y. 2007-2008	F.Y. 2008-2009	F.Y.2009-10
Day	Tuesday	Wednesday	Saturday
Date	30.09.2008 (22nd AGM)	29.07.2009 (23rd AGM)	18.09.2010 (24th AGM)
Time	12.00 noon	12.00 noon	12.00 noon
Venue	Regd. Office: Village Dora, Taluka Amod, Dist. Bharuch, Gujarat.	Regd. Office: Village Dora, Taluka Amod, Dist. Bharuch, Gujarat.	Regd. Office: Village Dora, Taluka Amod, Dist. Bharuch, Gujarat.

Brief information of special resolutions passed:

- No. of special resolutions passed.  
2007-08 – 1 (One)  
2008-09 4 (Four)  
2009-10 Nil
- Whether the resolutions passed were put through postal ballot ? – **No.**

**DISCLOSURES**

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the company at large.

- None of the transaction with any of the related parties were in conflict with the interest of the Company.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority or any matter related to Capital markets during the last three years :

- The Company has complied with the requirements of regulatory authorities on matters related to capital markets and no penalties / strictures have been imposed against the Company during the last three years.

**Whistle Blower Policy**

The Company has established a mechanism called the “Whistle Blower Policy” which allows any employee to approach the management concerned or the audit committee without necessarily informing their supervisors to report about unethical behaviour actual or suspected fraud or violation of the Company’s code of conduct or ethics policy. Further this mechanism also provides for adequate safeguard against victimization of employees who avail the mechanism.

**MEANS OF COMMUNICATION**

The Company publishes its financial results every quarter in leading newspapers. Therefore, communication on the half-yearly results are not sent individually to the shareholders of the Company. Further the quarterly financial results of the company have been posted by the Mumbai Stock Exchange and National Stock Exchange on their websites viz www.bseindia.com and www.nseindia.com respectively.

**COMPLIANCE CERTIFICATE:**

The Certificate regarding compliance with the conditions of Clause 49 of the Listing Agreement from the Auditors of the Company is annexed hereto.

**GENERAL SHAREHOLDER INFORMATION**

**Details of the next Annual General Meeting of the company:**

Day and Date	Saturday, the 28th May, 2011
Time	12.00 noon
Venue	Regd. Office : Village Dora, Taluka Amod, Dist. Bharuch - 392230 (Gujarat)
Date of Book Closure	From Monday, the 23rd May, 2011 to Saturday, the 28th May, 2011 (both days inclusive)

**Financial Year / Calendar**

The company follows the period from April to March as its financial year. However the current financial year is for a period of 9 months i.e. from 01.04.2010 to 31.12.2010. The unaudited financial results for the first two quarters and the audited financial results for the year ending December 31 2010 were taken on record and approved by the Board of Directors in their meetings as under:

Results for the quarter ended	Approved at the Board meeting held on
30.06.2010	31.07.2010
30.09.2010	13.11.2010
31.12.2010	25.02.2011

ISIN Number in NSDL & CDSL: INE403A01018 (old)

INE403A01026 (New effective 01.09.10)

**Details of listing with the Stock Exchange:**

Name of Stock Exchange	Stock Code
Bombay Stock Exchange Limited (BSE)	515035
National Stock Exchange of India Limited (NSE)	BELCERAMIC (OLD) BELL CERATL (NEW)

**Market Price Data during 2010**

MONTH	BSE		NSE	
	HIGH	LOW	HIGH	LOW
April 2010	8.80	7.40	8.75	7.50
May 2010	8.40	6.15	8.45	5.45
June 2010	9.28	6.57	8.90	6.50
July 2010	9.60	7.30	9.55	7.50
Aug 2010	Trading suspended for implementation of scheme of Arrangement			
Sept 2010	32.30	21.66	31.95	21.75
Oct 2010	24.30	22.60	24.50	22.80
Nov-2010	25.25	23.00	25.35	19.05
Dec 2010	24.75	21.30	25.00	20.20

**Distribution of shareholding as on 31st December, 2010.**

Distribution of share (Slab wise)	No. of shareholders	Percentage to total no. of shareholders	No. of shares held	Percentage to total share capital
1 – 5000	12524	99.41	2178155	17.89
5001 – 10000	35	0.27	254439	2.10
10001 – 20000	16	0.12	231281	1.90
20001 – 30000	9	0.07	209055	1.71
30001 – 40000	3	0.03	103027	0.84
40001 – 50000	3	0.03	134733	1.11
50001 – 100000	2	0.02	147167	1.21
100001 & above	6	0.05	8915950	73.24
<b>TOTAL</b>	<b>12598</b>	<b>100.00</b>	<b>12173807</b>	<b>100.00</b>

### Share holding pattern as on 31-12-2010

Sr. No.	Category	Shared held No.	Shares held %
<b>A.</b>	<b>PROMOTER HOLDING</b>		
	Indian Promoters ( Directors and their Relatives)	33843	0.28
	BCL Management Welfare Trust	16300	0.13
	Bodies Corporate	8290482	68.10
	<b>Sub Total (A)</b>	<b>8340625</b>	<b>68.51</b>
<b>B.</b>	<b>Public Holding</b>		
	<b>B-1</b>	<b>Institutions:</b>	
	- Mutual Funds/ UTI	24006	0.20
	- Financial institutions/ Banks	4067	0.03
	- Central/ State Governments	0	0.00
	- Venture capital Funds	0	0.00
	- Insurance Companies	11614	0.10
	- Foreign financial institutions	1916	0.02
	- Foreign venture Capital Investors	0	0.00
	<b>Sub Total (B-1)</b>	<b>41603</b>	<b>0.34</b>
<b>B-2</b>	<b>Non Institutions:</b>		
	- Bodies Corporates	994393	8.17
	- Individuals Holding nominal capital upto Rs 1 lakh	2025303	16.64
	- Individuals Holding nominal capital in excess of Rs 1 lakh	640348	5.26
	<b>Others</b>		
	- NRIs	46532	0.38
- Trusts	591	0.00	
- Hindu Undivided Families	84412	0.69	
	<b>Sub Total (B-2)</b>	<b>3791579</b>	<b>31.15</b>
	<b>Sub Total B</b>	<b>3833182</b>	<b>31.49</b>
	<b>GRAND TOTAL</b>	<b>12173807</b>	<b>100.00</b>

### Registrar and Transfer Agent (RTA)

The shareholders of the company are hereby informed that M/s MCS Limited are the Registrar and Transfer Agent of the Company. They are requested to forward their communication in respect of transfer of shares or other queries, directly to them.

### Share Transfer System

The Company has, as per SEBI guidelines, offered the facility of dematerialisation of physical shares and has appointed M/s. MCS Limited, Vadodara as its Registrar & Share Transfer Agent - for the purpose of electronic share transfer. Under this system, on receipt of the shares in physical form along with the demat request as generated by the Depository Participant ( DP ) are processed to dematerialise subject to the documents being valid and complete in all respects. The said shares in demat form is then transferred in the electronic form in the account of the respective depositories.. Transfer of shares in physical form is also being carried out by the said Registrar and Share Transfer Agent.

### Dematerialisation of Shares

- > As per the notification issued by SEBI, the shareholders were requested to dematerialise their physical shares, for trading compulsorily in dematerialised form.

- > As on 31<sup>st</sup> December 2010 out of 12173807 fully paid up equity shares of Rs.10/- each, listed with the Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) 11840893 equity shares (97.26%) of the paid up capital are held in dematerialized form by 9317 beneficiaries.
- > Outstanding GDR's, ADR's, Warrants or any Convertible Instruments etc : Nil

**Registered Office :**

Village Dora, Taluka Amod,  
Dist. Bharuch – 392 230 Gujarat (India).  
Phone : +91-2641-235151, 235153  
Fax : +91-2641-235160

**Corporate Office :**

78/79, Surya Kiran Complex, Second Floor,  
Old Padra Road, Vadodara – 390 007  
Phone : +91-265-2335844, 2330214  
Fax : +91-265-2336490  
E-mail : secretarialbaroda@bellceramic.com  
Website: www.bellceramic.com

**Plant Location :****Dora (Works) :**

Village Dora, Taluka Amod,  
Dist. Bharuch – 392 230 Gujarat (India).  
Phone : +91-2641-235151, 235153  
Fax : +91-2641-235160

**Hoskote (Works) :**

Village : Chokkahalli, Taluka : Hoskote,  
Banglore (Rural) – 562 114 Karnataka (India)  
Phone : +91-80-7971571, 7971572  
Fax : +91-80-7971575

**Registrar and Share Transfer Agent :**

MCS Limited  
Neelam Apartment, 88, Sampatrao Colony,  
Above Chappan Bhog Sweets, Alkapuri,  
Vadodara-390007  
Tel. 0265-2339397 Fax. 0265-2341639  
Email : mcsltdbaroda@yahoo.com

**Share Department/Investors' Service Centre :**

Bell Ceramics Limited  
SECRETARIAL DEPARTMENT  
78/79, Surya Kiran Complex,  
Second Floor, Old Padra Road,  
Vadodara – 390 007  
Contact Person : Mr. Samir K. Patel  
Phone : +91-265-2335844, 2330214  
Fax : +91-265-2336490  
E-mail : secretarialbaroda@bellceramic.com

**DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT:**

In accordance with sub-clause I (D) of the Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with their respective Codes of Conduct, as applicable to them, for the Financial Year ended December 31, 2010.

