

**BOARD OF DIRECTORS**

**Dr. R N SHETTY**  
Chairman

**Shri K. SUNDAR NAIK**

**Dr. S.S. HIREMATH**

**Shri ANNAPPAYYA K**

**Shri SANKAPPA K SHETTY**

**Shri SUNIL R SHETTY**

**Shri SATISH R SHETTY**  
Managing Director & C.E.O.

**Shri NAVEEN R SHETTY**  
Joint Managing Director

Company Secretary & Compliance Officer

**Shri LAKSHMISHA BABU S**

Vice President (Finance) & C.F.O.

**Shri N M HEGDE**

**Auditors**

**M/s. M A NARASIMHAN & CO.**  
Chartered Accountants  
Bangalore

**Bankers**

CANARA BANK

STATE BANK OF INDIA

BANK OF BARODA

THE LAKSHMI VILAS BANK LTD

AXIS BANK LTD

ORIENTAL BANK OF COMMERCE

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**Registered Office**

Murudeshwar Bhavan  
Gokul Road  
HUBLI - 580 030  
Ph : 0836-2331615-18  
Fax : 0836-2330436/4252583

**Plant**

Krishnapur Village  
HUBLI - 580 024  
Ph : 0836-2206741  
Fax : 0836-2206773

Kallabalu Village & Post  
Via Bannerghatta  
Jigani Industrial Area II Phase  
Bangalore - 560 083  
Ph : 080-27826946  
Fax : 080-27826956

143, Ilayancudy Road  
Devamapuram Village  
Thirunallur Commune  
KARAIKAL - 609 607  
Pondicherry (U.T.)  
Ph : 04368-236899 / 236599  
Fax : 04368-236805

## NOTICE

To ,

**The Members  
Murudeshwar Ceramics Limited**

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the Members of the Company will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli 580 029 on Saturday 22nd day of September, 2012 at 4.00 p.m. to transact the following business:

### ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet of the Company as at 31st day of March, 2012 and the Profit and Loss Account for the year ended on the said date together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Sunil R Shetty, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri K Sundar Naik, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS

5. **To consider and if thought fit to pass with or without modification/s the following resolution as an Ordinary Resolution :**

RESOLVED that Shri Sankappa Keremane Shetty whose term of office as an Additional Director is valid upto the date of the Annual General Meeting and in respect of whom Company has received a Notice under Secn.257 of The Companies Act, 1956 proposing the candidature of Shri Sankappa Keremane Shetty to the office of Director, be and is hereby appointed as a Director on the Board of Directors of the Company with immediate effect.

6. **To consider and if thought fit to pass with or without modification/s the following resolution as an Ordinary Resolution :**

### RESOLVED THAT :

- (1) pursuant to provisions of Section 198, 269, 309, 310, 311 and other applicable provisions of The Companies Act, 1956 read with Schedule XIII thereunder, Shri.Satish R Shetty, whose term of office as Managing Director of the Company is valid upto June 27,2012, be and is hereby reappointed as Managing Director of the Company for a further period of 5 years effective from June 27, 2012 on the following salary and perquisites.
  - (i) Salary : Rs.2,00,000/- (Rupees Two lacs only) per month.
  - (ii) Provident Fund : Employers contribution not exceeding 12% of the salary.
  - (iii) Superannuation Fund : As per Company's rules not exceeding the non-taxable maximum limits.
  - (iv) Gratuity : As applicable to senior executives of the Company subject to limits not exceeding non-taxable maximum limits.
  - (v) leave encashment : As per leave rules of the Company.
  - (vi) Company's car with driver for official purposes of the Company.
  - (vii) Telephone : Free telephone facility at residence for official purposes of the Company.
- (2) the salary and perquisites payable to Shri Satish R Shetty pursuant to this resolution shall be the minimum remuneration payable irrespective of whether there is adequate profit in any year or not.
- (3) Shri.Satish R Shetty as Managing Director shall not be liable to retire by rotation.
- (4) the Board of Directors is hereby authorized to modify, alter or vary the abovesaid terms and conditions and/or prescribe such further terms and conditions as may be deemed fit by the Board of Directors, from time to time.



