

BOARD OF DIRECTORS

| | |
|----------------------------|-------------------|
| Mr. Lalit Bhasin | Chairman |
| Mr. S.K. Jatia | Vice-Chairman |
| Mr. R.K. Jatia | |
| Mr. G.R. Divan | |
| Mr. Dinesh Chandra Kothari | |
| Mr. V.M. Kalambi | Nominee Director |
| Mr. Ramesh Jatia | Managing Director |

CHIEF EXECUTIVE OFFICER

Mr. K.M. Pai

SR. VICE PRESIDENT (CA) & COMPANY SECRETARY

Mr. S.R. Vyas

BANKERS

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

AUDITORS

M/s. R.P. Malhan & Co.
Chartered Accountants
IA & C, Vandhana Building,
11, Tolstoy Marg,
New Delhi - 110 001

REGISTERED OFFICE

Village Dora, Taluka Amod,
Dist. Bharuch - 392 230, Gujarat (INDIA).

WORKS

1. Village Dora, Taluka Amod,
Dist. Bharuch, Gujarat.
2. Village Chokkahalli,
Taluka Hoskote, Bangalore (Rural) - 562 114
Karnataka (INDIA).

REGISTRAR & SHARE TRANSFER AGENT

M/s. Intime Spectrum Registry Limited
308, First Floor, Jaldhara Complex,
Opp. Manisha Society, Off. Old Padra Road,
Vasna Road, Vadodara - 390 015.

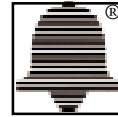
(In place of MCS Limited as per mutual agreement).

MANAGEMENT TEAM

| | |
|-----------------------|---|
| Mr. A.N. Rangaswamy | - Sr. Vice President (Sales & Marketing) |
| Mr. C.S. Murthy | - D.G.M. (Production) |
| Mr. Vilas Badgujar | - D.G.M. (Operation) |
| Mr. G.P. Zala | - D.G.M. (Finance & Accounts) |
| Mr. Krishnakumar T.V. | - A.G.M. (Maintenance) |
| Mr. R.R. Jadeja | - A.G.M. (Sales) |

CONTENTS

| | |
|-------------------------------|----|
| Notice | 2 |
| Directors' Report | 4 |
| Corporate Governance | 7 |
| Auditors' Report | 14 |
| Balance Sheet | 16 |
| Profit & Loss Account | 17 |
| Schedules to Accounts | 18 |
| Cash Flow Statement | 32 |
| Proxy & Nomination Form | 35 |



NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of Bell Ceramics Limited will be held on Friday, the 1st September, 2006 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 March 2006, the Profit and Loss Account for the year ended on that date and the Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Shri G.R. Divan who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri S.K. Jatia who retires by rotation and being eligible offers himself for re-appointment.
4. 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. 5 - ORDINARY RESOLUTION

"RESOLVED THAT Shri Dinesh Chandra Kothari who was appointed as a Director at the meeting of Board of Directors held on 17.05.2006 to fill the casual vacancy arose due to resignation of Shri N. C. Mehta and who holds office as such upto the date of the ensuing Annual General Meeting of the Company and for the appointment of whom the Company has received a notice under section 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Dinesh Chandra Kothari for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

Item No. 6 - SPECIAL RESOLUTION

"RESOLVED THAT in supersession of earlier resolution passed in this regard and pursuant to provisions of section 163 and other applicable provisions, if any of the Companies Act, 1956, and subject to such approvals or permissions as may be necessary, approval of the members of the Company, be and is hereby accorded to maintain the Register of Members, the Index of Members, Register and Index of Debenture Holders and copies of all Annual Returns prepared under section 159 and 160 together with the copies of certificates and documents required to be annexed thereto

under section 160 and 161 and other registers and documents as are permissible, at the office of the Company's Registrar and Share Transfer Agents, ie, Intime Spectrum Registry Ltd., 308, First Floor, Jaldhara Complex, Opp. Manisha Society, Off. Old Padra Road, Vasna Road, Vadodara-390 015".

Regd. Office:
Village Dora, Taluka Amod
District Bharuch, Gujarat
Date: 17.05.2006

By Order of the Board
S.R. Vyas
Sr.Vice President
(Corporate Affairs)
& Company Secretary

NOTES:

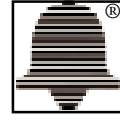
1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Monday, the 28th August, 2006 to Friday, the 1st September, 2006 (both days inclusive).
3. The shareholders are requested to:-
 - a) intimate the Company immediately of the change in their address for shares held in physical mode and for shares held in electronic mode, changes in address be intimated to their respective DPs.
 - 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.
 - d) address their communication at least seven days before the date of the meeting to SR-VP (CA) & CS seeking information concerning the account & operations of the Company.

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

Item No. 5

Shri Dinesh Chandra Kothari was appointed as a Director of the Company effective from 17.05.2006 to fill the casual vacancy arose due to resignation of Shri N. C. Mehta. He holds office up to the date of ensuing Annual General Meeting.

In terms of Section 257 of the Companies Act, 1956, a notice in writing along with a deposit of Rs. 500/- is received from a member signifying his intention to propose the candidature of Shri Dinesh Chandra Kothari for the office of a Director liable to retire by rotation.



Shri Dinesh Chandra Kothari is a Chartered Accountant, having 35 Years of experience in the Senior Management position with various industries/ institutes both within the country and abroad. As a Chartered Accountant, he has a wide exposure in the field of Corporate Finance, Project Consulting, Merchant Banking, Corporate Planning etc. His 35 years' long experience would be useful to the Company in its day to day management as also in taking strategic decisions by the Board. Considering his educational background, vast experience, the Board recommends passing resolution at item No. 5 of the accompanying notice.

Except Shri Dinesh Chandra Kothari, none of the other Directors is considered as concerned or interested in the resolution.

Item No. 6

The Company has appointed Intime Spectrum Registry Limited as its Registrar and Share Transfer Agent in place of MCS Limited consequent to the disinvestment of Registrar and Share Transfer business by MCS Ltd and accordingly, the Register of Members, the Index of Members, Register and Index of Debenture Holders and copies of all Annual Returns prepared under section 159 and 160 together with

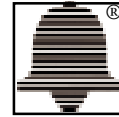
the copies of certificates and documents required to be annexed thereto under section 160 and 161 including all records pertaining to the shares, share transfers, etc shall be maintained by the Intime Spectrum Registry Limited.

Pursuant to provisions of section 163 of the Companies Act, 1956, approval of the members of the Company is required, to keep the said Registers, documents and records at the office of Intime Spectrum Registry Ltd at its office at Vadodara. The Board commends the Resolution for the approval of members.

None of the directors is in any way concerned or interested in this resolution.

Regd. Office:
Village Dora, Taluka Amod
District Bharuch, Gujarat
Date : 17.05.2006

By Order of the Board
S.R. Vyas
Sr.Vice President
(Corporate Affairs)
& Company Secretary



DIRECTORS' REPORT

Your Directors submit herewith the Twentieth Annual Report and the Audited Accounts of the Company for the financial year ended 31 March 2006.

FINANCIAL RESULTS

| | (Rs. in lacs) | |
|--|---------------|---------------|
| | Current Year | Previous Year |
| | 2005-06 | 2004-05 |
| Sales & Other Income | 17120.08 | 16220.60 |
| Operating Profit | 2487.03 | 3200.68 |
| Interest | 1121.16 | 1171.80 |
| Profit Before Depreciation & Amortisation | 1365.87 | 2028.88 |
| Depreciation & Amortisation & Misc. Exp. | 1098.22 | 1067.77 |
| Profit for the Year | 267.65 | 961.11 |
| Add : Prior Period Adjustments | 11.15 | 8.43 |
| Add/(Less) : Extra Ordinary Items- Depreciation written back/ Loss on sale of Assets | 50.95 | -99.21 |
| Profit Before Tax | 329.75 | 870.33 |
| Less : Provision for Tax | | |
| - Current year | -30.00 | -73.20 |
| - Fringe Benefit Tax (FBT) | -28.31 | 0.00 |
| - Deferred Income Tax | -160.00 | 134.00 |
| Net Profit | 111.44 | 931.13 |
| Profit(Loss) b/f from previous year | 0.44 | -2586.56 |
| Securities Premium Account adjusted as per order of the Gujarat High Court | 0.00 | 2019.44 |
| Amount Available for appropriation | 111.88 | 364.01 |
| Transfer to Debenture Redemption Reserve | -100.00 | -200.00 |
| Transfer to General Reserve | 0.00 | -30.00 |
| Proposed dividend-Pref. shares | 0.00 | -118.15 |
| Corporate Dividend Tax | 0.00 | -15.42 |
| Profit carried to Balance Sheet | 11.88 | 0.44 |

DIVIDENDS

In absence of the adequate profits for the year, your Directors have not recommended any dividend on the Preference and Equity Share Capital.

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 :

- in the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 March 2006 and of the profit for that period;
- 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
- the annual accounts had been prepared on a going concern basis.

AUDITORS' REPORT

Referring to the remarks printed in italic in the para (vii) of the Auditors' Report, the Directors would like to refer to Note 8 of the Schedule 15 of the Accounts which are self explanatory.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the Public during the financial year ended 31 March 2006.

DIRECTORS

At the ensuing Annual General Meeting, Shri G. R. Divan, Shri S. K. Jatia, the Directors of the Company shall retire by rotation and they being eligible offer themselves for re-appointment.

During the financial year, Shri N. C. Mehta and Shri N. K. Ahuja, the Directors of the Company have resigned from the Board of Directors of the Company. Shri Dinesh Chandra Kothari, Chartered Accountant, has been appointed as a Director on the Board to fill up the casual vacancy created by resignation of Shri N. C. Mehta. He will hold the office till the date of ensuing Annual General Meeting. A resolution of his appointment on the Board is proposed in the notice for AGM. New appointment to fill the casual vacancy created due to resignation of Shri N. K. Ahuja is still to be made.

The Board placed on record its appreciation of the enormous contribution made by Shri N. C. Mehta and Shri N. K. Ahuja, the retiring Directors during their tenure as Directors of the Company and welcomes Shri Dinesh Chandra Kothari to be on the Board of the Company.

During the year, the Company has received an intimation from IDBI regarding the nomination of Shri V. M. Kalambi as Nominee Director on the Board of the Company wef. 17.08.2005 in place of Shri K. Ramaswamy. The Board takes note of the active participation and the valuable guidance provided by Shri K. Ramaswamy during his association with the Company.

PARTICULARS OF EMPLOYEES

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.

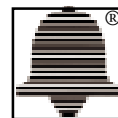
However, as per the provisions of Section 219(1)(b) of the Companies Act, 1956, the Report and Accounts are being circulated to the shareholders do not include the Statement of Particulars of Employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement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

The Auditors M/s. R. P. Malhan & Company, Chartered



Accountants, New Delhi, shall retire at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment. A confirmation has been received from them that if reappointed, their reappointment shall be within the limits prescribed under section 224(1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation of the continued co-operation and support extended by financial institutions, 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

Date : 17.05.2006

Lalit Bhasin

Place : New Delhi

Chairman

MANAGEMENT DISCUSSIONS & ANALYSIS

INDUSTRIAL SCENARIO

The Indian Economy had noticed a mixed kind of behavior during the current year. Despite the satisfactory flow of foreign investment in the country, the continuous increase in the international prices of the crude has disturbed the industrial growth to some extent. In order to sustain the desired industrial growth, India needs to have sufficient quantity of the petroleum products. Our country is largely dependent on import of the crude to meet its domestic demand. Major portion of the foreign exchange outgo is on account of heavy import of the crude. The cost of manufacturing is going up due to increase in the transport charges both for the incoming raw materials and outgoing of the finished goods. The cost of power and fuel are also adversely affected with the increase in the prices of the crude products. In order to offset the adverse effects of the increase in the cost of manufacturing, the Government has continued with its policies with a clear focus for the overall economic growth in general. The custom duty structure has been changed wherever required to facilitate the industries. The good rain in most part of the country has maintained the growth in the agricultural sector. The growth in service sectors mainly IT Sector was higher than the other industries.