Place : New Delhi  
Date : 25.02.2011

**K. M. Pai**  
Managing Director

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**COMPLIANCE CERTIFICATE PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT  
CERTIFICATE**

To  
THE MEMBERS OF  
BELL CERAMICS LIMITED

We have examined the compliance of conditions of corporate governance by BELL CERAMICS LIMITED for the year ended 31<sup>st</sup> December, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange(s)

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned clause of the Listing Agreement.

We state that no Investor Grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholder / Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For R. P. MALHAN & CO.**  
Chartered Accountants

Place : New Delhi  
Date : 25.02.2011

**VIKAS VIG**  
Partner  
Membership No. 16920

## AUDITORS' REPORT

### Auditor's Report to the Members of BELL CERAMICS LTD

We have audited the attached Balance Sheet of BELL CERAMICS LTD, as at 31<sup>st</sup> December, 2010, the Profit and Loss Account and also the Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub – section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
- (iii) The Balance Sheet, the Profit and Loss Account and also the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and also the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) *The Company had filed an application during the previous year with the Central Government for seeking approval for removal of disqualification of certain Directors for subsequent appointments / reappointments that occurred on 1.04.2008 due to default in repayment of then existing debentures, which had however, during earlier year, been restructured into loan by the debenture holder(s) with effect from 1.04.2008 itself.* Subject to a favourable consideration of the above and on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> December 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and according to the information and explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December, 2010;
  - b) in the case of the Profit and Loss Account, of the loss for the period ended on that date; and
  - c) in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

**For R P MALHAN & COMPANY**

Chartered Accountants  
Firm Regn No. : 000960N

**VIKAS VIG**

Partner

Membership No : 16920

Place : New Delhi  
Date : 25.02.2011

### ANNEXURE TO THE AUDITORS' REPORT

- 1a) In our opinion and as per the information and explanation provided to us, the Company is maintaining proper records showing full particulars including quantitative details and situation of its fixed assets.
- 1b) All the assets have not been physically verified by the Management during the year, however, there exists a programme of verification of the assets over a period. In our opinion, the frequency of verification of the fixed assets by the management is at reasonable intervals having regard to the size of the Company and nature of the assets and no material discrepancies were noticed on such verification.

- 1c) During the year, the Company has not disposed off a substantial part of the fixed assets. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the fixed assets, if any, has not affected the going concern status of the Company.
- 2a) The inventories (except for clay, body and glaze material in work in process, owing to their nature), have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
- 2b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
- 2c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. As informed to us, the Company has not taken / granted any loans, secured or unsecured from / to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control systems.
- 5a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- 5b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are prima facie reasonable having regard to prevailing market prices at the relevant time where such prices are available.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits covered by the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and hence the provisions of clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
7. Internal audit has been conducted by an independent firm of Chartered Accountants during the period and is commensurate with the size of the Company and nature of its business.
8. The Central Government has not prescribed for the Company the maintenance of cost records under clause (d) of Sub Section of (1) of Section 209 of the Companies Act, 1956 and hence the provisions of clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- 9a) The Company has generally been regular in depositing undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other applicable statutory dues with appropriate authorities *except delays in deposit in few cases of tax deducted at source and value added tax.*
- According to the information and explanations given to us, *except for dues of tax deducted at source and fringe benefit tax (including interest on delay of deposit) of Rs. 16,976,800/- (Rs. 16,043,111/- since paid) outstanding for the period of more than six months from the date they became payable*, there are no undisputed amounts outstanding as at the year end for a period of more than six months from the date they became payable in respect of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess.
- 9b) According to the records of the Company, there are no dues outstanding of income tax, sales tax, wealth tax, service tax, custom duty, excise duty or cess on account of any dispute except as follows:

Nature of Statute	Year to which it relates	Amount unpaid (Rs in lakhs)	Forum where dispute is pending
Uttar Pradesh Trade Tax Act,	2006-07	1.88	Joint Commissioner(Appeals), Trade Tax Range – III, Lucknow
Andhra Pradesh Value Added Tax Act, 2005	2005-06 2006-07	4.90	High Court of Andhra Pradesh
Central Excise & Customs Act	1994-95	0.20	Customs Excise& Service Tax Appellate Tribunal (CESTAT), Mumbai
Central Excise & Customs Act	2007-08	21.54	Commissioner (Appeals), Vadodara

Nature of Statute	Year to which it relates	Amount unpaid (Rs in lakhs)	Forum where dispute is pending
Income Tax Act, 1961	AY 1990-91	16.93	Supreme Court of India
Central Excise & Customs Act (Service Tax)	January 2005 to March 2010	11.02	Commissioner (Central Excise & Customs)- Appeals, Bharuch & Bangalore
Income Tax Act, 1961	AY 1995-96	22.37	Income Tax Appellate Tribunal, Ahmedabad
Andhra Pradesh Value Added Tax Act, 2005	2006-07 to 2009-10	20.25	Additional Commissioner (CT) (Legal), Hyderabad, Andhra Pradesh
<b>TOTAL</b>		<b>99.09</b>	

10. In our opinion the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit as also during the immediately preceding financial year.
11. Based on our audit procedures and in our opinion and according to the information and explanations given by the management, the following amounts are overdue to a financial institution, bank or debenture holders as at the Balance Sheet date: -

Name of the Financial Institution	Year to which it relates	Overdue Amount (including interest) (Rs. in lakhs)
IDBI Bank Limited	April 2008- December 2010	440.96*
Bank of India	2010-2011	28.95

\*represents interest recompense amount (refer note 4 of Schedule 17B attached to the accounts)

12. As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities the provisions of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society, hence the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts of dealing or trading in shares and timely entries have been made in those records. We also report that the Company has held the shares as investments in its own name.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions, hence the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
16. In our opinion and according to the information and explanations furnished to us, the term loans have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short- term basis have been used for long term purposes.
18. As the Company made no preferential allotment of shares to any parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, the provisions of clause 4 (xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
19. As the Company has not issued any debentures the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
20. As the Company has not raised any money by public issues the provisions relating to end use thereof as per clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
21. Based upon the audit procedures performed and according to the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For R P MALHAN & COMPANY**  
 Chartered Accountants  
 Firm Regn No. : 000960N

Place : New Delhi  
 Date : 25.02.2011

**VIKAS VIG**  
 Partner  
 Membership No : 16920

**BALANCE SHEET AS AT DECEMBER 31, 2010**

	SCHEDULE	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>SOURCE OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	1217.38	3652.14
Reserves & Surplus	2	7720.58	25.57
		<u>8937.96</u>	<u>3677.71</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	7490.42	7527.33
Unsecured loans	4	1369.93	1205.75
		<u>8860.35</u>	<u>8733.08</u>
<b>TRADE DEPOSITS</b>			
		<u>414.35</u>	<u>408.75</u>
		<u>18212.66</u>	<u>12819.54</u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	30590.61	23930.81
Less: Depreciation		13959.86	13123.87
Net Block		<u>16630.75</u>	<u>10806.94</u>
<b>INVESTMENTS</b>			
	6	0.01	0.01
<b>DEFERRED TAX ASSET (NET)</b>			
(Refer Note 10 of Schedule 17(B))		516.27	248.62
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	3217.98	2984.12
Sundry Debtors		1013.44	1248.06
Cash and Bank Balances		62.68	47.16
Loans and Advances		407.69	400.39
		<u>4701.79</u>	<u>4679.73</u>
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	8	4028.78	3897.60
Provisions		73.39	66.91
		<u>4102.17</u>	<u>3964.51</u>
<b>NET CURRENT ASSETS</b>			
		<u>599.62</u>	<u>715.22</u>
<b>PROFIT AND LOSS ACCOUNT</b>			
	9	466.01	1048.75
		<u>18212.66</u>	<u>12819.54</u>
<b>SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES</b>			
	17		