## NOTICE (Contd.)

### 7. To consider and if thought fit to pass with or without modification/s the following resolution as an Ordinary Resolution:

#### RESOLVED THAT :

- (1) pursuant to provisions of Section 198, 269, 309, 310, 311 and other applicable provisions of The Companies Act, 1956 read with Schedule XIII thereunder, Shri. Naveen R Shetty, whose term of office as Joint Managing Director of the Company is valid upto June 27, 2012, be and is hereby reappointed as Joint Managing Director of the Company for a further period of 5 years effective from June 27, 2012 on the existing salary and perquisites without any increase as follows:
  - (i) Salary : Rs.1,00,000/- (Rupees One lac only) per month.
  - (ii) Housing : House Rent Allowance as may be decided by the Board of Directors subject to maximum of 20% of the salary.
  - (iii) Provident Fund : Employers contribution not exceeding 12% of the salary.
  - (iv) Superannuation Fund : As per Company's rules not exceeding the non-taxable maximum limits.
  - (v) Gratuity : As applicable to senior executives of the Company subject to limits not exceeding non-taxable maximum limits.
  - (vi) Leave & leave encashment : As per leave rules of the Company.
  - (vii) Leave Travel concession : For self, wife and dependent children once in a year as per rules applicable to senior executives of the Company.
  - (viii) Medical Reimbursement : Actual expenses incurred for self, wife and dependent children subject to maximum of one month's salary per year.
  - (ix) Club Membership : Fees for membership of any two clubs excluding life membership.
  - (x) Company's car with driver for official purposes of the Company.
  - (xi) Telephone : Free telephone facility at residence for official purposes of the Company.
- (2) the salary and perquisites payable to Shri Naveen R Shetty pursuant to this resolution shall be the minimum remuneration payable irrespective of whether there is adequate profit in any year or not.
- (3) the term of office of Shri. Naveen R Shetty shall be liable to be determined by retirement by rotation.
- (4) the Board of Directors is hereby authorized to modify, alter or vary the abovesaid terms and conditions and/or prescribe such further terms and conditions as may be deemed fit by the Board of Directors, from time to time.

Place : Bangalore  
Date : July 30, 2012

By Order of the Board  
For Murudeshwar Ceramics Limited  
LAKSHMISHA BABU S  
Company Secretary

#### NOTE:

- (1) Any Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on behalf of such member at such meeting and such a proxy need not be a member of the Company.
- (2) Any document / Proxy Form in connection with the Annual General Meeting of the Company signed by any person for and on behalf of any Institution, Bank, Body Corporate etc., will be valid, only if such document/proxy form is supported by a duly authenticated copy of the Resolution of the Board of Directors authorising such person to sign such document and/or to represent such Institution, Bank, Body Corporate etc., as the case may be.
- (3) Documents pertaining to items referred to in the Notice are available for inspection by any member/s at the Registered Office of the Company on any working day from 2 p.m. to 6 p.m. upto the date of Annual General Meeting.
- (4) Brief resume of directors proposed to be appointed/reappointed is furnished in the Corporate Governance Report forming part of this Annual Report.
- (5) Register of Members/Transfer books of the Company will be closed from September 15, 2012 to September 22, 2012 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2011-12 are requested to send their specific request addressed to the Company Secretary at the Registered Office of the Company atleast seven days before the Annual General Meeting.
- (7) Members are requested to bring their copies of Annual Reports to the meeting and also to handover their attendance slips signed by the members/valid proxies at the entrance of the meeting hall.
- (8) Please also refer "General Information to Shareholders" in the annexure to Corporate Governance Report forming part of this Annual Report.