During the later part of the financial year, the interest rates on the housing loan both from the private and public sector banks have been tightened. This is likely to disturb the construction and its allied industries. This construction industry has been providing employment on a very large scale throughout the country. The positive impact of permission for the foreign direct investment in the real estate market is yet to be seen in the economy.

OUTLOOK OF THE INDUSTRY

The growth in the construction industry continued due to the positive factors prevailed in the previous year. This has to some extent helped to overcome the problem of excess production capacity in the ceramic tile industry. The major threat to the domestic tile market is the cheaper import of ceramic tiles particularly from China. The competition in the global market has adversely affected export of the ceramic tiles from India. There is a continuous pressure on the selling price of the product. The increase in the international prices of crude has adversely affected the earnings of ceramic tile manufacturers. Higher diesel prices have increased the overall cost of manufacturing and

reduce the effective sales realisation due to increase in the freight charges for the incoming and outgoing materials. The VAT has now been made applicable in most part of the country. This will help the process of rationalization of the tax structure.

REVIEW OF COMPANY'S OPERATIONS

During the year, efforts were made for the optimum utilisation of the plant capacity. On account of efficient management in the outbound logistic the turnover of the Company has improved. However, in order to manage the fund flow position to support the increased operations of the plants, there was a heavy pressure on the selling prices of the finished goods. Distribution of the Company's product through the established market network has resulted into increase in the sales quantity and speedy recovery of the receivables.

DORA (BARODA) UNIT

During the year under review, the installed capacity of the plant was increased from 13000 m² per day to 17500 m² per day. There was some delay in implementation of the expansion. Initially very heavy rainfall in the factory location forced closure of operation for a week's time. Then, an accident in the imported machine during the time of erection forced to rebuild the same. This has delayed the entire expansion for a period of more than 3 months. The commercial production of the plant with the expanded capacity commenced from 21.11.2005. After overcoming the teething problem the plant has reached the production at 85% of the installed capacity by the year end. More and more emphasis is being made for manufacturing value added products to sustain increase in the cost of raw materials and power & fuel. New designs are being introduced at a regular interval to satisfy the requirements of various segments of the consumers. The products of this plant continue to get a good response in domestic and export market.

HOSKOTE (BANGALORE) UNIT

During the year under review the operation of the plant was satisfactory. The plant was operated at the optimum capacity. However increase in the prices of LPG and HSD which are used as the main source of power and fuel has increased the overall cost of manufacturing at this unit. Despite such adverse conditions, efforts are continued to improve the overall working by producing value added products and higher capacity utilisation.

RISKS AND CONCERNS

- (a) On account of the gradual depletion in the availability of natural gas from the domestic sources, GAIL has now been supplying imported LNG (Liquefied Natural Gas) along with the gas from the domestic supply. The prices of the natural gas supplied from the domestic source have been revised upward during the year. This has increased the cost of fuel at the Gujarat plant of the Company. 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.
- (b) The currency in Euro/ US vis-a-vis Indian rupee remained unfavorable through out the year. The ceramic industry is more dependent on the countries which have been dealing in Euro. This has impacted the cost of imported parts, raw materials and the capital equipments.
- (c) With reduction in the custom duty on import of ceramic tiles from China to a level of 6.5% the industry has been facing a big threat from cheaper imports from that country.



- (d) In the international market the crude prices continued to be on the upward trend. 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. Power and fuel cost at the Hoskote plant of the Company will also likely to be affected due to frequent increase in the prices of HSD and LPG. The position on the supply price of crude is not likely to improve in the near future.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The various internal control system prevalent in the Company includes:

- (a) Implementation of an ERP System for out bound logistic (sales & marketing), Company's 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 intervals 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

Despite the competitive market conditions, your Company could achieve the turnover of Rs. 17120 lakhs during the year as against the turnover of Rs. 16220 lakhs for the previous year which shows increase in turnover by 5.5% over the previous year.

For the year ended 31.03.2006, the Company achieved cash profit of Rs. 1366 lakhs (previous year Rs. 2029 lakhs) and the profit before tax of Rs. 329 lakhs (previous year Rs. 870 lakhs).

During the year under review, the Company met with its obligations with the financial institutions and banks.

The working capital bankers of the Company have helped the Company in maintaining the effective rate of interest at a lower level by regularly considering conversion of its loans into foreign currency with forward coverage.

During the year, IDBI has considered reschedulement in the repayment schedule for all the financial assistance given to the company basically to support the operation of the plants with the enhanced installed capacity.

MATERIAL DEVELOPMENT 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.

ANNEXURE TO THE DIRECTORS' REPORT

Conservation of Energy

A. Energy Conservation measure taken

The operation of 1 MW Turbo Generation remained satisfactory for generation of electricity and for operation of Spray Dryer with its exhaust gasses resulting into substantial conservation of energy.

Regular planned preventive maintenance has helped in considerable energy saving.

B. Technology absorption

The fuel efficient dry process technology at Bangalore Plant was fully absorbed even for the expanded capacities. By achieving higher capacity utilisation, the per unit consumption of LPG at Bangalore Unit could be controlled by effectively managing the process parameter.

C. Research and Development (R&D)

Following R&D activities were carried by the Company:

a) Production Development

- Development of wall tiles & floor tiles with new tones/hues in popular designs, new textures as per the requirement of the market.
- Indigenous development of Frits for both the plants and outsourcing its production facilities resulted into considerable saving of foreign exchange outgo.
- Development of local sources for spares for the imported machines to reduce dependence on import.

b) Cost Reduction

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

c) Benefits derived as a result of the above R&D

- Better quality of the product helps in reducing the finished goods inventory level.
- The Company has developed local substitutes for some of the imported components.
- Established quality assurance by adopting procedures to ensure international quality.

d) Future Plan of Action

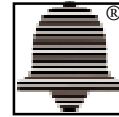
- Efforts continue to increase the production level and to concentrate on quality products.

e) Expenditure on R&D

- During the year Company has spent nominal amount on R&D.

f) Foreign Exchange Earnings & Outgo

- The information of foreign exchange earnings & outgo are contained in para 17, 18 and 19 of the notes to accounts in Schedule 15.



REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company strongly believes that good Corporate Governance is a pre-requisite for enhancing shareholders' long term value. The Company's policies and practices are aimed at efficient conduct of business and effectively meeting its obligations to shareholders. The Company has been consistently improving transparency and accountability to all its stakeholders.

2. BOARD OF DIRECTORS

Composition and Category of Directors

As per the Corporate Governance, the Company has an appropriate mix of Executive and Independent Directors to maintain the independence of the Board and to separate the Board functions of Governance and management. The Board consists of 7 Directors, 1 of whom is Executive or Whole Time Director (WTD) and 4 are Independent Directors.

Table hereunder gives the composition of Board

| Sr. No. | Category | Name of Director |
|---------|---|---|
| I. | Promoter and Non - Executive Directors | a. Shri S. K. Jatia - Vice Chairman b. Shri. R. K. Jatia |
| | Promoter and Executive Director | a. Shri Ramesh Jatia - Managing Director |
| II. | Independent and Non - Executive Directors | a. Shri Lalit Bhasin - Chairman b. Shri G. R. Divan c. Shri Dinesh Chandra Kothari (appointed on 17.05.2006 to fill up the casual vacancy of Shri N. C. Mehta, who resigned on 28.02.2006). d. Shri N. K. Ahuja (resigned wef. 17.05.2006) |
| III. | Nominee Director | a. Shri V. M. Kalambi - Nominee of IDBI (effective from 17.08.2005) b. Shri K. Ramaswamy - Nominee of IDBI (from 29.04.2005 to 17.08.2005) |

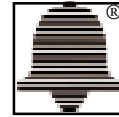
- Attendance of Directors at the Meeting of Board of Directors (BoD) held during the financial year 2005-2006 and at the Annual General Meeting (AGM) held on 16.07.2005 are as follows :

Details of Meeting of Board of Directors and AGM held during the year 2005 - 2006.

| Meeting | Date | No. of Directors Present |
|------------|-------------------|--------------------------|
| Board | 27.04.2005 | 8 (Eight) |
| Board | 28.07.2005 | 3 (Three) |
| Board | 25.10.2005 | 6 (Six) |
| Board | 21.01.2006 | 4 (Four) |
| AGM | 16.07.2005 | 2 (Two) |

Record of attendance of Directorship and Directorship of Public Limited Companies and Membership/ Chairmanship of Board Committees

| Name of Director | No. of Board Meetings attended | Attendance at the AGM | No. of BoDs of Public Limited Companies (Excluding private company) | No. of Membership of Board Committees | No. of Chairmanship of Board Committee |
|---|--------------------------------|-----------------------|---|---------------------------------------|--|
| Shri Lalit Bhasin | 2 | Absent | 9 (nine) | 5 (five) | - |
| Shri S. K. Jatia | 4 | Absent | 7 (seven) | 1 (one) | - |
| Shri R. K. Jatia | 2 | Absent | 2 (two) | - | - |
| Shri Ramesh Jatia | 3 | Present | 1 (one) | - | - |
| Shri G. R. Divan | 3 | Present | 2 (two) | 1 (one) | 2 (two) |
| Shri V. M. Kalambi (effective from 17.08.2005) | 2 | Absent | 1 | - | - |
| Shri Dinesh Chandra Kothari (effective from 17.05.2006) | - | Absent | 5 (Two) | 2 (two) | - |
| Shri N. K. Ahuja (till 17.05.2006) | 1 | Absent | - | - | - |
| Shri N. C. Mehta (till 28.02.2006) | 2 | Absent | 1 (one) | - | - |
| Shri K. Ramaswamy (from 29.04.2005 to 17.08.2005) | 1 | Absent | - | - | - |



As per revised Clause 49 of Listing Agreement details of following two committees are required to be disclosed :

1. Audit Committee
2. Shareholders'/ Investors' Grievance Committee

Code of Conduct

Pursuant to Clause 49.I.D.(i) of listing agreement, the Board has laid down the Code of Conduct for all the members of the Board and senior management of the Company. The same has been posted on the website of the company. Further, the company has received confirmation from all the Board members and senior management personnel, regarding compliance of the code for the year ended 31 March 2006.

3. 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 : Constituted by the Board of Directors at its meeting held on 28th April, 2001.
- (B) Composition, Names of Members and Chairperson : Consists of 3 independent Directors as under :
1. Shri G. R. Divan - Chairman
 2. Shri Lalit Bhasin (wef. 27.04.2005)
 3. Shri V. M. Kalambi - Nominee of IDBI (wef. 17.08.2005)
Shri N. K. Ahuja (till 25.10.2005)
Shri P. Ojha - Nominee of IDBI (till 27.04.2005)
- (C) Details of Audit Committee meetings held during the year : 25 April 2005
27 July 2005
25 October 2005
21 January 2006
- (D) Name and designation of Compliance Officer : Shri S. R. Vyas Sr. Vice President (Corporate Affairs) and Company Secretary

| Name of Director | No. of Meetings held | No. of Meetings attended |
|--|----------------------|--------------------------|
| (a) Shri G. R. Divan | 4 (Four) | 4 |
| (b) Shri N. K. Ahuja | 4 (Four) | 0 |
| (c) Shri Lalit Bhasin | 4 (Four) | 2 |
| (d) Shri V. M. Kalambi - Nominee of IDBI | 4 (Four) | 1 |
| (e) Shri P. Ojha - Nominee of IDBI | 4 (Four) | 1 |

4. SHARE TRANSFER COMMITTEE AND SHARE HOLDERS/ INVESTORS' GREIVANCE COMMITTEE

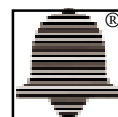
Brief description of terms of Reference

To specially look into the redressal of shareholders'/ investors' complaints like transfer of shares, non-receipt of dividends, non-receipt of Annual Report etc, and improve the efficiency in shareholders'/ investors' service, wherever possible.