As per our Report of even date

For & on behalf of  
**R.P.Malhan & Company**  
Chartered Accountants

**Vikas Vig**  
Partner

Place : New Delhi  
Date : 25.02.2011

ON BEHALF OF THE BOARD OF DIRECTORS

**Mahendra K. Daga**  
Chairman

**K.M.Pai**  
Managing Director

**S.R.Vyas**  
Executive Director  
& Company Secretary

Place : New Delhi  
Date : 25.02.2011

**PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED DECEMBER 31, 2010**

	SCHEDULE	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>INCOME</b>			
Sales		11367.53	16456.47
Excise duty paid		(997.78)	(1126.28)
Net Sales		<u>10369.75</u>	15330.19
Other Income	10	576.17	209.65
		<u>10945.92</u>	15539.84
Inventory Variance	11	91.54	(616.76)
		<u>11037.46</u>	14923.08
<b>EXPENDITURE</b>			
Material	12	3275.21	4585.74
Personnel	13	1294.63	1611.80
Manufacturing, Administration & Selling	14	5465.99	7258.02
Finance Charges	15	1235.65	1088.02
		<u>11271.48</u>	14543.58
<b>PROFIT / (LOSS) BEFORE DEPRECIATION, EXTRAORDINARY ITEMS AND TAX</b>		<b>(234.02)</b>	379.50
Depreciation		837.64	1,114.60
Prior Period Adjustments	16	(14.13)	2.54
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>(1057.53)</b>	(737.64)
Provision for taxation - current year/earlier year		(0.00)	(95.65)
- deferred tax asset created		267.65	202.57
- fringe benefit tax		(4.81)	(6.61)
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>(794.69)</b>	(637.33)
LOSS BROUGHT FORWARD FROM PREVIOUS YEAR		<b>(3442.23)</b>	(2804.90)
Less : Written off under Scheme of Arrangement & Restructuring as per order of Hon'ble High Court of Gujarat (Refer Note 2 of Schedule 17B)		2838.18	0.00
<b>LOSS CARRIED TO BALANCE SHEET</b>		<b>(1398.74)</b>	(3442.23)
Earnings/ (loss) per share - basic & diluted (Refer note 21 of Schedule 17B)		<b>(7.77)</b>	(3.61)
SIGNIFICANT ACCOUNTING POLICIES, AND NOTES	17		

As per our Report of even date

For & on behalf of  
**R.P.Malhan & Company**  
Chartered Accountants

**Vikas Vig**  
Partner

Place : New Delhi  
Date : 25.02.2011

ON BEHALF OF THE BOARD OF DIRECTORS

**Mahendra K. Daga**  
Chairman

**K.M.Pai**  
Managing Director

**S.R.Vyas**  
Executive Director  
& Company Secretary

Place : New Delhi  
Date : 25.02.2011

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT DECEMBER 31, 2010**

	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>1 SHAREHOLDERS' FUNDS</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
25,000,000 Equity Shares of Rs.10/- each	2500.00	2500.00
15,000,000 Non-Convertible Redeemable Cumulative Preference Shares of Rs.10/- each	1500.00	1500.00
	<u>4000.00</u>	<u>4000.00</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
12,173,807 Equity Shares (Previous Year 21,521,425 Equity Shares) of Rs.10/- each fully paid up (Out of above 82,32,900 Equity Shares (Previous Year Nil) are held by Orient Ceramics and Industries Limited, the Holding Company)	1217.38	2152.14
Nil (Previous Year 15,000,000 ) 8% Non-Convertible Redeemable Cumulative Preference Shares of Rs.10/- each fully paid up (Refer Note 2 of Schedule 17B)	-	1500.00
	<u>1217.38</u>	<u>3652.14</u>
<b>2 RESERVES &amp; SURPLUS</b>		
<b>CAPITAL RESERVE</b> (refer note 8 of Schedule 17B)		
Opening Balance	25.57	25.57
	<u>25.57</u>	<u>25.57</u>
<b>CAPITAL RESTRUCTURING RESERVE</b> (refer note 2 of Schedule 17B)		
Opening Balance	-	-
Transferred from General Reserve	1460.75	-
Additions during the year (net of expenses)	1424.39	-
Less : Loss written off	(2838.18)	-
	<u>46.96</u>	<u>0.00</u>
<b>SECURITIES PREMIUM ACCOUNT</b> (refer note 2 of Schedule 17B)		
Opening Balance	-	-
Additions during the year	1000.00	-
	<u>1000.00</u>	<u>0.00</u>
<b>REVALUATION RESERVE</b>		
Opening Balance	-	-
Additions during the year (refer Note 3 of Schedule 5)	6648.05	-
	<u>6648.05</u>	<u>0.00</u>
<b>GENERAL RESERVE</b>		
Balance Brought Forward	2393.48	2393.48
Less : Transferred To Capital Restructuring Reserve	(1,460.75)	0.00
	<u>932.73</u>	<u>2393.48</u>
Less : Debit Balance in Profit & Loss Account to the extent of Uncommitted Reserve as per Contra	(932.73)	(2,393.48)
	<u>0.00</u>	<u>0.00</u>
	<u>7720.58</u>	<u>25.57</u>

	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>3 SECURED LOANS</b>		
<b>TERM LOANS (Refer note 6 of Schedule 17B)</b>		
From Banks		
- IDBI Bank Ltd.	5082.43	5465.23
- Bank of India	127.75	240.00
- Punjab National Bank	0.00	27.95
From Others		
- Hire Purchase Loans	3.77	8.24
- Interest accrued & due	442.67	28.13
<b>SHORT TERM LOANS &amp; ADVANCES FROM BANKS (Refer Note 6 of Schedule 17B)</b>		
- Cash Credit Loans (net of balance in collection accounts)	1833.80	1757.78
	<u>7490.42</u>	<u>7527.33</u>
<b>4 UNSECURED LOANS</b>		
Short Term Loans from companies	1365.62	1005.00
Interest accrued and due on Short Term Loans	4.31	200.75
	<u>1369.93</u>	<u>1205.75</u>
<b>5 FIXED ASSETS</b>		

(Rs in Lakhs)

Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	As on 1.4.2010	Addi- tions	Added on Revalu- ation	Deduc- tions	As on 31.12.10	Upto 31.3.10	For the year	Deduction/ Adjust- ments	Upto 31.12.10	As on 31.12.10	As on 31.3.10
Land	224.65	0.00	4224.37	0.00	4449.02	0.00	0.00	0.00	0.00	4449.02	224.65
Building	3187.04	0.88	2423.68	0.00	5611.60	1203.41	75.64	0.00	1279.05	4332.55	1983.63
Plant & Machinery	19964.46	8.85	0.00	0.00	19973.31	11510.38	739.59	0.00	12249.97	7723.34	8454.08
Furniture & Equipments	120.73	2.98	0.00	0.74	122.97	91.04	5.55	0.20	96.39	26.58	29.69
Office Equipment	92.17	0.64	0.00	0.00	92.81	61.10	2.76	0.00	63.86	28.95	31.07
Computer	206.15	2.86	0.00	0.00	209.01	191.64	5.35	0.00	196.99	12.02	14.51
Vehicles	135.61	0.03	0.00	3.75	131.89	66.30	8.75	1.45	73.60	58.29	69.31
Total	23930.81	16.24	6648.05	4.49	30590.61	13123.87	837.64	1.65	13959.86	16630.75	10806.94
Previous Year	23899.82	33.29	0.00	2.30	23930.81	12010.55	1114.60	1.28	13123.87	10806.94	

Notes :

- Net Block of Building includes 4 flats amounting to Rs. 22.75 lakhs (Rs.23.03 lakhs) on account of membership in Nand Co-operative Housing Society Ltd. established under the Co-Operative Society Act, 1961.
- Net Block includes assets acquired under Hire Purchase Rs.54.23 Lakhs (Previous year Rs.58.46 lakhs)
- The Company, based on the report by a Certified Valuers, has revalued land and building of Dora and Hoskote units as at 31st December 2010 (other land and buildings being insignificant and not having change in value) at Rs.8672.82 lakhs, thereby increasing the value of land and building by an amount of Rs.6648.05 lakhs, and therefore an equivalent amount has been credited to the Revaluation Reserve Account. The method adopted by the Certified Valuers for both the units for revaluation purpose, was the Fair Market Value method. However, no charge on account of depreciation on revised value of assets has been made in view of revaluation being done on the close of business on the last day of the period.