Place : Bangalore  
Date : July 30, 2012

By Order of the Board  
For Murudeshwar Ceramics Limited  
LAKSHMISHA BABU S  
Company Secretary

**NOTICE (Contd.)**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**Item 6 : Appointment of Shri Sankappa Keremane Shetty as Director.**

Shri Sankappa Karemane Shetty was appointed as an Additional Director on the Board of Directors with effect from May 14, 2012. In terms of section. 260 of The Companies Act, 1956, the appointment of such director shall be valid upto the date of the Annual General Meeting. Company has received a Notice from Shri Sankappa Karemane Shetty pursuant to provisions of Secn. 257 of The Companies Act, 1956 offering himself as a candidate to the office of Director. Brief resume of Shri Sankappa Keremane Shetty is furnished as part of the Corporate Governance Report.

None of the directors except Shri Sankappa Keremane Shetty himself may be deemed as concerned or interested in the aforesaid appointment.

**Item 7 : Reappointment of Shri Satish R Shetty as Managing Director.**

Shri Satish R Shetty was reappointed as Managing Director of the Company for a period of five years effective from 27/06/2007. Accordingly his term as Managing Director was valid upto June 27, 2012. The Board of Directors has at its meeting held on May 14, 2012 considered various aspects including the improvements made, around growth in the activities and financial position of the Company, from the time of his previous reappointment in the year 2007. Thereafter, subject to approval of members at the Annual General Meeting, the Board has reappointed Shri Satish R Shetty as Managing Director for a further period of five years w.e.f. 27.06.2012 on the salary and perquisites detailed in the resolution relating to this item of business. The salary and perquisites proposed for the said appointment are within the limits prescribed of Part II of Schedule XIII to the Companies Act, 1956.

Shriyuths. Dr.R N Shetty, Satish R Shetty, Sunil R Shetty and Naveen R Shetty, being relatives may be considered as concerned or interested in the resolution relating to this item of business.

The Resolution is recommended to the shareholders for passing as a Ordinary Resolution.

**Item 8 : Reappointment of Shri Naveen R Shetty as Joint Managing Director.**

Shri Naveen R Shetty was reappointed as Joint Managing Director of the Company for a period of five years effective from 27/06/2007. Accordingly his term as Joint Managing Director was valid upto June 27, 2012. The Board of Directors has at its meeting held on May 14, 2012 considered the valuable contributions made by Shri Naveen R Shetty in overall improvement of performance of the Company and particularly in stage by stage expansion projects implemented by the Company from the time of his reappointment in the year 2007. Thereafter, subject to approval of members at the Annual General Meeting, the Board has reappointed Shri Naveen R Shetty as Joint Managing Director for a further period of five years w.e.f. 27.06.2012 on salary and perquisites detailed in the resolution relating to this item of business. The salary and perquisites proposed for the said appointment are within the limits of Part II of Schedule XIII to the Companies Act, 1956.

Necessary resolution is placed before the members for approval.

Shriyuths. Dr.R N Shetty, Satish R Shetty, Sunil R Shetty and Naveen R Shetty, being relatives may be considered as concerned or interested in the resolution relating to this item of business.

Place : Bangalore  
Date : July 30, 2012

By Order of the Board  
**For Murudeshwar Ceramics Limited**  
**LAKSHMISHA BABU S**  
Company Secretary



## DIRECTORS' REPORT

To : The Members,  
Murudeshwar Ceramics Limited

Your directors present the 29th Annual Report of the Company for the year ended on March 31, 2012 :

### FINANCIAL RESULTS

Particulars	(₹ In Lacs)	
Sales income	17,907.06	
Other Income	96.54	
Increase/(Decrease) in stock	(252.12)	
<b>Total income</b>		<b>17,751.48</b>
Operational Expenditure	13,439.60	
Finance Cost	2,355.71	
Depreciation	1,691.28	
Total Expenditure		17,486.59
<b>Profit/(Loss) for the year</b>		<b>264.89</b>
Less : Provision for tax	53.95	
Less : MAT Credit	(55.78)	
Less : Net Current Tax Expenses	(1.83)	
Add : Deferred Tax Assets	110.33	
Sub total		112.16
<b>Profit/(Loss) after tax</b>		<b>377.05</b>
<b>Profit available for appropriation</b>		<b>377.05</b>

### OPERATIONAL PERFORMANCE

The unhealthy competition from various unorganized sector are increasing day by day. Even though construction industry has recovered, the cost of input and various taxes has gone up during the year which has lead to reduction in profits margins.