- (A) Constitution : Constituted by the Board of Directors at its meeting held on 29th April, 2002.
- (B) Composition, Names of Members and Chairperson : Consists of 3 Directors as under :
1. Shri S. K. Jatia (Chairman)
 2. Shri G. R. Divan (wef. 27.04.2005)
 3. Shri Ramesh Jatia
Shri N. K. Ahuja (till 27.04.2005)
- (C) Name and designation of Compliance Officer : Shri S. R. Vyas Sr. Vice President (Corporate Affairs) and Company Secretary

The record of attendance of Shareholders / Investors' Grievance Committee members during the year.

| Name of Director | No. of Meetings held | No. of Meetings attended |
|--|----------------------|--------------------------|
| (a) Shri S. K. Jatia | 24 (Twenty Four) | 24 |
| (b) Shri G. R. Divan | 24 (Twenty Four) | 23 |
| (c) Shri Ramesh Jatia | 24 (Twenty Four) | 24 |
| (d) Shri N. K. Ahuja (till 27.04.2005) | 24 (Twenty Four) | 0 |



Details of complaints received during the year 2005 - 2006

| 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 | 26 | None |
| Share Certificates lost /mismatched / Request to issue fresh certificates due to Share Certificates lost /mismatched | 32 | None |
| Request for Stop Transfer of shares | - | - |
| Non - receipt of debenture redemption payment | 9 | None |
| Revalidation of Debenture refund orders and its interest / Dividend warrants | 5 | None |
| Repayment of fixed deposit, where original FDR lost | - | - |
| Non - receipt of / Request for Annual Report | 4 | None |
| Non - receipt of Dividend | - | - |
| Request to issue duplicate Share Certificates | - | - |
| Pending demat of shares / demat query | 2 | None |
| Non - receipt of physical shares | - | - |
| Complaint from SEBI | 1 | None |
| Complaint from BSE for non - redemption of Debenture and interest | - | - |
| TOTAL | 79 | - |

There were physical transfers involving shares bought/ sold & transfers in demat form involving shares bought/ sold, pending NIL as on 31.03.2006. The physical shares have been processed and dispatched by 01.04.2006.

5. REMUNERATION COMMITTEE

- A) Remuneration Committee has been constituted by the Board of Directors at its meeting held on 28.06.2002.
 B) Composition, Names of Members and Chairperson :
- Shri N. K. Ahuja (resigned wef. 17.05.2006)
 - Shri G. R. Divan
 - Shri N. C. Mehta (resigned wef 28.02.2006)

Two Remuneration Committee Meetings were held during the year on 27 April 2005 and 25 October 2005 respectively.

Record of attendance of Remuneration Committee Members during the year 2005 - 2006.

| Name of Director | No. of Meetings held | No. of Meetings attended |
|-----------------------------|----------------------|--------------------------|
| Shri N. K. Ahuja - Chairman | 2 | 0 |
| Shri G. R. Divan | 2 | 2 |
| Shri N. C. Mehta | 2 | 2 |

Details of remuneration paid to the Executive Directors for financial year 2005 - 2006

| Name of Director | Designation | Salary [Rs.] | Perks [Rs.] | Commission [Rs.] | Total [Rs.] |
|-------------------|-------------------|--------------|-------------|------------------|-------------|
| Shri Ramesh Jatia | Managing Director | 38.40 lakhs | 13.65 lakhs | — | 52.05 lakhs |

- Commission has not been paid to any of the Directors for financial year 2005 - 2006.
- The Directors other than the Managing Director have been paid sitting fees of Rs. 7500.00 per meeting of Board of Directors and the committee thereof attended by him during the year.
- Shri G. R. Divan, the Director of the Company was paid the professional fees of Rs. 3,00,000/- for the year 2005-06, for the services provided by him as the Chairman of the Audit Committee.
- Shri Lalit Bhasin, the Director of the Company was paid the professional fees of Rs. 2,25,000/-, for the year 2005-06 for the services provided by him as the Legal Advisor of the Company.

6. ANNUAL GENERAL MEETING

Brief information of directors proposed for appointment / reappointment

A Brief information of directors proposed for appointment / reappointment is given in the notice to the Annual General Meeting. The following are the directorship and membership of committee of the Board held by the directors.



| Name of Director | Directorship | Membership in Committees |
|-----------------------------|--|--|
| Shri G. R. Divan | Independent Non - Executive Director | Member of Audit Committee (Chairperson), Share Transfer Committee, Remuneration Committee and Project Committee. |
| Shri S. K. Jatia | Promoter and Non - Executive Director | Member of Share Transfer Committee/ Investors' Grievances Committee |
| Shri Dinesh Chandra Kothari | Casual Director to Shri N. C. Mehta | Not Applicable |

• **Brief particulars of Last THREE Annual General Meetings held :**

| Particulars | F.Y. 2002 - 2003 | F.Y. 2003 - 2004 | F.Y. 2004 - 2005 |
|--------------|---|---|---|
| Day | Saturday | Saturday | Saturday |
| Date | 27.09.2003 (17th AGM) | 19.06.2004 (18th AGM) | 16.07.2005 (19th 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.
 - 2002-03 - 3 (Three)
 - 2003-04 - 2 (Two)
 - 2004-05 - 1 (One)
- Whether the resolutions passed were put through postal ballot ? - **No.**

7. 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 "Whistle Blower Policy" which allows any employee to approach the management concern/ the Audit Committee without necessarily informing their supervisors to report about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. Further, this mechanism also provides for adequate safeguards against victimisation of employees who avail of the mechanism.

8. MEANS OF COMMUNICATION

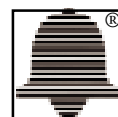
The Company publishes its financial results every quarter in leading newspapers such as Financial Express, Times of India, Indian Express, Loksatta and Jansatta. Therefore, communication on the half-yearly results are not sent individually to the shareholders of the Company. Further, quarterly financial results of the company have also been posted by the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, on their websites, viz, www.bseindia.com, www.nseindia.com respectively.

9. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting Day, Date, Time and Venue : Friday, the 1st September, 2006 at 12.00 noon at the Registered Office of the Company.

Financial Year / Calendar

Bell Ceramics Limited is following April to March as its financial year. The un-audited financial results for the first three quarters and the Audited Financial Results for the year ended March 31, 2006 were taken on record and approved by the Board in its meeting(s) as under:



| Quarter/ Year Ended | Date of Board Meeting |
|--|------------------------------|
| For the first Quarter - June 2005 | 28.07.2005 |
| For the second Quarter - September 2005 | 25.10.2005 |
| For the third Quarter - December 2005 | 21.01.2006 |
| Year ended March 2006 (Audited Accounts) | 17.05.2006 |

ISIN Number in NSDL & CDSL : INE403A01018

Listing on Stock Exchanges :

| Name of Stock Exchange(s) | Stock Code |
|--|-------------------|
| Bombay Stock Exchange Limited (BSE) | 515035 |
| National Stock Exchange of India Limited (NSE) | BELCERAMIC |

Market Price Data during 2005 - 2006

| MONTH | BSE | | NSE | |
|----------------|-------------|------------|-------------|------------|
| | HIGH | LOW | HIGH | LOW |
| April 2005 | 23.75 | 19.55 | 26.80 | 20.00 |
| May 2005 | 27.75 | 20.10 | 27.65 | 20.20 |
| June 2005 | 32.80 | 25.00 | 33.20 | 25.35 |
| July 2005 | 37.40 | 29.70 | 37.30 | 29.80 |
| August 2005 | 40.80 | 31.40 | 40.80 | 31.20 |
| September 2005 | 45.90 | 33.00 | 45.85 | 33.65 |
| October 2005 | 39.50 | 25.70 | 39.40 | 25.85 |
| November 2005 | 31.95 | 25.00 | 31.80 | 27.00 |
| December 2005 | 32.00 | 25.05 | 31.85 | 24.50 |
| January 2006 | 35.95 | 29.25 | 35.75 | 28.60 |
| February 2006 | 33.50 | 26.25 | 32.50 | 27.20 |
| March 2006 | 29.80 | 21.80 | 28.90 | 20.30 |

□ **Distribution of shareholding as on 31st March, 2006.**

| Distribution of share (Slab wise) | No. of shareholders | Percentage to total no. of shareholders | No. of shares held | Percentage to total share capital |
|--|----------------------------|--|---------------------------|--|
| Upto 5000 | 13487 | 83.52 | 2599993 | 12.08 |
| 5001 - 10000 | 1481 | 9.17 | 1279265 | 5.94 |
| 10001 - 20000 | 614 | 3.80 | 986085 | 4.58 |
| 20001 - 30000 | 193 | 1.20 | 515190 | 2.39 |
| 30001 - 40000 | 91 | 0.56 | 331831 | 1.54 |
| 40001 - 50000 | 76 | 0.47 | 365218 | 1.70 |
| 50001 - 100000 | 103 | 0.64 | 760205 | 3.53 |
| 100001 & above | 104 | 0.64 | 14683638 | 68.23 |
| TOTAL | 16149 | 100.00 | 21521425 | 100.00 |

• **Share holding pattern as on 31 March 2006**

| Sr. No. | Category | SHARES HELD | |
|----------------|--|--------------------|-------------------|
| | | Total | Total in % |
| A. | PROMOTER'S HOLDING | | |
| 1. | Promoters | | |
| | > Indian Promoters (Directors and their relatives) | 796438 | 3.701 |
| | > Foreign Promoters | 7622437 | 35.418 |
| 2. | Persons acting in Concert | NIL | NIL |
| | Sub Total : | 8418875 | 39.119 |



| Sr. No. | Category | SHARES HELD | |
|-----------|---|-----------------|----------------|
| | | Total | Total in % |
| B. | NON-PROMOTER'S HOLDING | | |
| 3. | Institutional Investors | | |
| a) | > Mutual Funds | 72025 | 0.335 |
| | > Unit Trust of India | 9400 | 0.044 |
| b) | Banks, FIs, Insurance Companies, (Central/State Govt. Institution & Non-Govt. Institutions) | | |
| | > Banks (Nationalised) | 1350 | 0.006 |
| | > Financial Institutions | NIL | NIL |
| | > IDBI | NIL | NIL |
| | > Insurance Companies | | |
| | Life Insurance Corporation of India | NIL | NIL |
| | National Insurance Company Ltd. | 16870 | 0.078 |
| | The Oriental Insurance Company Ltd. | 16875 | 0.078 |
| | The New India Assurance Company Ltd. | NIL | NIL |
| | United India Insurance Company Ltd. | 1200 | 0.006 |
| | SBI Capital Markets Ltd. | 4300 | 0.020 |
| | Stock Holding Corp. of India Ltd. | 6400 | 0.030 |
| c) | Foreign Institutional Investors | 8650 | 0.040 |
| | Sub Total : | 137070 | 0.637 |
| 4. | Others | | |
| a) | > Private Corporate Bodies | 5484110 | 25.482 |
| b) | > Indian Public | 7240382 | 33.643 |
| c) | > NRIs | 145126 | 0.674 |
| d) | > Clearing members | 95862 | 0.445 |
| | Sub Total : | 12965480 | 60.245 |
| | GRAND TOTAL : | 21521425 | 100.000 |

Share Transfer System

Due to sale of registry business by M/s. MCS Limited, our existing Registrar and Share Transfer Agent (RTA), to M/s. Intime Spectrum Registry Limited (ISRL), the Company has appointed M/s. Intime Spectrum Registry Limited (ISRL) as its RTA. As per SEBI announcement, the Company has offered the facility of dematerialisation of physical shares. The ISRL will handle the transfer of shares in physical as well as demat (electronic) mode and also other related matters. All the shareholders are requested to forward their future communication in respect of transfer of shares or other queries, directly to our new RTA, namely M/s. Intime Spectrum Registry Limited, Vadodara.