	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>8 CURRENT LIABILITIES</b>		
Acceptances	14.80	90.93
Sundry Creditors*	2559.91	2514.73
Advances from customers	45.91	65.24
Security Deposits	16.75	16.71
Other Liabilities **	1155.24	951.34
Interest accrued but not due	235.88	258.36
Unclaimed Debenture Interest	0.29	0.29
	<u>4028.78</u>	<u>3897.60</u>
*includes due to		
- Orient Ceramics & Industries Ltd. the Holding Company	1.43	0.00
**includes due to		
- Directors	3.99	3.43
<b>PROVISIONS</b>		
Taxation (including Fringe Benefit Tax) (net of Advance Tax)	73.39	66.91
	<u>73.39</u>	<u>66.91</u>
	<u>4102.17</u>	<u>3964.51</u>
<b>9 PROFIT AND LOSS ACCOUNT</b>		
Loss Carried Forward as per Profit & Loss Account	1398.74	3442.23
Less : General Reserve as per Contra	(932.73)	(2393.48)
	<u>466.01</u>	<u>1048.75</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS  
ACCOUNT FOR THE NINE MONTHS ENDED DECEMBER 31, 2010**

	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>10 OTHER INCOME</b>		
Interest - Banks *	2.09	2.64
Interest - Others	3.58	1.19
Rent received	3.01	3.37
Credit balances written back	532.81	4.04
Provision for expenses written back	11.76	50.11
Provision for doubtful debts written back	0.00	72.47
Profit on sale / disposal of fixed assets (net)	0.00	0.10
Claims received	8.50	54.34
Miscellaneous income	14.42	21.39
	<u>576.17</u>	<u>209.65</u>
* Tax deducted at source	0.25	0.31
<b>11 INVENTORY VARIANCE</b>		
Closing Stock		
Work in Progress	60.66	53.85
Finished Goods	2042.46	1957.73
	<u>2103.12</u>	<u>2011.58</u>
Less: Opening Stock		
Work in Progress	53.85	56.61
Finished Goods	1957.73	2571.73
	<u>2011.58</u>	<u>2628.34</u>
<b>INCREASE / (DECREASE) IN INVENTORY</b>	<u>91.54</u>	<u>(616.76)</u>
<b>12 MATERIALS</b>		
Raw material Consumed	3254.03	4539.18
Processing charges	21.18	46.56
	<u>3275.21</u>	<u>4585.74</u>
<b>13 PERSONNEL EXPENSES</b>		
Salaries & Wages	776.77	987.49
Contribution to Provident & Other Funds	51.08	61.61
Workmen & Staff Welfare	33.66	44.87
Gratuity	25.54	13.94
Contractual Obligation	407.58	503.89
	<u>1294.63</u>	<u>1611.80</u>

	Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
<b>14 MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES</b>		
<b>MANUFACTURING EXPENSES</b>		
Stores, Spares & Tools	480.75	720.91
Power & Fuel	3204.56	4066.05
Repairs & Maintenance		
- Building	7.58	80.59
- Plant & Machinery	46.76	132.79
- Others	12.24	14.38
<b>ADMINISTRATION EXPENSES</b>		
Rent	3.68	4.83
Rates & Taxes	9.65	11.29
Insurance	7.74	11.47
Travelling & Conveyance	126.14	154.51
Communication	26.90	34.92
Printing & Stationery	12.19	14.99
Legal & Professional	69.40	94.32
Payment to Auditors		
- As Audit Fees	3.00	3.00
- For Company Law Matters	0.56	0.53
- For Quarterly Audit	0.75	0.75
Exchange Fluctuation loss (net)	1.51	0.40
Directors' Sitting fee	1.43	1.14
Debit balances / sundry balances written off	5.98	12.14
Bad debts / advances written off	4.02	70.00
Miscellaneous	36.77	43.82
Donation	0.00	0.43
Provision for bad / doubtful debts and advances	79.57	64.45
Loss on sale / disposal of fixed assets (net)	1.40	0.00
<b>SELLING EXPENSES</b>		
Advertisement & Sales Promotion	92.25	193.97
Commission	14.35	29.99
Discount	14.78	(0.06)
Clearing & Forwarding	1202.03	1496.41
	<u>5465.99</u>	<u>7258.02</u>
<b>15 FINANCE CHARGES</b>		
Interest		
- On Fixed Loans	793.34	543.38
- Others	405.93	477.88
Bank Charges	29.40	42.64
Other Finance charges	6.98	24.12
	<u>1235.65</u>	<u>1088.02</u>
<b>16 PRIOR PERIOD ADJUSTMENTS</b>		
Rates and Taxes	0.00	0.00
Others	(14.13)	2.54
	<u>(14.13)</u>	<u>2.54</u>

## 17A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company, and are consistent with those used in the previous year.

### B) Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

### C) Fixed assets and depreciation

- (i) Fixed assets are stated at cost of acquisition or construction or at revalued amounts, net of impairment loss if any, less depreciation/ amortisation. Costs include financing costs of borrowed funds attributable to acquisition or construction of fixed assets, up to the date the assets are put to use. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, recognised.
- (ii) Depreciation/Amortisation :
  - a) Tangible assets :
    - I. Depreciation is provided on straight line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956 except certain plant sub assemblies having limited life span of 3 years which have been written off over such life span.
    - II. Assets individually costing Rs.5,000 or less are depreciated fully in the year when the assets are put to use.
  - b) Intangible assets: These are amortised equally over a period of three years.

### D) Impairment

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company measures its 'value in use' on the basis of undiscounted cash flows of next five years projections estimated based on current prices.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

### E) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at the lower of cost and fair value. Changes in the carrying amount of current investments are recognised in the Profit and Loss Account. Long-term investments are valued at cost, less any provision for diminution, other than temporary, in the value of such investments; decline, if any, is charged to the Profit and Loss Account. Cost comprises cost of acquisition and related expenses such as brokerage and stamp duties.

### F) Inventories

Inventories are valued at the lower of cost and net realisable value, except for scrap which is taken at nil value. However, scrap sold is accounted for on realisation. Cost is ascertained on a weighted average basis except for goods in transit which is ascertained on a specific identification basis. Work-in-progress and manufactured finished goods are valued on full absorption cost basis and include material, labour and factory overheads.

### G) Foreign Currency Transactions

**Initial Recognition** : Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction.

**Conversion** : Foreign currency monetary items are reported using the closing rate.

**Exchange Differences** : Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

### H) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- (i) Sale of goods is recognised on shipment or dispatch to customers. "Sales" are net of sales tax/value added tax, sales returns and trade discounts.
- (ii) Claims are accounted for on ascertainment and acknowledgement of the claims by the appropriate authorities subject to Note 10 below.
- (iii) Dividend income from investments is recognised when the Company's right to receive payment is established.
- (iv) Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (v) Rent is accounted for on accrual basis.

### I) Retirement benefits

**Retirement benefit costs for the year are determined on the following basis:**

- a. All employees are covered under contributory provident fund benefit of a contribution of 12% of basic salary. Certain employees are also covered by a superannuation fund benefit of Life Insurance Corporation of India at a company contribution of 15% of basic salary. Both are defined contribution schemes and the contributions are charged to Profit and Loss Account of the year when the contribution to the fund is due. There are no obligations other than the contribution payable to the respective funds.
- b. All employees are covered under Employees' Gratuity Scheme which is a defined benefit plan of Life Insurance Corporation of India. The Company contributes to the Fund on the basis of the year-end liability actuarially determined in pursuance of the Scheme. All actuarial gains/losses arising during the accounting year are recognised immediately in the Profit and Loss Account as income or expense.
- c. Accrual for leave encashment benefit is made on the basis of a year-end actuarial valuation in pursuance of the Company's leave rules.

### J) Income and Deferred Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company reassesses unrecognized deferred tax assets. It recognises unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### K) Earnings per share

Basic earning per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity share outstanding during the period.

## L) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## M) Cash and Cash Equivalents

Cash and cash equivalents in the cash flow comprise cash at bank and cash / cheques in hand and short term deposits with Banks.

## N) Contingent Liabilities & Provisions:

In terms of the requirement of the Accounting Standard 29(AS-29) on "Provisions, Contingent liabilities and Contingent Assets ":

- 1) where, as a result of past events, there is a present obligation that probably requires an outflow of resources and reliable estimates' can be made of the amount of obligation-an appropriate provision is created and disclosed;
- 2) where as result of past events, there is a possible obligation that may, but probably will not require an outflow of resources-no provision is recognised but appropriate disclosure made as contingent liability unless the possibility of outflow is remote.