During the year under report the Company has produced 34,74,059 Sq.mtrs. of Vitrified tiles and 6,25,150 Sq.mtrs. of Ceramic tiles. Compared to previous year even though Ceramic tile production has reduced by about 58.32%, Vitrified tile production has increased by 2.93%. The sales income from Vitrified tiles has increased by 2.40% at ₹13,031.50 lacs compared to ₹12,726.12 lacs for the previous year. Sales income from Ceramic tile segment has decreased by 30.11% at ₹2,840.15 lacs compared to ₹4,063.55 lacs for the previous year. The granite division did not produce any slabs during the year. The Company is finding it difficult to get quality granite blocks at reasonable prices.

In spite of the above hurdles the Company has managed to earn a profit of ₹377.05 lacs during the year through various cost cutting measures and by adopting good marketing strategies. Since the Company has just started recovering from huge loss suffered during the year 2009-10 and the Company is very keen to repay its debts, your Directors have decided to skip the dividend for the year 2012-13. Your directors are working towards achieving higher results during the forth coming years.

### PROSPECTS

New technology such as nano and double / multi charge tiles are catching up as the customer always look for innovative tiles where pricing is not the decision making factor. These being value added item do fetch higher realization. New exterior tiles like Durapave and the new anti stain coat in 400 x 400 and 600 x 600 mm released to the market are being well accepted by the consumers. The Somerset Rustic & Wood Series Ceramic Tiles in bigger formats is also been well accepted in the market. The Cegress Series (Application of Glaze on Vitrified Tiles with different colour and design), Aqua Magic Water jet decorative tiles in single and four tiles and various designs, Steps and Risers, Borders has received good response from our dealers as well as customers.

The Karaikal unit is functioned with improved gas allocation. Gas allocation for Hubli Unit is expected to arrive at December 2012. Since the Construction Industries have slightly picked up their activities during the year the Company is expecting a better growth in the mere future.

**DIRECTORS' REPORT (Contd.)****MARKETING STRATEGY**

Periodical review of the performance of sales staff and SWOT analysis of the sales staff and dealers are being carried out and attempts are made to convert the weakness to strength and improve our brand image. Target are set at the beginning of each year of operation based on the past performance and future market growth and potential. All Sales staff particularly of southern state have been instructed to identify new potential market and develop the same so that our distribution network will be widened. Sales of high margin items are to be identified and concentrated. Apart from big builders for bulk orders, we are now concentrating on small builders and dealers also, as Vitrified tile is no more considered as a luxury item and is commonly used by the middle class people. The sales team has developed personal contact with Architects and Builders who influence the decision making. The rapport built shows the attitude and reaction of the Architect towards our product.

Company's representatives are on door to door leg work to enhance sales. On the product range the Company has introduced new varieties of Vitrified tiles and the Company has also introduced innovative shades and colors in Ceramic tile segment.

Your Directors are hopeful of achieving better results in the year 2012-13.

**RESEARCH AND DEVELOPMENT**

The R & D wing of the Company is successful in introducing new Fluxing material [Soap Stone] to reduce firing temperature and firing cycle. The R & D wing is continuously concentrating on reduction of power and fuel in the manufacturing process. The R & D wing is also concentrating on inventing new products, upgrade variety, body matrix, shades and designs to suit market sentiments.

**INCREASE IN THE SHARE CAPITAL**

During the year the Company had allotted 18,40,000 Equity Shares and 39,70,000 Convertible Share Warrants to Murdeshwar Power Corporation Limited on Preferential allotment basis, hence the Paid up Equity share capital of the Company increased from ₹ 3,502.88 lacs to ₹ 3,686.88 lacs.

**DIRECTORS**

Dr. Sadanand V Nadig ceased to be a Director on the Board effective from 20.01.2012 due to death. Board expressed their deep sorrow for the sad demise of Dr. Sadanand V Nadig, who left for his heavenly abode. Board also appreciated his contribution to the Company.