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 March 2006, out of 21,521,425 fully paid up equity shares of Rs. 10/- each, listed with the above two Stock Exchanges, 12,672,167 equity shares (58.88% of paid capital) held by 11828 beneficiaries have been demated.

Regular demat requests for dematerialisation from various depositories are received by the Company.

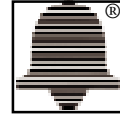
Outstanding GDRs, ADRs, warrants or any Convertible Instruments etc : Nil

Registered Office :

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

Corporate Office :

3rd Floor, 'Panorama', R. C. Dutt Road,
Vadodara - 390 007
Phone : +91-265-2335844, 2331384
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

Registrar and Share Transfer Agent :

M/s. Intime Spectrum Registry Limited
308, First Floor, Jaldhara Complex,
Opp. Manisha Society, Off. Old Padra Road,
Vasna Road, Vadodara - 390 015.

Hoskote Works :

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

Share Department/Investors' Service Centre :

3rd Floor, 'Panorama', R. C. Dutt Road,
Vadodara - 390 007
Phone : +91-265-2335844, 2331384
Fax : +91-265-2336490
E-mail : secretarialbaroda@bellceramic.com

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 March 2006, 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.

Date : 17.05.2006
Place : New Delhi

For R. P. MALHAN & COMPANY
Chartered Accountants
VIKAS VIG
PARTNER
MEMBERSHIP NO. 16920



AUDITORS' REPORT

To the Members of **BELL CERAMICS LIMITED**

We have audited the attached Balance Sheet of BELL CERAMICS LTD, as on 31st March, 2006 and also the Profit and Loss Account and Cash Flow Statement for the year 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 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account ;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account 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) On the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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 to the best of our information and according to the explanations given to us, the said accounts read together with Notes give the information required by the Companies Act, 1956, in the manner so required ;
- (vii) We report that:
Balances of sundry debtors, loans and advances and sundry creditors to the extent not confirmed are subject to reconciliation / adjustment wherever necessary (refer Note 8).
- (viii) Subject to (vii) above, the effect of which could not be quantified, in our opinion and according to the information and explanations given to us, we report that the said accounts 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 31st March, 2006 ;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

- c) in the case of the Cash Flow Statement of the cash flow for the year ended on that date.

For R. P. MALHAN & COMPANY
Chartered Accountants
VIKAS VIG
PARTNER
MEMBERSHIP NO. 16920

Date : 17.05.2006
Place : NEW DELHI

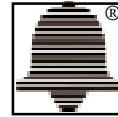
ANNEXURE TO THE AUDITORS' REPORT

1. *In our opinion and as per the information and explanation provided to us the Company is in the process of updating records to show full particulars including quantitative details and situation of its Fixed Assets.*
2. A part of the fixed assets have 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 between the book records and the physical inventory in respect of the assets physically verified.
3. The Company has not disposed off substantial part of the fixed assets during the current year.
4. The inventories except for clay, owing to its nature, have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
5. 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.
6. 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.
7. The following are the particulars of the loans taken by the Company from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

| Name of the party | Relationship with Company | Amount (Rs. in lakhs) when loan was taken | Year end balance (Rs. in lakhs) |
|--------------------------|---|---|---------------------------------|
| Supreme Holdings Ltd. | A Company in which Director is interested | 505.60 | 263.00 |
| Renown Ceratek Pvt. Ltd. | A Company in which Director is interested | 19.00 | 19.64 |

In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for the loan taken are not prima facie prejudicial to the interest of the Company. The Company has made the payment of principal and interest as stipulated and there is no overdue amount of loans taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

As informed to us the Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.



8. 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 nature of its business with regard to the purchase of inventory, 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 the major weaknesses in internal controls.
9. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
10. In our opinion and according to the information and explanations given to us, 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 reasonable having regard to prevailing market prices at the relevant time.
11. 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.
12. Internal Audit has been conducted by an independent firm of Chartered Accountants during the year and it is commensurate with the size of the Company and the nature of its business.
13. The Central Government has not prescribed the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the Company.
14. The Company has generally been regular in depositing undisputed dues including provident fund, investor education protection fund, employees state insurance, income tax sales tax, wealth tax, service tax, custom duty, excise duty, cess and other applicable statutory dues with appropriate authorities *except that certain irregularities have been noticed in the deposit of Sales tax. According to the information and explanations given to us, except fringe benefit tax of Rs. 15,07,232 outstanding for the period of more than six month from the date it became payable, there are no dues 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.*
15. 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:

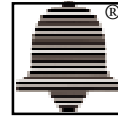
| Nature of Statute | Year to which it relates | Amount unpaid (Rs. in lakhs) | Forum where dispute is pending |
|-----------------------------|--------------------------|------------------------------|--------------------------------|
| Gujarat Sales Tax Act, 1969 | 1997-1998 | 20.66 | Sales Tax Tribunal, Ahmedabad |
| Gujarat Sales Tax Act, 1969 | 1998-1999 | 14.37 | Sales Tax Tribunal, Ahmedabad |
| Gujarat Sales Tax Act, 1969 | 1999-2000 | 7.04 | Sales Tax Tribunal, Ahmedabad |
| Gujarat Sales Tax Act, 1969 | 2000-2001 | 12.29 | Sales Tax Tribunal, Ahmedabad |
| Gujarat Sales Tax Act, 1969 | 2001-2002 | 1.16 | Sales Tax Tribunal, Ahmedabad |
| Gujarat Sales Tax Act, 1969 | 2002-2003 | 59.94 | Sales Tax Tribunal, Ahmedabad |

| Nature of Statute | Year to which it relates | Amount unpaid (Rs. in lakhs) | Forum where dispute is pending |
|-------------------------------|--------------------------|------------------------------|---|
| Karnataka Sales Tax Act, 1957 | 2002-2003 | 2.83 | Commissioner of Commercial Taxes, Bangalore |
| Gujarat Sales Tax Act, 1969 | 2003-2004 | 7.28 | Joint Deputy Commissioner (Appeal) Vadodara |
| | TOTAL | 125.57 | |

16. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
17. As per books and records maintained by the Company and according to the information and explanations given to us, the Company has as on the date of Balance Sheet not defaulted in the repayment of dues to a financial institution, bank or debenture holders.
18. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
19. The Company has maintained proper records of the transactions and contracts of dealings in investments during the year and timely entries have been made therein. All the investments were held in the name of the Company.
20. The Company had given a Corporate Guarantee to the Financial Institutions as a promoter Company for loans given to Bell Granito Ceramica Ltd., in the earlier years which is still subsisting. As the Directors of the Company are no longer the Directors of Bell Granito Ceramica Ltd., the Company had requested the Financial Institutions for the release of the said guarantee, which is under consideration. In view of the unilateral alteration made in the terms of loans granted against which the guarantee was furnished, the Company has been legally advised that the Guarantee has ceased to be valid and the Company has a good case to persuade the judicial authority for release of the corporate guarantee. *Till such release, the terms and conditions of the said guarantee may be deemed to be prejudicial to the interest of the Company to that extent.*
21. In our opinion, the term loans were applied for the purpose for which they were raised.
22. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis including other short term loans from Companies have been used for long term purposes including acquisition of fixed assets and repayment of long term loans to the extent of Rs. 451.50 lakhs.
23. The Company has already created security in respect of debentures issued till the close of the current financial year.
24. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and 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
VIKAS VIG
PARTNER
MEMBERSHIP NO. 16920

Date : 17.05.2006
Place : NEW DELHI



BALANCE SHEET AS AT MARCH 31, 2006

| | Schedule | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|--|----------|---|---|
| SOURCE OF FUNDS | | | |
| Share Capital | 1 | 3652.14 | 3652.14 |
| Reserves & Surplus | 2 | 2452.66 | 2341.22 |
| | | <u>6104.80</u> | <u>5993.36</u> |
| LOAN FUNDS | | | |
| Secured Loans | 3 | 8632.49 | 8477.73 |
| Unsecured loans | 4 | 697.73 | 558.89 |
| | | <u>9330.22</u> | <u>9036.62</u> |
| | | <u>15435.02</u> | <u>15029.98</u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Gross Block | 5 | 23127.18 | 21589.27 |
| Less: Depreciation | | 8814.90 | 7841.91 |
| Net Block | | 14312.28 | 13747.36 |
| Capital Work in Progress | | 56.64 | 272.94 |
| | | <u>14368.92</u> | <u>14020.30</u> |
| INVESTMENTS | 6 | 415.31 | 415.31 |
| DEFERRED TAX ASSET/(LIABILITY) (NET) (Refer Note 9) | | (126.00) | 34.00 |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Inventories | 7 | 4083.95 | 3154.05 |
| Sundry Debtors | | 910.57 | 677.16 |
| Cash and Bank Balances | | 38.02 | 88.31 |
| Loans and Advances | | 731.71 | 1224.95 |
| | | <u>5764.25</u> | <u>5144.47</u> |
| LESS: CURRENT LIABILITIES & PROVISIONS | | | |
| Current Liabilities | 8 | 4795.08 | 4271.59 |
| Provisions | | 242.25 | 317.51 |
| | | <u>5037.33</u> | <u>4589.10</u> |
| NET CURRENT ASSETS | | | |
| MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED) | 9 | 726.92 | 555.37 |
| | | 49.87 | 5.00 |
| | | <u>15435.02</u> | <u>15029.98</u> |
| SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES | 15 | | |

"As per our Report of even date"

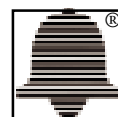
Vikas Vig
Partner
For and on behalf of
R. P. Malhan & Company
Chartered Accountants
Date : 17.05.2006
Place : New Delhi

Ramesh Jatia
Managing Director

Lalit Bhasin
Chairman

S. K. Jatia
Vice Chairman

S. R. Vyas
Sr. Vice President
(Corporate Affairs)
& Company Secretary



PROFIT AND LOSS ACCOUNT BALANCE SHEET AS AT MARCH 31, 2006

| | Schedule | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|---|----------|---|---|
| INCOME | | | |
| Sales | | 17120.08 | 16220.60 |
| Excise duty paid | | (1234.46) | (1108.37) |
| NET SALES | | 15885.62 | 15112.23 |
| Other Income | 10 | 137.35 | 72.04 |
| | | 16022.97 | 15184.27 |
| Inventory Variance | 11 | 866.85 | 438.16 |
| | | 16889.82 | 15622.43 |
| EXPENDITURE | | | |
| Manufacturing & Other Expenses | 12 | 14402.79 | 12421.75 |
| Finance Charges | 13 | 1121.16 | 1171.80 |
| | | 15523.95 | 13593.55 |
| PROFIT BEFORE DEPRECIATION, AMORTISATION, EXTRA ORDINARY ITEMS AND TAX | | 1365.87 | 2028.88 |
| Less: | | | |
| Depreciation | | (1073.08) | (1058.55) |
| Amortisation of Miscellaneous Expenditure | | (25.14) | (9.22) |
| PROFIT BEFORE EXTRA ORDINARY ITEMS AND TAX | | 267.65 | 961.11 |
| Prior Period Adjustments | 14 | 11.15 | 8.43 |
| Extra Ordinary items-Depreciation written back | | 50.95 | (99.21) |
| Provision for taxation - current year | | (30.00) | (73.20) |
| - deferred income tax | | (160.00) | 134.00 |
| - fringe benefit tax | | (28.31) | 0.00 |
| PROFIT AFTER TAX | | 111.44 | 931.13 |
| PROFIT/(LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR | | 0.44 | (2586.56) |
| Securities Premium Account Adjusted as per Order of Hon'ble High Court of Gujrat (Refer Note 27) | | 0.00 | 2019.44 |
| Transfer to Debenture Redemption Reserve | | (100.00) | (200.00) |
| Transfer to General Reserve | | 0.00 | 30.00 |
| Proposed Dividend | | | |
| - Preference shares | | 0.00 | (118.15) |
| - Equity shares | | 0.00 | 0.00 |
| Corporate Dividend tax | | 0.00 | (15.42) |
| PROFIT CARRIED TO BALANCE SHEET | | 11.88 | 0.44 |
| Earnings/ (loss) per share - basic (Refer note 23) | | (0.48) | 3.34 |
| Earnings/ (loss) per share - diluted (Refer note 23) | | (0.48) | 3.34 |
| SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES | 15 | | |