<b>As at</b>	<b>As at</b>
<b>31.12.10</b>	<b>31 Mar 10</b>
<b>(Rs in lakhs)</b>	<b>(Rs in lakhs)</b>

## 17B. CONTINGENT LIABILITIES AND NOTES

### 1 Contingent Liabilities

1(a) Letters of credit opened in favour of overseas/inland suppliers	<b>256.80</b>	210.35
1(b) Outstanding Bank guarantees	<b>1.88</b>	1.88
1(c) Arrears of fixed cumulative preference dividend *	<b>0.00</b>	1,804.51
1(d) Tax Demands under appeal, not provided for (excluding interest and penalties, if any)		
(i) Income Tax demands	<b>51.83</b>	51.83
(ii) Sales tax demands	<b>27.03</b>	9.61
(iii) Excise demands	<b>32.75</b>	28.98

\* As per the scheme of arrangement & restructuring approved by Hon'ble High Court of Gujarat vide it's order dated 2nd July 2010, the accumulated amount of unpaid preference dividend till the effective date of scheme i.e 15th July 2010, stands cancelled.

### 2 The Scheme of Arrangement and Restructuring has been approved by the Hon'ble Gujarat High Court vide it's order dated 2nd July 2010.

Further, the Scheme has been made effective from 15th July 2010, the day formal order sanctioning the scheme was filed with the Registrar of Companies, Ahmedabad.

Upon the scheme becoming effective, the existing 21,521,425 equity shares of Rs. 10/- each aggregating to Rs.2152.14 lakhs of the Company has been reduced to 21,521,425 equity shares of Rs.3.33 each aggregating to Rs.717.38 lakhs and further consolidating in the ratio of 3 equity shares of Rs.3.33 each into 1 equity share of Rs.10/- each. The said credits on Capital reduction amounting to Rs.1434.76 lakhs after adjusting expenses relating to reduction Rs.10.37 lakhs, and the general reserve balance of Rs.1460.75 lakhs has been utilized to write off the accumulated losses of the Company as at 31st March 2008 amounting to Rs.2838.18 lakhs, thus leaving a balance of Rs. 46.96 lakhs in Capital Restructuring Reserve Account.

Further in terms of the said scheme, 8%, 1,50,00,000 Redeemable Cumulative Preference Shares of Rs 10/- each fully paid up aggregating to Rs 1500 lakhs have also been converted into 50,00,000 Equity shares of Rs 10/- each fully paid up at a premium of Rs 20/- per share. The accumulated amount of preference dividend payable to preference shareholders till the effective date of the scheme i.e. 15th July 2010 stands cancelled.

- 3 Pursuant to the Share Purchase Agreement dated 20.09.10 entered into between Shri Shiv Kumar Jatia (one of the promoters of the Company), Orient Ceramics and Industries Limited (OCIL) and Bell Ceramics Limited (the Company), 62.33% of the equity capital held by Shri Shiv Kumar Jatia in the Company has been acquired by OCIL. Further, pursuant to Regulation 10 & 12 of the SEBI(SAST) Regulation 1997, by an offer made to the public shareholders of the Company, OCIL has acquired further 5.30% Equity shares of Rs.10/- each fully paid up.

With the above acquisition of Equity shares in the Company by OCIL, the Company has become a subsidiary of OCIL w.e.f 29.12.2010.

- 4 During the financial year 2008-09, IDBI Bank Ltd.(IDBI) had considered Restructuring proposal of the Company and converted the entire outstanding liabilities of the Company as at 31.03.2008 towards the Rupee Loan and the Non convertible Debentures privately placed with IDBI Bank Ltd by the Company into a fresh Rupee Term Loan. The repayment schedule of the principal was revised and the rate of interest on the entire outstanding was reduced from 11% p.a to 8% p.a. One of the conditions of the said sanction was reserving a right for IDBI to recompense the loss of interest in future. Accordingly, while granting approval to the proposal of the change in the management control of the Company from Shri Shiv Kumar Jatia to Orient Ceramics and Industries Limited as referred to in note 3 above, IDBI Bank Limited has intimated the Company to pay the recompense amount of Rs 5,25,44,690/-, being the differential interest amount on account of reduction in the rate of interest from 11% p.a to 8% p.a for the period from 01.04.08 to 01.08.11. Accordingly the differential interest amount of Rs.4,40,96,499/- for the period 01.04.08 till 31.12.10 has been provided in the accounts as "Interest on Fixed Loans" under Schedule 15.
- 5 During last 3 years, due to shortage in the working capital assistance, the Company had borrowed by way of short term loans (Inter Corporate Deposits) from WEL Intertrade Private Limited (WEL). On account of recurring financial losses, the Company was not able to meet its commitments towards this liability. During the year, at the request of the Company, WEL has entered into One Time Settlement agreement (OTS) with the Company and confirmed the settlement of the entire dues, including interest at Rs.785.61 Lakhs as against Rs.1311.06 lakhs due and further agreed not to charge any further interest effective 01.01.11. Accordingly, the Company has written back the amount waived to the extent of Rs.525.45 Lakhs, which has been included under "Credit Balances written Back".
- 6 Loans
- 6(a) Loan from IDBI Bank Ltd (IDBI) is secured by first mortgage and charge on immovable properties, present and future and hypothecation of all movables (save and except book debts) subject to prior charges created in favour of Company's bankers for working capital requirements. This loan is further secured by a letter of comfort and Personal Guarantee given to IDBI by Mr.Shiv Kumar Jatia, one of the erstwhile promoters of the Company. IDBI has agreed to replace personal guarantee of Shri Shiv Kumar Jatia against a corporate guarantee to be executed by Orient Ceramics and Industries Limited(OCIL), the holding Company.
- 6(b) Loan from Bank of India (BOI) is secured by hypothecation of all the present and future plant and machinery, stocks, book debts, receivables, etc. and first pari passu mortgage and charge on the block of assets of the Company and secured by Personal Guarantee of Shri Shiv Kumar Jatia and Shri Ramesh Jatia, the erstwhile promoters of the Company. BOI has agreed to replace personal guarantees of Shri Shiv Kumar Jatia and Shri Ramesh Jatia against a corporate guarantee to be executed by OCIL, the holding Company.
- 6(c) Hire purchase loans are secured by hypothecation of the assets acquired out of the loans.
- 6(d) Short term loans from Banks are secured against hypothecation of movable assets, including stock of raw materials, finished goods, stock in process, store and spares, book debts, receivables, etc. and by way of a second pari passu mortgage and charge on all the immovable properties of the company. Further secured by a Personal Guarantee given to BOI and Bank of Bahrain & Kuwait by Shri Shiv Kumar Jatia and to Punjab National Bank by Shri Ramesh Jatia, the erstwhile promoters of the Company. All the three banks have agreed to replace personal guarantees of Shri Shiv Kumar Jatia and Shri Ramesh Jatia as above against a corporate guarantee to be executed by OCIL, the holding company.

- 7 Acceptances given to suppliers amounting to Rs.14.80 lakhs (Previous Year Rs.90.93 lakhs) represent the bills discounted by the suppliers with the Small Industries Development Bank of India under the bill discounting facilities granted by SIDBI to the company secured by a second hypothecation charge on movable assets/book debts and collaterally secured by a second pari passu charge on all the immovable properties of the Company, present and future.
- 8 Capital Reserve represents :  
Central & State Subsidy Rs 25.00 lakhs (Previous Year Rs 25.00 lakhs) ; and Profit on Reissue of Forfeited Shares Rs 0.57 lakhs (Previous Year Rs 0.57 lakhs)
- 9 Balances of sundry debtors, loans and advances and sundry creditors to the extent not confirmed as on 31.12.2010 are subject to reconciliation and adjustment, wherever necessary.
- 10 The Company has during the year created deferred tax asset of Rs. 267.65 lakhs (Previous Year deferred tax asset Rs 202.57 lakhs ) resulting in net deferred tax asset of Rs. 516.27 lakhs as at balance sheet date in respect of temporary differences as per the details hereunder:

	Created Asset / (Liability) Rs in lakhs	As at 31 31 Dec 10 Rs in lakhs	As at 31 31 Mar 10 Rs in lakhs
a) Deferred Tax Assets on account of temporary differences :			
(i) Provision for doubtful debts	23.60	51.20	27.60
(ii) Provision for leave encashment	0.96	33.18	32.22
(iii) Provision for Gratuity	4.11	17.60	13.49
(iv) Provision for Doubtful Debts / Advances	2.83	18.73	15.90
b) Deferred Tax Liability on account of temporary differences:			
(i) Depreciation on fixed assets	124.19	(1470.88)	(1595.07)
c) Deferred tax assets on account of :			
(i) Unabsorbed Depreciation	111.96	1866.44	1754.48
(ii) Carry forward losses			
<b>DEFERRED TAX ASSET (NET)</b>	<b>267.65</b>	<b>516.27</b>	<b>248.62</b>

The Company has created deferred tax assets on the Unabsorbed Depreciation as calculated under the provisions of the Income Tax Act, 1961. As confirmed by the Board and Audit Committee and based on the current performance of the Company, the Management is virtually certain that there will be sufficient profits in future to write off such deferred tax asset. The future business projections made by the Management and its commitment to the same is the basis to support the recognition of the deferred tax asset.

- 11 Aggregate Directors' remuneration Rs.59.32 lakhs (Previous Year Rs.76.31 lakhs) includes Company's contribution to Provident Fund and other funds Rs. 6.93 lakhs (Previous Year Rs 7.77 lakhs). The remuneration of Rs.79.06 lacs for the period 1.1.10 to 31.12.10 paid/payable to Managing Director and Executive Director is pending approval of Central Govt as per the provision of Section 311 read with Schedule XIII of Companies Act 1956. Gratuity and Leave Encashment entitlements based on actuarial valuation are not considered above.
- 12 Show cause notices have been received from Excise department amounting to Rs 4.83. lakhs (Previous Year Rs.6.16) as regards Cenvat which in the opinion of legal experts and Management are frivolous and liable to be quashed.
- 13(a) Details of Raw Materials Consumed :

	Units	Current Period (Quantities)	Previous Year (Quantities)	Current Period (Rs. in lakhs)	Previous Year (Rs. in lakhs)
Body Materials	MT	126476	165241	1,116.41	1,525.38
Glazes, Frits & Chemicals	MT	5733	8545	1,504.14	2,181.59
Packing Materials	Nos	5451689	7764846	501.96	601.89
Others				131.53	230.32
				<b>3,254.04</b>	<b>4,539.18</b>

**13(b) Value of Imported & Indigenous Raw Materials consumed, stores & spares consumed & percentages thereof**

	<b>Current Period (Percentage)</b>	<b>Previous Year (Percentage)</b>	<b>Current Period (Rs in lakhs)</b>	<b>Previous Year (Rs in lakhs)</b>
Raw Materials				
Imported	<b>1</b>	1	<b>37.20</b>	39.85
Indigenous	<b>99</b>	99	<b>3,216.84</b>	4,499.33
	<b>100</b>	100	<b>3,254.04</b>	4,539.18
Stores & Spares				
Imported	<b>48</b>	51	<b>228.61</b>	366.26
Indigenous	<b>52</b>	49	<b>251.62</b>	354.65
	<b>100</b>	100	<b>480.23</b>	720.91

**14 Particulars of Sales and Stocks**

<b>Goods Manufactured:</b>	<b>Units</b>	<b>Current Period (Quantities)</b>	<b>Previous Year (Quantities)</b>	<b>Current Period (Rs. in lakhs)</b>	<b>Previous Year (Rs. in lakhs)</b>
(I) Ceramic Floor & Wall Tiles					
Opening Stock	SQ.MT	<b>1422379</b>	1862219	<b>1,957.73</b>	2,571.71
Sales	SQ.MT	<b>6655928</b>	9888772	<b>11,367.52</b>	16,456.47
Closing Stock	SQ.MT	<b>1419638</b>	1422379	<b>2,042.45</b>	1,957.73

Note : Quantities of sales include free of cost replacements, captive use, samples, shortages and damaged goods.

**15 Details of Registered, installed capacities and production**

	<b>Units</b>	<b>Current Period</b>	<b>Previous Year</b>
Ceramic Floor & Wall Tiles			
Registered Capacity*	SQ.MTS	<b>10837500</b>	14450000
Installed Capacity *	SQ.MTS	<b>10837500</b>	14450000
Production - Tiles	SQ.MTS	<b>6653188</b>	9448931

\* Registered & Installed capacities for the Current Period are for a period of Nine months

- Installed Capacity is as certified by the management not verified by the Auditors being a technical matter

- Actual production of tiles is reported in square meters as per approval of Ministry of Industry, Secretariat for Industrial Approvals, vide their letter dated 10.12.1998

**16 CIF Value of Imports**

	<b>Current Period Rs. in lakhs</b>	<b>Previous Year Rs. in lakhs</b>
Raw Materials	<b>52.56</b>	32.36
Spares	<b>115.16</b>	186.95

**17 Expenditure in Foreign Currency (on payment basis)**

Travel	<b>0.92</b>	0.00
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18 The Company is a single segment Company engaged in the business of production and sale of "Ceramic Glazed Tiles". In the opinion of the Management the risks and rewards associated with the different manufacturing units of the Company are identical, hence no further disclosures other than those already provided in the financial statements are required as per Mandatory Accounting Standard 17 (AS-17) on "Segment Reporting".

19 Subsequent to the Balance Sheet date, the Board of Directors of the Company has approved to amalgamate its business with that of its holding Company, i.e., Orient Ceramics and Industris Limited (OCIL), both the Companies being in similar line of business and in order to make the Company a financially viable unit. The Appointed Date for such amalgamation of the Company with OCIL done on the basis of Purchase method as prescribed in Accounting Standard 14 on Accounting for Amalgamations shall be January 1, 2011.

20 Details of minimum lease payments / hire purchase instalments payable by the Company and the present value thereof

	Minimum lease instalment (Rs in lakhs) Current Period	Minimum lease instalment (Rs in lakhs) Previous Year	Present value of minimum lease payments (Rs in lakhs) Current Period	Present value of minimum lease payments (Rs in lakhs) Previous Year
a) Hire Purchase Assets :				
(i) Payable not later than one year	3.83	6.08	3.52	5.36
(ii) Later than one year and not later than five years	0.25	3.06	0.25	2.87
(iii) Beyond five years	Nil	Nil	Nil	Nil
b) Assets on BOOT Basis				
(i) Payable not later than one year	90.48	90.48	83.78	83.78
(ii) Later than one year and not later than five years	0.00	67.86	0.00	58.18

21 Computation of Earnings / (Loss) Per Share

		Current Period (Rs in lakhs)	Previous Year (Rs in lakhs)
Profit/(Loss) After tax		(794.69)	(637.33)
Less: Preference dividends (including dividend tax)		0.00	(140.39)
Profit / (Loss) after tax and preference dividend (including dividend tax)		(794.69)	(777.72)
Weighted average number of equity shares outstanding during the year	Nos	10229363	21521425
Nominal value per share	Rs	10	10
Earnings/ (Loss ) per share			
- basic	Rs	(7.77)	(3.61)
- diluted	Rs	(7.77)	(3.61)

Note : The basic and diluted earning per share of the Company, as shown above, is after implementation of the Scheme of Arrangement approved by the Hon'ble High Court of Gujarat, leading to conversion of Preference Shares into Equity Shares, waiver of arrears of preference dividend and reduction of equity share capital (refer note 2 above).

22. Disclosures under Accounting Standard 15 on Employee Benefits:

During the year, based on actuarial valuation, the Company has created a liability for Rs.53 lakhs (Net of Plan Assets) (Previous year Rs.40.61 lakhs) for Gratuity and Rs.99.89 lakhs (Previous Year Rs.96.99 lakhs ) for the Leave Encashment.