"As per our Report of even date"

ON BEHALF OF THE BOARD OF DIRECTORS

Vikas Vig
Partner
For and on behalf of
R. P. Malhan & Company
Chartered Accountants
Date : 17.05.2006
Place : New Delhi

Ramesh Jatia
Managing Director

Lalit Bhasin
Chairman

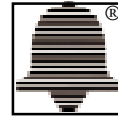
S. K. Jatia
Vice Chairman

S. R. Vyas
Sr. Vice President
(Corporate Affairs)
& Company Secretary



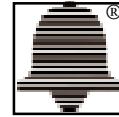
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|--|---|---|
| 1. SHAREHOLDERS' FUNDS | | |
| SHARE CAPITAL | | |
| AUTHORISED | | |
| 25,000,000 Equity Shares of Rs. 10/- each | 2500.00 | 2500.00 |
| 15,000,000 12.5% Redeemable Cumulative Preference Shares of Rs. 10/- each | 1500.00 | 1500.00 |
| | <u>4000.00</u> | <u>4000.00</u> |
| ISSUED, SUBSCRIBED & PAID UP | | |
| 21,521,425 Equity Shares of Rs. 10/- each fully paid up | 2152.14 | 2152.14 |
| 15,000,000 12.5% Redeemable Cumulative Preference Shares of Rs. 10/- each fully paid up (Refer Note 2) | 1500.00 | 1500.00 |
| | <u>3652.14</u> | <u>3652.14</u> |
| 2. RESERVES & SURPLUS | | |
| CAPITAL RESERVE (Refer Note 6) | | |
| Balance Brought Forward | 25.57 | 25.57 |
| | <u>25.57</u> | <u>25.57</u> |
| SECURITIES PREMIUM ACCOUNT | | |
| Balance Brought Forward | 0.00 | 2019.44 |
| Transferred to Profit & Loss Account (Refer Note 27) | 0.00 | 2019.44 |
| | <u>0.00</u> | <u>0.00</u> |
| DEBENTURE REDEMPTION RESERVE | | |
| Balance brought forward | 832.73 | 632.73 |
| Transferred from Profit & Loss Account | 100.00 | 200.00 |
| | <u>932.73</u> | <u>832.73</u> |
| INVESTMENT ALLOWANCE (UTILISED) RESERVE | | |
| Balance Brought Forward | 172.83 | 172.83 |
| | <u>172.83</u> | <u>172.83</u> |
| GENERAL RESERVE | | |
| Balance Brought Forward | 1309.65 | 1279.65 |
| Add: Transferred from Profit & Loss Account | 0.00 | 30.00 |
| | <u>1309.65</u> | <u>1309.65</u> |
| PROFIT AND LOSS ACCOUNT | | |
| | 11.88 | 0.44 |
| | <u>11.88</u> | <u>0.44</u> |
| | <u>2452.66</u> | <u>2341.22</u> |



SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|---|---|---|
| 3. SECURED LOANS | | |
| TERM LOANS | | |
| From Industrial Development Bank of India {Refer Note 3(a)} | | |
| - Rupee Loans | 1587.73 | 1698.38 |
| From Housing Development Finance Corporation Ltd. | 0.00 | 9.89 |
| From Banks {Refer Note 3(b)} | | |
| - Loan from Bank of India | 600.00 | 125.00 |
| - Loan from Punjab National Bank | 391.64 | 517.00 |
| From Others {Refer Note 3(c)} | | |
| - Hire Purchase Loans | 53.48 | 31.61 |
| DEBENTURES | | |
| 4,200 11 % Secured Non Convertible Debentures of Rs. 100,000 each {Refer Note 3(d) & 4(b) } - amount outstanding | 3480.00 | 3710.00 |
| 0% Secured Non Convertible Debentures {Refer Note 3(a) & 4(c)} | 24.81 | 24.81 |
| 500 11% Secured Non Convertible Debentures of Rs. 100,000 each {Refer Note 3(d) & 4(d) } - amount outstanding | 337.83 | 375.00 |
| Supplier's credit (import) {Refer Note 3(e)} | 68.36 | 365.51 |
| SHORT TERM LOANS & ADVANCES FROM BANKS | | |
| - Rupee Loans (net of balance in collection accounts) | 855.51 | 426.63 |
| - Foreign Currency Loan {Refer Note 3(f)} | 1223.49 | 1193.90 |
| Interest accrued and due | 9.64 | 0.00 |
| | 8632.49 | 8477.73 |
| 4. UNSECURED LOANS | | |
| Sales Tax Loan (Interest Free) {Refer Note 3(g)} | 25.73 | 51.46 |
| Other short term loans from companies | 672.00 | 507.43 |
| | 697.73 | 558.89 |



SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

5. FIXED ASSETS

| Particulars | Cost As on 1.4.2005 | Additions | Sales | Cost As on 31.03.2006 | Depreciation | | | Net Block | | |
|---|---------------------|----------------|--------------|-----------------------|----------------|----------------|------------------------|-----------------|------------------|-----------------|
| | | | | | upto 31.3.2005 | For the year | Deduction/ Adjustments | Upto 31.03.2006 | As on 31.03.2006 | As on 31.3.2005 |
| Land | 180.42 | 19.89 | 0.00 | 200.31 | 0.00 | 0.00 | 0.00 | 0.00 | 200.31 | 180.42 |
| Building | 2965.69 | 111.01 | 0.00 | 3076.70 | 728.21 | 93.71 | 10.87 | 811.05 | 2265.65 | 2237.48 |
| Plant & Machinery | 17953.40 | 1385.93 | 21.37 | 19317.96 | 6827.54 | 932.03 | 23.27 | 7736.30 | 11581.66 | 11125.86 |
| Furniture & Equipments | 125.64 | 9.18 | 25.07 | 109.75 | 73.51 | 6.86 | 22.83 | 57.54 | 52.21 | 52.13 |
| Office Equipment | 77.16 | 3.89 | 0.70 | 80.35 | 39.97 | 4.15 | 0.35 | 43.77 | 36.58 | 37.19 |
| Computer | 192.06 | 9.69 | 0.50 | 201.25 | 129.59 | 23.66 | 24.89 | 128.36 | 72.89 | 62.47 |
| Vehicles | 94.90 | 62.03 | 16.07 | 140.86 | 43.09 | 12.67 | 17.88 | 37.88 | 102.98 | 51.81 |
| Total | 21589.27 | 1601.62 | 63.71 | 23127.18 | 7841.91 | 1073.08 | 100.09 | 8814.90 | 14312.28 | 13747.36 |
| Previous Year | 19430.69 | 2481.91 | 323.33 | 21589.27 | 6927.71 | 1058.56 | 144.36 | 7841.91 | | |
| Capital Work-In-Progress(See Notes below) | | | | | | | | | 56.64 | 272.94 |
| | | | | | | | | | 14368.92 | 14020.30 |

Notes:

- Net Block of Building includes 4 flats amounting to Rs. 24.92 lakhs (Previous Year Rs. 25.58) on account of membership in Sunder Nagar Co-operative Housing Society Ltd established under the Co-operative Society Act, 1961.
- Additions to Plant & Machinery during the year is net of exchange loss Rs. 2.43 lakhs (Previous Year Rs. 72.50 lakhs exchange loss) on account of exchange difference, on loans borrowed for purchase of assets and also includes interest capitalised Rs. 42.04 lakhs (Previous Year Rs. 28.20 lakhs)
- Net Block includes assets acquired under Hire Purchase Rs. 97.47 lakhs (Previous Year Rs. 53.66 lakhs)

| | As on 31.03.2006 | As on 31.03.2005 |
|--|---------------------|---------------------|
| | Rs. in lakhs | Rs. in lakhs |
| - Capital work in progress represents : | | |
| Building under Construction | 0.00 | 17.06 |
| Plant & Machinery under erection | 56.64 | 255.88 |
| | <u>56.64</u> | <u>272.94</u> |
| - Land includes the amounts paid to Colonisers pursuant to an agreement entered into by the Company for the acquisition of Land and development of buildings the possession and title of which is yet to be transferred to the Company | 42.46 | 42.46 |

6. INVESTMENTS

Long Term

Trade investments - Unquoted

In other than Subsidiaries

1,925,000 Equity Shares of Rs. 10/- each fully paid up in Bell Granito Ceramica Limited 411.25 411.25

Non Trade Investments - Unquoted

50 Equity shares of Rs. 10/- each in Baroda Peoples Co-operative Bank 0.01 0.01

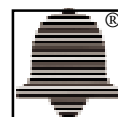
Non Trade Investments - Quoted

9,000 Equity Shares of Rs. 10/- each fully paid up in Bank of India 4.05 4.05

(Market value of quoted investment:

- As on March 31, 2006 Rs. 11.89 lakhs
- Previous Year Rs. 9.13 lakhs)

415.31 415.31



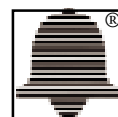
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|--|---|---|
| 7. CURRENT ASSETS, LOANS & ADVANCES | | |
| INVENTORIES | | |
| (As taken, valued and certified by the Management) | | |
| Raw Materials | 673.58 | 660.05 |
| Work in Progress | 215.29 | 92.11 |
| Stores and Spares | 596.96 | 549.53 |
| Finished Goods | 2569.13 | 1825.46 |
| Stock in transit | 28.99 | 26.90 |
| | <u>4083.95</u> | <u>3154.05</u> |
| SUNDRY DEBTORS (UNSECURED) | | |
| Outstanding for over six months | | |
| - Considered Good | 203.52 | 207.06 |
| - Considered Doubtful | 68.47 | 72.93 |
| Others - Considered Good | 707.05 | 470.10 |
| | <u>979.04</u> | <u>750.09</u> |
| Less : Provision for Doubtful Debts | 68.47 | 72.93 |
| | <u>910.57</u> | <u>677.16</u> |
| CASH AND BANK BALANCES | | |
| Cash in hand | 9.31 | 4.29 |
| Balances with scheduled banks | | |
| - In Current Accounts | 5.86 | 12.05 |
| - In Fixed / Margin money deposits* | 22.85 | 71.97 |
| | <u>38.02</u> | <u>88.31</u> |
| * Earmarked as Margin for letters of Credit/Guarantees issued/ foreign currency loans | 22.85 | 71.97 |
| LOANS AND ADVANCES | | |
| (Unsecured & considered good) | | |
| Advances recoverable in cash or | | |
| in kind or for value to be received(Refer Note 10) | 376.92 | 790.24 |
| Security Deposits | 64.87 | 42.69 |
| Advance Income Tax | 188.11 | 180.25 |
| Deposit with Government Departments | 101.48 | 211.44 |
| Interest accrued - on deposit | 0.33 | 0.33 |
| | <u>731.71</u> | <u>1224.95</u> |
| | <u>5764.25</u> | <u>5144.47</u> |