Disclosures in respect of Defined benefit obligations in respect of Gratuity & Leave Encashment pursuant to Accounting Standard 15:

**Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

(Rs. In Lakhs)

	Gratuity Current Period	Leave Encashment Current Period	Gratuity Previous Year	Leave Encashment Previous Year
Opening defined benefit obligation	161.22	96.99	155.01	86.67
Service cost	16.73	6.01	16.31	7.07
Interest cost	9.58	5.76	12.40	6.93
Past service cost	18.46	0.00		
Actuarial losses (gains)	(20.35)	2.53	(4.38)	22.31
Benefits paid	(5.42)	(11.41)	(18.12)	(25.99)
Closing defined benefit obligation	180.23	99.89	161.22	96.99

**Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:**

(Rs. In Lakhs)

	<b>Gratuity Current Period</b>	<b>Gratuity Previous Year</b>
Opening fair value of plan assets	<b>120.61</b>	121.91
Expected return	<b>7.17</b>	9.75
Actuarial gains and (losses)	<b>(7.17)</b>	1.02
Contributions by employer	<b>12.04</b>	6.04
Assets acquired in an amalgamation in the nature of purchase	<b>0.00</b>	0.00
Exchange differences on foreign plans	<b>0.00</b>	0.00
Benefits paid	<b>(5.42)</b>	(18.12)
Closing fair value of plan assets	<b>127.24</b>	120.61

**The amounts recognized in the balance sheet are as follows:**

(Rs. In Lakhs)

	<b>Gratuity Current Period</b>	<b>Leave Encashment Current Period</b>	<b>Gratuity Previous Year</b>	<b>Leave Encashment Previous Year</b>
Present value of funded obligations	<b>180.23</b>	<b>99.89</b>	161.22	96.99
Fair value of plan assets	<b>127.24</b>	-	120.61	-
Unrecognized past service cost	-	-	-	-
Net liability in the Balance Sheet	<b>53.00</b>	<b>99.89</b>	40.61	96.99

**The amounts recognized in the statement of profit & loss are as follows:**

(Rs. In Lakhs)

	<b>Gratuity Current Period</b>	<b>Leave Encashment Current Period</b>	<b>Gratuity Previous Year</b>	<b>Leave Encashment Previous Year</b>
Current service cost	<b>16.73</b>	<b>6.01</b>	16.31	7.07
Interest on obligation	<b>9.58</b>	<b>5.76</b>	12.40	6.93
Expected return on plan assets	<b>(7.17)</b>	-	(9.75)	-
Net actuarial losses (gains) recognized in the year	<b>(13.18)</b>	<b>2.53</b>	(5.40)	22.31
Past service cost	<b>18.46</b>	-	-	-
Losses (gains) on curtailments and settlements	-	-	-	-
Total included in 'employee benefit expense'	<b>24.43</b>	<b>14.31</b>	13.56	36.31

**Principal actuarial assumptions at the balance sheet date (expressed as weighted average)**

	Gratuity Current Period	Leave Encashment Current Period	Gratuity Previous Year	Leave Encashment Previous Year
Discount rate per annum as at 31st Dec. 2010	8.50%	8.50%	8.00%	8.00%
Expected return per annum on plan assets as at 31st December'10	8.50%	-	8.00%	-
Salary Escalation per annum	7.00%	7.00%	6.00%	6.00%
Retirement Age	60 years	-	60 years	-
Mortality	LIC 94-96 mortality tables	-	LIC 94-96 mortality tables	-
Attrition rate	1.00%	-	1.00%	-

The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

23 (A) Related party disclosures:

- (i) Names of Related Parties where control exists at various times during the year:
- |                  |                             |                    |
|------------------|-----------------------------|--------------------|
| Indian Promoters | Mr.S.K.Jatia                | (Part of the year) |
|                  | Orient Ceramics & Ind. Ltd. | (Part of the year) |
- (ii) Key Management Personnel :
- |  |                                  |
|--|----------------------------------|
|  | Mr. K M Pai -Managing Director   |
|  | Mr. S R Vyas -Executive Director |
- (iii) Holding Company
- |  |                                  |
|--|----------------------------------|
|  | Orient Ceramics & Industries Ltd |
|--|----------------------------------|
- (iv) Associate Parties / Relatives of Directors of the Promoter Company which significantly influence/ are influenced by the Company (either individually or with others) with whom the Company had transactions during the year / previous year :
- |  |  |
|--|--|
|  | Mr Ramesh Jatia  |
|  | Asian Hotels (North) Limited (formerly Asian Hotels Limited)         |
|  | Renown Pharmaceuticals Pvt. Ltd. (Formerly Renown Ceratek Pvt. Ltd.) |
|  | WEL Intertrade Private Limited                                       |
|  | Ascent Hotels Private Limited  |

23 (B) Transactions with related parties during the year

Particulars	Holding Company	Holding Company	Associates	Associates	Key Management Personnel	Key Management Personnel
	Current Period (Rs. In lakhs)	Previous Year (Rs. In lakhs)	Current Period (Rs. In lakhs)	Previous Year (Rs. In lakhs)	Current Period (Rs. In lakhs)	Previous Year (Rs. In lakhs)
<b>INCOME</b>						
Sale of Tiles			0.87	6.53		
<b>EXPENSES</b>						
Purchases	1.43	-		0.00		
Directors' remuneration					59.32	76.31
D G Hiring Charges			67.86	90.48		
Professional Fees			40.05	53.40		
Reimbursement of expenses			27.03	25.81		
Retirement benefits			0.00	8.57		
Interest on inter corporate loans			111.58	119.38		
<b>Advances given</b>			0.00	21.06		
<b>Inter corporate Loans received</b>			125.00	28.00		
<b>Inter Corporate loans repaid/adjusted</b>			525.45	38.00		
<b>Amount outstanding</b>						
- other liabilities	1.43	-	11.62	10.07	3.99	3.43
- inter corporate loans (current year's figure includes accrued interest)			785.61	885.00		
- interest accrued on inter corporate loans				244.72		
<b>Amount Receivable</b>			1.28	2.30		

23 (C) Disclosure in respect of transactions which are more than 10% of the total related party transactions of the same type during the year

<b>Particulars</b>	<b>Current Period Rs. In lakhs</b>	<b>Previous Year Rs. In lakhs</b>
<b>Sales</b>		
- Ascent Hotels Private Limited	0.65	5.50
- Asian Hotels (North) Limited	0.22	1.03
<b>Purchases</b>		
- Orient Ceramics & Industries Ltd	1.43	0.00
<b>Travel/Entertainment</b>		
- Asian Hotels (North) Limited	0.53	0.00
<b>D G Hiring Charges</b>		
- Renown Pharmaceutical Pvt. Ltd.	67.86	90.48
<b>Professional Fees/Expenses</b>		
- Mr. Ramesh Jatia - Professional Fees	40.05	53.40
- Mr. Ramesh Jatia - Reimbursement of expenses	27.03	25.81
- Mr. Ramesh Jatia - Retirement Benefits	0.00	8.57
<b>Interest on Inter Corporate Loans</b>		
- Wel Intertrade Pvt. Ltd.	111.58	119.38
<b>Director Remuneraion</b>		
- Mr.K M Pai	35.84	51.77
- Mr.S R Vyas	23.48	24.54
<b>Inter Corporate loans received</b>		
- Wel Intertrade Pvt. Ltd.	125.00	28.00
<b>Inter Corporate loans repaid/adjusted</b>		
- Wel Intertrade Pvt. Ltd.	525.45	38.00
<b>Amount Outstanding</b>		
<b>Interest accrued</b>		
- Wel Intertrade Pvt. Ltd.	0.00	244.72
<b>Inter Corporate loans</b>		
- Wel Intertrade Pvt. Ltd. (current year's figure includes accrued interest)	785.61	885.00
<b>Other Liabilities</b>		
- Mr.Ramesh Jatia -Professional fees	4.45	4.45
- Mr.K M Pai -Remuneration	2.45	2.45
- Mr.S R Vyas -Remuneration	1.54	0.98
- Renown Pharmaceutical Pvt. Ltd.	7.17	5.62
- Orient Ceramics & Industries Ltd	1.43	0.00
<b>Advance</b>		
- Renown Pharmaceutical Pvt. Ltd.	21.06	21.06
<b>Amount Receivable</b>		
- Asian Hotels (North) Limited	0.00	0.22
- Ascent Hotels Private Limited	1.28	2.08

24 The Assets of the Company have not been impaired during the year as certified by the management of the Company. The management has conducted the test of impairment of Assets using the Value-in-use method in accordance with the Mandatory Accounting Standard -28 (AS - 28) on Impairment of Assets. For calculation of value -in-use, discount rate of 8% per annum is used by the Management.

25 The Company has amounts due to suppliers under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED') as at 31st December, 2010. The disclosure pursuant to the said Act is as under :

Particulars	Current Period Rs. In lakhs	Previous Year Rs. In lakhs
- Principal Amount due to suppliers under MSMED	0	0
- Interest accrued and due to suppliers under MSMED on the above amount, unpaid	0	0
- Payment made to suppliers (other than interest) beyond the appointed day during the year	0	4.41
- Interest paid to suppliers under the MSMED	0	0
- Interest due & payable towards suppliers under MSMED Act towards payment already made.	2.69	2.69

26 The amount of foreign currency exposures that are not hedged by a derivative instruments or otherwise as on 31st December 2010 are as under:

Particulars	Current Period Foreign Currency Amount (in lakhs)	Previous year Foreign Currency Amount (in lakhs)	Current Period Rupee Amount (in lakhs)	Previous year Rupee Amount (in lakhs)
Payables (in Euro)	0.98	0.89	59.08	54.21

Closing rate of conversion are as under:

Currency	Rate of Conversion	
	Current period	Previous year
One Euro	60.135	61.0375

27 Previous Year figures have been regrouped wherever necessary to make them comparable with those of the current year.

28 Current period figures are for a period of nine months from 1.04.2010 to 31.12.10. whereas those for the previous period are from 1.04.2009 to 31.3.2010, hence not comparable.