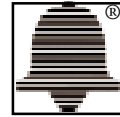
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|---|---|---|
| 8. CURRENT LIABILITIES | | |
| Acceptances | 359.01 | 82.20 |
| Sundry Creditors* | 2792.75 | 2711.64 |
| Advances from customers | 28.87 | 29.01 |
| Security Deposits | 412.60 | 347.12 |
| Other Liabilities ** | 800.82 | 783.79 |
| Interest accrued but not due | 397.66 | 312.28 |
| Unclaimed Debenture / Debenture Interest | 3.37 | 5.55 |
| | 4795.08 | 4271.59 |
| * includes creditors - Small Scale Industries (also Refer Note 26) | 332.43 | 246.22 |
| ** includes due to directors | 7.11 | 4.15 |
| PROVISIONS | | |
| Taxation | 242.25 | 183.94 |
| Proposed Dividend | 0.00 | 118.15 |
| Corporate Dividend tax | 0.00 | 15.42 |
| | 242.25 | 317.51 |
| | 5037.33 | 4589.10 |
| 9. MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted) | | |
| Share Issue Expenses | 3.20 | 5.00 |
| Voluntary Retirement Scheme | 46.67 | 0.00 |
| | 49.87 | 5.00 |
| 10. OTHER INCOME | | |
| Export incentive | 13.49 | 26.07 |
| Interest - Banks (Tax deducted at source Rs. 0.48 lakhs, Previous Year Rs. 0.22 lakhs) | 1.78 | 1.14 |
| Interest - Others | 1.29 | 2.21 |
| Rent received | 2.63 | 2.39 |
| Dividend received | 0.09 | 0.18 |
| Credit balances written back | 1.52 | 4.05 |
| Provision for expenses written back | 5.41 | 2.83 |
| Provision for doubtful debts written back | 3.79 | 0.83 |
| Exchange fluctuation gain(net) | 6.05 | 0.00 |
| Claims | 56.88 | 13.80 |
| Miscellaneous income | 44.42 | 18.54 |
| | 137.35 | 72.04 |
| 11. INVENTORY VARIANCE | | |
| Closing Stock: | | |
| Work in Progress | 215.29 | 92.11 |
| Finished Goods | 2569.13 | 1825.46 |
| | 2784.42 | 1917.57 |
| Less: Opening Stock | | |
| Work in Progress | 92.11 | 88.42 |
| Finished Goods | 1825.46 | 1390.99 |
| | 1917.57 | 1479.41 |
| INCREASE IN INVENTORY | 866.85 | 438.16 |



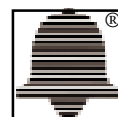
SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|---|---|---|
| 12. MANUFACTURING & OTHER EXPENSES | | |
| Raw Materials Consumed | 5562.94 | 4387.45 |
| Purchase for resale | 0.00 | 488.29 |
| PAYMENT TO AND PROVISION FOR EMPLOYEES | | |
| Salaries & Wages | 799.00 | 742.07 |
| Contribution to Provident & other Funds | 49.13 | 52.61 |
| Workmen & Staff Welfare | 34.54 | 35.71 |
| Gratuity | 11.45 | 5.15 |
| Contractual Obligation | 315.34 | 259.50 |
| Processing charges | 38.87 | 82.38 |
| MANUFACTURING, ADMINISTRATION AND SELLING | | |
| Stores & Spares * | 754.82 | 764.27 |
| Power & Fuel | 3905.94 | 3003.14 |
| Repairs & Maintenance | | |
| - Building | 16.11 | 30.13 |
| - Plant & Machinery | 81.77 | 87.60 |
| - Others | 17.14 | 26.80 |
| Rent | 9.29 | 10.18 |
| Rates & Taxes | 11.16 | 8.69 |
| Insurance | 26.16 | 21.73 |
| Other factory expenses | 151.94 | 135.36 |
| Travelling & Conveyance ** | 176.03 | 198.34 |
| Communication | 59.69 | 62.36 |
| Printing & Stationery | 18.52 | 19.65 |
| Legal & Professional *** | 26.76 | 55.48 |
| Payment to Auditors | | |
| - As Audit Fees | 2.25 | 2.25 |
| - For Company Law Matters | 1.03 | 0.53 |
| - For Quarterly Review | 0.75 | 0.75 |
| Exchange Fluctuation loss (net) | 0.00 | 14.79 |
| Directors' Sitting fee | 6.23 | 5.08 |
| Bad debts / advances written off | 7.81 | 29.80 |
| Advertisement & Sales Promotion | 380.65 | 294.02 |
| Commission | 42.75 | 43.04 |
| Discount (other than trade) | 130.00 | 4.29 |
| Clearing & Forwarding | 1705.24 | 1486.61 |
| Donations | 0.00 | 0.59 |
| Provision for bad / doubtful debts | 0.97 | 19.55 |
| Loss on sale / disposal of fixed assets (net) | 10.07 | 1.21 |
| Miscellaneous | 48.44 | 42.35 |
| | 14402.79 | 12421.75 |
| * includes spares written off | 25.36 | 55.28 |
| ** includes Directors' travelling | 48.17 | 43.87 |
| *** includes payment made to two directors for services rendered in professional capacity | 5.25 | 5.88 |



SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

| | As at 31 March, 2006 (Rs. in lakhs) | As at 31 March, 2005 (Rs. in lakhs) |
|-------------------------------------|---|---|
| 13. FINANCE CHARGES | | |
| Interest | | |
| - On Fixed Loans | 714.21 | 839.18 |
| - Others | 319.21 | 254.44 |
| Bank Charges | 46.17 | 51.22 |
| Other Finance charges | 41.57 | 26.96 |
| | <u>1121.16</u> | <u>1171.80</u> |
| 14. PRIOR PERIOD ADJUSTMENTS | | |
| Depreciation written back | 0.00 | (3.85) |
| Rates and Taxes | (11.15) | (4.58) |
| | <u>(11.15)</u> | <u>(8.43)</u> |



15. SIGNIFICANT ACCOUNTING POLICIES, CONTINGENT LIABILITIES AND NOTES

A. SIGNIFICANT ACCOUNTING POLICIES

(i) Method of Accounting

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.

(ii) Revenue Recognition

Sales are inclusive of excise duty but net of sales returns and trade discounts. Claims are accounted for on ascertainment and acknowledgement of the claims by the appropriate authorities subject to Note 10 below.

(iii) Fixed Assets

Fixed assets are valued at cost of acquisition inclusive of inward freight, duties and taxes and direct expenses related to acquisition. All costs specifically related to acquisition and installation of fixed assets including exchange difference on foreign currency loans specifically for acquisition of fixed assets are capitalised under the respective fixed assets. Asset costing Rs. 5000 or less per unit has been fully depreciated during the year of purchase.

Indirect construction costs representing incidental expenses including interest paid on term loan and inter corporate loans during construction period have been capitalised to Plant & Machinery and Building in the proportion of respective costs.

Capital expenditure including advances for assets under erection / installation are being grouped under Capital Work In Progress.

Depreciation is charged on straight line basis at the rates specified in Schedule XIV of the Companies Act, 1956 pro rata from the date of acquisition except certain plant sub assemblies having limited life span of 3 years which have been written off over such life span.

(iv) Investments

Investments are long term and are shown at cost. Dividends are accounted for as and when declared on such investments. Appropriate provision is created for permanent diminution in value of long term investments.

(v) Inventories

Raw materials, stores and spares are valued at cost based on weighted average.

Work in progress is valued at cost representing materials, labour and overheads, wherever allocated.

Finished stocks are valued at cost (including excise duty) or net realisable value whichever is lower. Cost

represents material, labour, apportioned overheads related to production and freight & insurance in cost of finished stock of depot.

Stock of scrap is taken at nil value. However, scrap sold is accounted for on realisation.

Material in transit is valued at cost including the charges incurred up to the stage at which the goods are in transit.

(vi) Miscellaneous Expenditure

Share / Debenture issue expenses including fee for increase in authorised capital are written off, over a period of five years.

Expenditure incurred on Voluntary Retirement benefit has been amortised over a period of 3 years.

(vii) Retirement benefits

Liability in respect of gratuity is paid into a trust in accordance with policy with the Life Insurance Corporation of India. Liability in respect of leave encashment accumulated at the year end has been estimated by the Management and provided for.

(viii) Foreign Currency Conversion

Transaction in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Exchange difference arising on settlement of transaction and translation of monetary items are recognised as income or expense in the year in which they arise. Foreign currency monetary assets & liabilities are translated at the year end exchange rates except liabilities covered by foreign exchange contracts which are converted at the contracted forward rates. Premium or discount in respect of forward exchange contracts are recognised over the life of the contract.

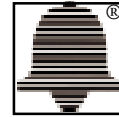
(ix) Taxes and Duties

Provision for taxes & duties is made after considering Company's claims under relevant provisions of law. Taxes and Duties payable / recoverable based on assessment are accounted in the year of receipt of assessment orders.

Accounting for VAT Recoverable is based on relevant Laws applicable.

(x) Income Tax

Income tax expense comprise current tax (i.e. the amount of tax for the year determined in accordance with the income tax laws) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are



recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax is recognised using liabilities method only to the extent that there is reasonable certainty that the asset can be realised in the future ; however, where there is unabsorbed depreciation or carry forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is virtually certain to be realised.

(xi) Contingent Liabilities & Provisions:

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

- (a) 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;
- (b) 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.

| | As at 31 March, 2006 (Rs in lakhs) | As at 31 March, 2005 (Rs in lakhs) |
|---|---|---|
| B. CONTINGENT LIABILITIES AND NOTES | | |
| 1. Contingent Liabilities | | |
| 1(a) Estimated amount of contracts remaining to be executed on capital account | 271.00 | 419.65 |
| 1(b) Letters of credit opened in favour of overseas suppliers | 154.53 | 505.18 |
| 1(c) Outstanding Bank guarantees | 0.72 | 1.29 |
| 1(d) DEPB licence against the export bills provisionally assessed | 4.17 | 11.83 |
| 1(e) Exchange loss on forward contracts for future years carried forward not provided for financial years since 1998-99 | 12.04 | 2.32 |
| 1(f) Arrears of fixed cumulative preference dividend for financial years since 1998-99 | 1204.42 | 1016.92 |
| 1(g) Income Tax demands under appeal, not provided for | 56.65 | 56.65 |
| 1(h) Sales tax demands under appeal, not provided for | 125.57 | 129.83 |

2. 12.5% Redeemable Cumulative Preference Shares of Rs. 10/- each aggregating Rs. 1500 lakhs on private placement basis were allotted to non resident promoters as under:

| Date of allotment | Amount Rs. in lakhs |
|-------------------|------------------------|
| 04.02.1999 | 500.00 |
| 15.02.1999 | 500.00 |
| 16.03.1999 | 200.00 |
| 23.04.1999 | 100.00 |
| 28.07.1999 | 200.00 |

The said Preference Shares are redeemable in three annual installments of Rs. 4/-; Rs. 3/- and Rs. 3/- per share at the end of 8th, 9th and 10th year from the date of allotment.

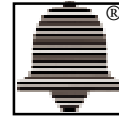
3. Loans

3(a) Loans from Industrial Development Bank of India and zero percent interest non convertible debentures are 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 / to be created in favour of Company’s bankers for working capital requirements. Further secured by a letter of comfort given to IDBI by one of the Directors in respect of rupee loan.

3(b) Loans from Bank of India and Punjab National Bank are secured by hypothecation of all the present & future Plant & Machinery, stock, book debts, receivables, etc. and first parri passu mortgage and charge on the block assets of the company further secured by Personal Guarantee of the Managing Director of the Company.

3(c) Hire purchase loans are secured by hypothecation of the assets acquired out of the loans.

3(d) 11% Secured Non Convertible Debentures are secured by a legal mortgage / hypothecation charge in favour of Industrial Development Bank of India (IDBI), the Trustees, on all Company’s movable properties present and future save and except book debts and mortgages of all immovable properties of the Company ranking pari passu with the existing



charges and are subject to prior charges created / to be created on stocks and book debts of the Company in favour of the bankers for working capital requirements. Further secured by a letter of comfort given to IDBI by one of the Directors of the Company.

- 3(e)** Suppliers credit is secured by a guarantee from Bank of Bahrain and Kuwait which is secured by hypothecation of all assets including stocks of raw materials, finished goods, stock in process, stores and spares, book debts, receivables and first mortgage and charge on all fixed assets present and future ranking pari passu with existing charge holders. Also personally guaranteed by the Managing Director of the Company.
- 3(f)** Short term loans from banks are secured against hypothecation of movable assets, including stocks of raw materials, finished goods, stock in process, stores and spares, book debts, receivables etc., and mortgage by way of a second charge created / to be created on immovable properties.
- 3(g)** Sales tax loan is repayable after a period of 12 years from the date of commencement of commercial operations in 6 yearly instalments, starting from 26.07.2001 pursuant to the scheme for setting up industrial units in the State of Gujarat.

4. Debentures

- 4(a)** Debenture Redemption Reserve is to be utilised towards redemption of outstanding debentures.
- 4(b)** As per the restructuring proposal approved 11.00% Secured Non Convertible Debentures of Rupees one lakh each aggregating to Rs 4200 lakhs (amount outstanding Rs.3480 lakhs) issued to Industrial Development Bank of India are to be redeemed as under:

| Year of redemption | Amount Rs. in lakhs |
|--------------------|------------------------|
| 2007 - 2008 | 696.00 |
| 2008 - 2009 | 696.00 |
| 2009 - 2010 | 696.00 |
| 2010 - 2011 | 696.00 |
| 2011 - 2012 | 696.00 |

- 4(c)** 0% Secured Non Convertible Debentures aggregating to Rs. 24.81 lakhs issued to Industrial Development Bank of India are redeemable on 01.04.2007.
- 4(d)** As per the restructuring proposal approved 11% Secured Non Convertible Debentures of Rupees one lakh each aggregating to Rs. 500 lakhs (amount outstanding Rs. 337.83 lakhs) issued to Industrial Development Bank of India are redeemable as under:

| Year of redemption | Amount Rs. in lakhs |
|--------------------|------------------------|
| 2007 - 2008 | 67.57 |
| 2008 - 2009 | 67.57 |
| 2009 - 2010 | 67.57 |
| 2010 - 2011 | 67.57 |
| 2011 - 2012 | 67.55 |

- 5.** Acceptances given to suppliers amounting to Rs. 146.30 lakhs represent the bills discounted by the suppliers with the Small Industries Development Bank of India under the bill discounting facilities collaterally secured by a second charge on movable assets / book debts both present and future.

Acceptances given to suppliers amounting Rs. 167.71 lakhs represent the bills discounted by the suppliers with the IDBI Bank under the bill discounting facilities and are personally guaranteed by the Managing Director of the Company.

6. 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)

- 7.** Certain debtors amounting to Rs. 138.37 lakhs (Previous Year Rs. 145.91 lakhs) against which legal suits have been filed for recovery and certain other old outstanding non moving debts amounting to Rs. 1.76 lakhs (Previous Year Rs. 0.68 lakhs) are considered to be fully recoverable in the opinion of the management for which no provision has been made.
- 8.** Balances of sundry debtors, loans and advances and sundry creditors to the extent unconfirmed as on 31.03.2006 are subject to reconciliation and settlement wherever necessary.
- 9.** The Company has during the year created deferred tax liability of Rs. 160 lakhs (Previous Year Rs. 134.00 lakhs deferred tax assets) resulting in net deferred tax liability of Rs.126 lakhs as at balance sheet date in respect of temporary differences / brought forward losses as per the details hereunder:



| | 31 March, 2006 (Rs. in lakhs) | 31 March, 2005 (Rs. in lakhs) |
|--|----------------------------------|----------------------------------|
| a) Deferred Tax Assets on account of temporary differences : | | |
| (i) Provision for doubtful debts | 23.05 | 23.99 |
| (ii) Provision for leave encashment | 19.92 | 16.63 |
| b) Deferred Tax Liability on account of temporary differences: | | |
| (i) Depreciation on fixed assets | (1877.69) | (1836.13) |
| (ii) Deferred Revenue Expenditure | (16.78) (1894.47) | 0.00 (1836.13) |
| c) Deferred tax assets on account of brought forward : | | |
| (i) Unabsorbed Depreciation | 1229.77 | 1182.40 |
| (ii) Carried Forward Losses | 495.73 1725.50 | 647.11 1829.51 |
| DEFERRED TAX ASSET / (LIABILITY) NET | (126.00) | 34.00 |

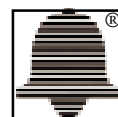
The Company has created deferred tax assets on the Unabsorbed Depreciation and Carried Forward Losses as calculated under the provisions of the Income Tax Act, 1961. As confirmed by the Board and Audit Committee and based on the current performance of the Company, the Management is virtually certain 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.

10. Advances include claims recoverable amounting to Rs. 26.56 lakhs (Previous Year Rs. 26.56 lakhs) on account of old insurance claims, which are considered to be fully recoverable by the Management.
 11. Provision for tax is based on the Minimum Alternate Tax payable on book profits as per the provisions of section 115JB of the Income Tax Act, 1961.
 12. Aggregate Directors' remuneration Rs. 52.05 lakhs (Previous Year Rs. 50.94 lakhs) includes Company's contribution to Provident Fund and other funds Rs. 7.63 lakhs (Previous Year Rs. 7.63 lakhs).
 13. During the year, show cause notices have been received from Excise department amounting to Rs. 163.82 lakhs as regards cenvat on inputs which in the opinion of legal experts and management are frivolous and liable to be quashed.
- 14(a) Details of Raw Materials Consumed :

| | Units | Current Year (Quantities) | Previous Year (Quantities) | Current Year (Rs. in lakhs) | Previous Year (Rs. in lakhs) |
|---------------------------|-------|---------------------------------|----------------------------------|-----------------------------------|------------------------------------|
| Body Materials | MT | 196076.00 | 173210.06 | 1777.42 | 1477.79 |
| Glazes, Frits & Chemicals | MT | 9563.40 | 8781.18 | 2805.56 | 2006.18 |
| Packing Materials | Nos | 9127632 | 8244668 | 727.31 | 664.19 |
| Others | | | | 252.65 | 239.29 |
| | | | | 5562.94 | 4387.45 |

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

| | Current Year (Percentage) | Previous Year (Percentage) | Current Year (Rs. in lakhs) | Previous Year (Rs. in lakhs) |
|-----------------|---------------------------------|----------------------------------|-----------------------------------|------------------------------------|
| Raw Materials | | | | |
| Imported | 4 | 3 | 201.56 | 131.50 |
| Indigenous | 96 | 97 | 5361.38 | 4255.95 |
| | 100 | 100 | 5562.94 | 4387.45 |
| Stores & Spares | | | | |
| Imported | 43 | 61 | 328.21 | 435.42 |
| Indigenous | 57 | 39 | 426.61 | 328.85 |
| | 100 | 100 | 754.82 | 764.27 |

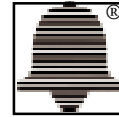


15. Particulars of Sales and Stocks

| | Units | Current Year (Quantities) | Previous Year (Quantities) | Current Year (Rs. in lakhs) | Previous Year (Rs. in lakhs) |
|----------------------------------|-------|------------------------------|-------------------------------|--------------------------------|---------------------------------|
| Goods Manufactured: | | | | | |
| (I) Ceramic Floor & Wall Tiles | | | | | |
| Opening Stock | SQ.MT | 1389230 | 1180872 | 1716.36 | 1369.86 |
| Sales | SQ.MT | 10437566 | 9887194 | 17062.34 | 15885.99 |
| Closing Stock | SQ.MT | 1930486 | 1389230 | 2569.13 | 1716.36 |
| Good Traded: | | | | | |
| (iii) Ceramic Floor & Wall Tiles | | | | | |
| Opening Stock | SQ.MT | 46153 | 9463.00 | 109.10 | 21.12 |
| Purchase | SQ.MT | 0 | 171973 | 0.00 | 488.28 |
| Sales | SQ.MT | 46153 | 135283 | 57.74 | 334.61 |
| Closing Stock | SQ.MT | 0 | 46153 | 0.00 | 109.10 |

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

| | Units | Current Year | Previous Year |
|---|--------|------------------------------|-------------------------------|
| 16. Details of Registered, installed capacities and production Ceramic Floor & Wall Tiles | | | |
| Registered Capacity | SQ.MTS | 14450000 | 14450000 |
| Installed Capacity | SQ.MTS | 13666219 | 13227500 |
| Production - Tiles | SQ.MTS | 10978842 | 10095552 |
| - 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 | | | |
| | | Current Year Rs. in lakhs | Previous Year Rs. in lakhs |
| 17. CIF Value of Imports | | | |
| Capital goods | | 531.83 | 1,633.39 |
| Raw Materials | | 146.19 | 104.50 |
| Spares | | 301.59 | 148.72 |
| Trading goods - tiles | | 0.00 | 199.58 |
| 18. Export earnings in Foreign Currency | | | |
| FOB Value of Exports | | 181.83 | 300.82 |
| FOB Value of Capital goods | | 0.00 | 9.42 |
| Freight and Insurance recovered | | 41.78 | 62.88 |
| 19. Expenditure in Foreign Currency (on payment basis) | | | |
| Commission on Export Sales | | 7.15 | 7.88 |
| Travel | | 40.11 | 26.15 |
| Others | | 1.64 | 1.94 |
| 20. Details of Dividend Paid (Net of Tax) | | | |
| Paid to Non Resident Shareholder holding shares on repatriation basis | | | |
| Year when dividend paid | | | 2004-05 |
| Number of non-resident shareholder | | | 1 |
| Number of Preference shares held by the shareholder | | | 15,000,000 |
| Rupee equivalent of amount paid in foreign currency (in lacs) | | | 118.15 |



21. 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 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" issued by the Institute of Chartered Accountants of India.

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

| | Minimum lease instalment | Minimum lease instalment | Present value of minimum lease payments | Present value of minimum lease payments |
|--|---------------------------------|--------------------------|--|---|
| | (Rs. in lakhs) | (Rs. in lakhs) | (Rs. in lakhs) | (Rs. in lakhs) |
| | Current Year | Previous Year | Current Year | Previous Year |
| a) Hire Purchase Assets : | | | | |
| (i) Payable not later than one year | 25.41 | 20.32 | 22.66 | 18.36 |
| (ii) Later than one year and not later than five years | 31.77 | 13.67 | 28.84 | 13.24 |
| (iii) Beyond five years | Nil | Nil | Nil | Nil |

23. Computation of Earnings /(Loss) Per Share

| | | Current Year | Previous Year |
|--|------|-----------------------|----------------|
| | | (Rs. in lakhs) | (Rs. in lakhs) |
| Profit After tax | | 111.44 | 931.13 |
| Less: Preference dividends (including dividend tax) | | (213.80) | (211.98) |
| Profit / (Loss) after tax and preference dividend (including dividend tax) | | (102.36) | 719.15 |
| Weighted average number of equity shares outstanding during the year | Nos. | 21521425 | 21521425 |
| Nominal value per share | Rs. | 10 | 10 |
| Earnings/ (Loss) per share | | | |
| - basic | Rs. | (0.48) | 3.34 |
| - diluted | Rs. | (0.48) | 3.34 |

24. Related party disclosures:

(A) (i) Names of Related Parties where control exists:

Non Resident Promoters
Tayang Enterprises Pte Ltd, Singapore
JBS Enterprises Pte Ltd, Singapore

(ii) Key Management Personnel

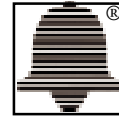
Mr Ramesh Jatia - Managing Director who is a relative of some of the Directors.