Signature to the Schedule 1 to 17

As per our Report of even date

For & on behalf of  
**R.P.Malhan & Company**  
Chartered Accountants

**Vikas Vig**  
Partner

Place : New Delhi  
Date : 25.02.2011

ON BEHALF OF THE BOARD OF DIRECTORS

**Mahendra K. Daga**  
Chairman

**K.M.Pai**  
Managing Director

**S.R.Vyas**  
Executive Director  
& Company Secretary

Place : New Delhi  
Date : 25.02.2011

**CASH FLOW STATEMENT FOR THE PERIOD ENDED AS AT 31ST DECEMBER 2010**

	Current Period Rs. in lakhs	Previous Year Rs. in lakhs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX BUT AFTER EXCEPTIONAL/EXTRA ORDINARY ITEMS	(1,057.53)	(737.64)
Adjustments for:		
Depreciation	837.64	1,114.60
Interest & Finance Expense	1,235.65	1,088.02
Interest Income	(2.09)	(2.64)
Loss (Profit) on Fixed Assets sold/ discarded (net)	1.40	(0.10)
Bad Debts / Advances / Debit Balance Written off	10.00	82.14
Provision for Bad & Doubtful Debts/advances	79.57	64.45
Liability no longer required written back	(544.57)	(54.15)
Provision no longer required written back	-	(72.47)
Provision for Gratuity & Leave Encashment	38.74	49.87
Prior Period Expenses/(Income) (Net)	(14.13)	2.54
TDS on service/other operating income	-	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>584.68</b>	<b>1,534.62</b>
Adjustments for changes in working capital :		
- (Increase)/Decrease in Sundry Debtors	159.55	(36.64)
- (Increase)/Decrease in Other Receivables	63.27	(24.81)
- (Increase)/Decrease in Inventories	(233.86)	736.20
- Increase/(Decrease) in Trade and Other Payables	133.22	(341.94)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>706.86</b>	<b>1,867.43</b>
- Taxes (Paid) / Received {Net of withholding taxes(TDS)}	1.92	(27.99)
- Prior Period (Expenses)/Income (Net)	14.13	(2.54)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>722.91</b>	<b>1,836.90</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets		
Additions during the period	(15.42)	(22.07)
Capital Work in Progress		
Deductions/(additions) during the year	-	1.47
Proceeds from Sale of fixed assets	0.71	1.12
Interest Received (Revenue)	1.98	2.32
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(12.73)</b>	<b>(17.16)</b>

	Current Period Rs. in lakhs	Previous Year Rs. in lakhs
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term borrowings		
RECEIPTS	-	-
PAYMENTS	(521.87)	(367.95)
Proceeds from short term borrowings		
RECEIPTS	689.63	-
PAYMENTS	-	213.80
Interest & Finance charges Paid	(928.07)	(1,336.55)
Expenses paid debited to Capital Restructuring account(Reserve&Surplus)	(10.37)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(770.68)</b>	<b>(1,490.70)</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(60.50)	329.04
CASH AND CASH EQUIVALENTS - OPENING	(1,710.62)	(2,039.66)
CASH AND CASH EQUIVALENTS - CLOSING	(1,771.12)	(1,710.62)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(60.50)</b>	<b>329.04</b>

**NOTES:**

- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 on Cash Flow Statement.
- Current period figures are for the period nine months from 1.04.2010 to 31.12.10. whereas those for the previous period are from 1.04.2009 to 31.3.2010, hence not comparable.
- Cash and Cash Equivalents at the end of the year consist of cash in hand and Balance with Banks and are net of short term loans and advances from banks as follows:

	As at 31st Dec 2010	As at 31st March 2010
Cash, Cheques & Drafts (in hand) and Remittances in transit	5.35	3.05
Short term loans and advances from banks	(1,833.80)	(1,757.78)
Balance with Scheduled Banks	57.33	44.11
	<b>(1,771.12)</b>	<b>(1,710.62)</b>

**AUDITORS' CERTIFICATE**

This is the Cash Flow Statement referred to in our report of even date

For & on behalf of  
**R.P.Malhan & Company**  
Chartered Accountants

**Vikas Vig**  
Partner

Place : New Delhi  
Date : 25.02.2011

ON BEHALF OF THE BOARD OF DIRECTORS

**Mahendra K. Daga**  
Chairman

**K.M.Pai**  
Managing Director

**S.R.Vyas**  
Executive Director  
& Company Secretary

Place : New Delhi  
Date : 25.02.2011

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**
**I. Registration Details**

Registration No.	08196	State Code	04
Balance Sheet date	31st December 2010		

**II. Capital raised during the year (Amount in Rs.thousand)**

Public Issue	Nil	Bonus Issue	Nil
Rights Issue	Nil	Private Placement	Nil

**III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousand)**

Total Liabilities	1821266	Total Assets	1821266
-------------------	---------	--------------	---------

**Source of Funds**

Paid Up Capital	121738	Secured Loans	749042
Reserve & Surplus	772058	Unsecured Loans (including trade deposits)	178428

**Application of Funds**

Net Fixed Assets	1663075	Misc. Expenditure (including deferred tax asset (liability) net)	51627
Investment	1		
Net Current Assets	59962	Profit & Loss Account	46601

**IV. Performance of Company (Amount in Rs. thousands)**

Turnover	1103746	+/- Profit/Loss Before Tax	(105753)
Total Expenditure	1209499	+/- Profit/Loss After Tax	(79469)
Earnings per share in Rs.	(7.77)	Dividend Rate %	NIL

**V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)**

Item Code No: (ITC Code)	Products Description:
690500	Ceramic Glazed Tiles

ON BEHALF OF THE BOARD OF DIRECTORS

**Mahendra K. Daga**  
 Chairman

**K.M.Pai**  
 Managing Director

**S.R.Vyas**  
 Executive Director  
 & Company Secretary

 Place : New Delhi  
 Date : 25.02.2011

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## BELL CERAMICS LIMITED

**Regd. Office : Village : Dora, Tal. Amod, Dist. Bharuch, Gujarat**

### ATTENDANCE SLIP FOR TWENTY FIFTH ANNUAL GENERAL MEETING

Please fill in Attendance Slip and hand over at the entrance of meeting place. Joint Shareholders may obtain Attendance Slip on request.

D.P. ID*	
Client ID*	

Regd. Folio No.	
No. of Shares held	

I hereby record my presence at the Twenty Fifth Annual General Meeting of the Company held on Saturday, the 28th May, 2011 at 12.00 Noon at the Registered Office of the Company situated at Village Dora, Taluka Amod, District Bharuch, Gujarat.

Signature of the  
Shareholder or Proxy \_\_\_\_\_

\* Applicable for shareholders holding shares in demat form.

----- TEAR HERE -----

## BELL CERAMICS LIMITED

**Regd. Office : Village : Dora, Tal. Amod, Dist. Bharuch, Gujarat**

### PROXY

D.P. ID*	
Client ID*	

Regd. Folio No.	
No. of Shares held	

I/We \_\_\_\_\_

of \_\_\_\_\_ being member(s) of Bell

Ceramics Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ failing him \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to vote for me / us on my / our behalf at the Twenty Fifth Annual General Meeting of the Company to be held on Saturday the 28th May, 2011 and at any adjournment thereof.

Signed \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Affix Revenue Stamp
---------------------------

Signature of Shareholder \_\_\_\_\_

**Note :**

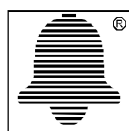
The Proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

<b>THE PROXY NEED NOT BE A MEMBER OF THE COMPANY</b>
--

BOOK-POST

To,

If undelivered please return to :



**Bell**  
CERAMICS LIMITED

*An ISO 9001 & 14001 Company*

Corporate Office : 78/79, Surya Kiran Complex, 2nd Floor,  
Old Padra Road, Vadodara - 390 007.

Tel. : 0265-2335844, 2356341 Fax : 0265-2336490

E-mail : [secretarialbaroda@bellceramic.com](mailto:secretarialbaroda@bellceramic.com)

Visit us at [www.bellceramic.com](http://www.bellceramic.com)

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