(iii) Associate Parties which significantly influence/ are influenced by the Company (either individually or with others) with whom the Company had transactions during the year:

Asian Hotels Ltd
Supreme Holdings Ltd
Renown Ceratek Pvt. Ltd.

(B) Transactions with related parties during the year

| Particulars | Associates Current Year | Associates Previous Year | Key Management Personnel Current Year | Key Management Personnel Previous Year |
|--------------------------------|--------------------------------|--------------------------|--|--|
| | (Rs. in lakhs) | (Rs. in lakhs) | (Rs. in lakhs) | (Rs. in lakhs) |
| EXPENSES | | | | |
| Travel/Entertainment | 0.63 | 3.1 | | |
| Director remuneration | | | 52.05 | 50.94 |
| Interest - others (ICD) | 37.76 | 52.18 | | |
| Inter corporate Loans received | 19.00 | 0.00 | | |



| Particulars | Associates Current Year (Rs. in lakhs) | Associates Previous Year (Rs. in lakhs) | Key Management Personnel Current Year (Rs. in lakhs) | Key Management Personnel Previous Year (Rs. in lakhs) |
|----------------------------------|---|--|--|---|
| Amount outstanding | | | | |
| - Other liabilities | 0.00 | 0.00 | 7.11 | 4.15 |
| - inter corporate loans payable | 282.00 | 263.00 | | |
| - inter corporate loans interest | 0.64 | 10.35 | | |

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

| Particulars | Current Year Rs. in lakhs | Previous Year Rs. in lakhs |
|---------------------------------------|------------------------------|-------------------------------|
| Travel / Entertainment | | |
| Asian Hotels Ltd. | 0.63 | 3.10 |
| Interest on ICD | | |
| Renown Ceratek Pvt. Ltd. | 0.64 | — |
| Supreme Holdings Ltd. | 37.12 | 52.18 |
| Director Remuneration | | |
| Mr. Ramesh Jatia | 52.05 | 50.94 |
| Inter Corporate loans received | | |
| Renown Ceratek Pvt. Ltd. | 19.00 | — |
| Amount Outstanding | | |
| Interest | | |
| Renown Ceratek Pvt. Ltd. | 0.64 | — |
| Supreme Holdings Ltd. | — | 10.35 |
| Inter Corporate loans | | |
| Renown Ceratek Pvt. Ltd. | 19.00 | — |
| Supreme Holdings Ltd. | 263.00 | 263.00 |
| Other liabilities | | |
| Mr. Ramesh Jatia - Remuneration | 4.11 | 4.15 |

25. 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 issued by the Institute of Chartered Accountants of India. For calculation of value-in-use, discount rate of 8% per annum is used being the average market rate of interest in the opinion of the Management.
26. Names of Small Scale Industries as defined under Clause (7) of Section 3 of Industries (Development & Regulation) Act, 1951 whom the Company owes amounts outstanding over 30 days as per the information available with the Company and as certified by the Management are as follows: Aggarwal Minerals, Ashis Grinding Industries, Atmiya Glass, Excel Colours, Fine Ceracote Surfaces Pvt Ltd, Hitkari Packaging Pvt Ltd, Krishna Ceramic Industries, Neeraj Enterprises, Pandy Oxides & Chemicals, Prime Ceramics Pvt Ltd, Palsur Ceramic, Rishab Minerals, Ruby Ceramics Pvt Ltd, Sukaso Ceracolors Pvt Ltd, Siddarth Minerals, Svm Ceratea Build Pvt. Ltd., Well Pack Papersand Containers Pvt Ltd
27. The balance standing in Securities Premium Account in the books of account as at 31st March, 2003 had been adjusted during the previous year against loss in the Profit & Loss Account to the extent of Rs. 2019.44 lakhs as per the approval received from the Hon'ble High Court of Gujarat dated 12.03.2004. The Company had filed the copy of the order with the Registrar of Companies on 20.04.2004, which had been duly registered.
28. Previous Year figures have been regrouped wherever necessary to make them comparable with those of the current year.

Signatures to the Schedules 1 to 15.

"As per our Report of even date"

Vikas Vig
Partner
For and on behalf of
R. P. Malhan & Company
Chartered Accountants
Date : 17.05.2006
Place : New Delhi

Ramesh Jatia
Managing Director

ON BEHALF OF THE BOARD OF DIRECTORS

Lalit Bhasin
Chairman

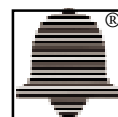
S. K. Jatia
Vice Chairman

S. R. Vyas
Sr. Vice President
(Corporate Affairs)
& Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

| | Current Year (Rs. in Lakhs) | Previous Year (Rs. in Lakhs) |
|--|--------------------------------|---------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net (loss)/profit before tax but after exceptional/extraordinary items | 329.75 | 870.33 |
| Adjustments for: | | |
| Depreciation | 1073.08 | 1058.55 |
| Depreciation written back | (50.95) | - |
| Interest Expense | 1121.16 | 1171.80 |
| Interest Income | (1.29) | (2.21) |
| Income from Investment - Dividends | (0.09) | (0.18) |
| (Profit)/Loss on Fixed Assets sold | 10.07 | 100.42 |
| Deferred revenue expenditure written off | 25.14 | 9.22 |
| Debts / Advances Written off | 7.81 | 29.80 |
| Provision for Bad & Doubtful Debts/advances | (4.46) | 18.72 |
| Liability no longer required written back | (6.93) | (6.88) |
| Provision for Gratuity & Leave Encashment | 9.71 | 11.36 |
| Prior Period Expenses/(Income) (Net)-excluding depreciation written back | (11.15) | (8.43) |
| Exceptional/ Extraordinary items Expenses/(Income) | (50.95) | 99.21 |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 2450.90 | 3351.71 |
| Adjustments for changes in working capital : | | |
| - (INCREASE)/DECREASE in Sundry Debtors | (236.76) | (96.05) |
| - (INCREASE)/DECREASE in Other Receivables | 500.92 | (454.34) |
| - (INCREASE)/DECREASE in Inventories | (929.90) | (643.05) |
| - INCREASE/(DECREASE) in Trade and Other Payables | 514.94 | 1323.33 |
| CASH GENERATED FROM OPERATIONS | 2300.10 | 3481.60 |
| - Taxes (Paid) / Received (Net of withholding taxes - TDS) | (7.86) | (58.33) |
| - Prior Period (Expenses)/Income (Net) | 11.15 | 8.43 |
| - Extraordinary /exceptional Item (Expense)/ Income | 50.95 | (99.21) |
| NET CASH FROM OPERATING ACTIVITIES | 2354.34 | 3332.49 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | | |
| Additions during the period | (1681.23) | (2330.19) |
| Capital Work in Progress | | |
| Additions during the period | 216.30 | (216.82) |
| Proceeds from Sale of fixed assets | 4.50 | 78.55 |
| Interest Received (Revenue) | 1.47 | 1.77 |
| Dividend Received | 0.09 | 0.18 |
| Any other item - Deferred Revenue Expenditure capitalised | (70.01) | - |
| NET CASH USED IN INVESTING ACTIVITIES | (1528.88) | (2466.51) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from long term borrowings | | |
| RECEIPTS | 534.02 | 647.50 |
| PAYMENTS | (863.46) | (507.15) |
| Proceeds from short term borrowings | | |
| RECEIPTS | 164.57 | 51.83 |



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2006

| | Current Year (Rs. in Lakhs) | Previous Year (Rs. in Lakhs) |
|---|--------------------------------|---------------------------------|
| Interest Paid | (1035.78) | (1238.53) |
| Dividend Paid | (118.15) | — |
| Dividend Tax Paid | (15.42) | — |
| NET CASH USED IN FINANCING ACTIVITIES | (1334.22) | (1046.35) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (508.76) | (180.37) |
| Cash and Cash Equivalents as at 31.03.2005 | (1532.22) | (1351.85) |
| Cash and Cash Equivalents as at 31.03.2006 | (2040.98) | (1532.22) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | (508.76) | (180.37) |

Note

1. The above Cash Flow Statement has been prepared under the "Indirect Method as set out in the Accounting Standard-3 on Cash Flow Statement by the Institute of Chartered Accountants of India.
2. Cash and Cash equivalent at the end of the period consist of cash in hand and balances with banks and are net of short term loans and advances from banks as follows:

| | As at 31.03.2006 Rs. in Lakhs | As at 31.03.2005 Rs. in Lakhs |
|---|-------------------------------------|-------------------------------------|
| Cash and Cash Equivalents comprise | | |
| Cash, Cheques & Drafts (in hand) and Remittances in transit | 9.31 | 4.29 |
| Short term loans and advances from Banks | (2079.00) | (1620.53) |
| Balance with Scheduled Banks | 28.71 | 84.02 |
| | (2040.98) | (1532.22) |

Auditors' Certificate

"This is the cash flow statement referred in our report of even date"

Vikas Vig

Partner

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

Date : 17.05.2006

Place : New Delhi

ON BEHALF OF THE BOARD OF DIRECTORS

Ramesh Jatia

Managing Director

Date : 17.05.2006

Place : New Delhi

Lalit Bhasin

Chairman

S. K. Jatia

Vice Chairman

S. R. Vyas

Sr. Vice President

(Corporate Affairs)

& Company Secretary



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 08196 Balance Sheet date 31st March 2006 State Code 04

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

| | | | |
|--------------|--------------|-------------|-------------------|
| Public Issue | Rights Issue | Bonus Issue | Private Placement |
| Nil | Nil | Nil | Nil |

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

| | |
|-------------------|--------------|
| Total Liabilities | Total Assets |
| 1543502 | 1543502 |

Sources of Funds

| | | | |
|-----------------|--------------------|---------------|-----------------|
| Paid Up Capital | Reserves & Surplus | Secured Loans | Unsecured Loans |
| 365214 | 245266 | 863249 | 69773 |

Application of Funds

| | | | | |
|------------------|-------------|--------------------|--|--------------------|
| Net Fixed Assets | Investments | Net Current Assets | Misc. Expenditure (including deferred tax asset / liability net) | Accumulates Losses |
| 1436892 | 41531 | 72692 | (7613) | Nil |

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

| | | |
|----------------------------|---------------------------|---------------------------|
| Turnover | Total Expenditure | Earnings per share in Rs. |
| 1602297 | 1569322 | (0.48) |
| +/- Profit/Loss Before Tax | +/- Profit/Loss After Tax | Dividend Rate % |
| 32975 | 11144 | NIL |

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

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

Ramesh Jatia
Managing Director

ON BEHALF OF THE BOARD OF DIRECTORS
Lalit Bhasin
Chairman

S. K. Jatia
Vice Chairman

S. R. Vyas
Sr. Vice President
(Corporate Affairs)
& Company Secretary

Date : 17.05.2006
Place : New Delhi

BELL CERAMICS LIMITED

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

ATTENDANCE SLIP FOR TWENTIETH 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.

MASTER FOLIO NO. NO. OF SHARE HELD

I hereby record my presence at the Twentieth Annual General Meeting of the Company held on Friday, the 1st September, 2006 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.....

TEAR HERE

PROXY

BELL CERAMICS LIMITED

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

MASTER FOLIO NO. NO. OF SHARE HELD

I/We.....
of.....being member(s) of BELL
CERAMICS LIMITED here by appoint..... of

.....failing him..... of

as my / our proxy to vote for me / us on my / our behalf at the TWENTIETH ANNUAL GENERAL MEETING
OF THE Company to be held on Friday, the 1st September, 2006 and at any adjournment thereof.

Signed.....day of.....2006.

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.

THE PROXY NEED NOT BE A MEMBER OF THE COMPANY