The Board has appointed Shri Sankappa Keremane Shetty as Additional Director with effect from May 14, 2012 Pursuant to Section 260 of the Companies Act, 1956 the term of such additional director is valid upto the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from Shri Sankappa Keremane Shetty offering himself as a candidate to the office of Director. Necessary resolution is placed before the members for approval. Brief particulars of the above director have been furnished in the Corporate Governance Report which forms part of this Annual Report.

Shri Sunil R Shetty and Shri K Sundar Naik retire by rotation and being eligible offer themselves for reappointment. Brief personal details of above said directors are furnished in the Corporate Governance Report which forms part of this Annual Report.

**AUDITORS**

The present auditors M/s. M A Narasimhan & Co., Chartered Accountants, Bangalore, will be holding office as Auditors of the Company until conclusion of the ensuing Annual General Meeting. The said Auditors being eligible have consented to be reappointed. Necessary resolution will be placed before members for approval.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report as per requirements of Clause 49 of the Listing Agreement is furnished in the annexure forming part of this Report. In the said report management has also discussed opportunities, threats and risk factors.



## **DIRECTORS' REPORT (Contd.)**

### **COST COMPLIANCE REPORT**

As per the requirement of The Companies (Cost Accounting Records) Rules, 2011 your Company has obtained Cost Compliance Report from Mr. Suresh R Gunjalli, Practicing Cost Accountant (Membership No.22121).

### **CORPORATE GOVERNANCE PROVISIONS**

Your Company has complied with mandatory requirements of Corporate Governance provisions prescribed under Clause 49 of the Listing Agreement with Stock Exchanges. Corporate Governance Report is furnished forming part of this Annual Report.

### **AUDIT COMMITTEE**

During the year under report the Audit Committee consist of four non-executive directors namely Dr. R N Shetty, Shri K Sundar Naik, Shri Annappaya. K and Dr.Sadanand V Nadig (upto 20.01.2012). Shri K Sundar Naik was the Chairman and Shri Lakshmisha Babu S Company Secretary was the Secretary of the Committee.

### **DEPOSITS**

As at the end of the year under report the Company had 7 deposit accounts for ₹13.40 lacs. As on 31.03.2012, one (1) account for ₹25,000/- remained not claimed by the concerned depositor. Efforts are being made to locate the party and advise him to claim repayment by surrendering the original deposit receipt.

### **PARTICULARS OF DISCLOSURE UNDER SECTION 217(1)(e)**

As per requirements of Section 217(1)(e) of The Companies Act, 1956 read with The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, necessary particulars are furnished in the annexure forming part of this report.

### **PARTICULARS OF EMPLOYEES**

Pursuant to the provisions of The Companies (particulars of employees) Rules 1975 read with Notification bearing No. F.No.2/29/1988-DL.V dated 31.03.2011 issued by Ministry of Corporate Affairs, New Delhi. The particulars of employees as required to be submitted under Section 217(2A) of The Companies Act, 1956 are not applicable to the Company.

### **DIRECTORS RESPONSIBILITY STATEMENT**

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

- 1) In preparation of the annual accounts for the year 2011-12, the Company has followed the applicable accounting standards prescribed under Secn.211 (3C) of The Companies Act, 1956 and there is no material departure from the same ;
- 2) Your Directors have selected and consistently applied such of the accounting policies and made judgments and estimates thereon, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss of the Company for that period ;
- 3) Your Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the applicable provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- 4) The Company has prepared the annual accounts ongoing concern basis.

### **ACKNOWLEDGEMENTS**

Your Directors acknowledge with appreciation, the support and co-operation extended to the Company by the Central Government, Government of Karnataka, Bankers, Financial Institutions, Dealers, Members and employees of the Company. Your Directors also wish to place on record their appreciation for the co-operation extended by M/s. SACMI, Italy and M/s. BRETON, Italy.

Place : Bangalore  
Date : July 30, 2012

for and on behalf of the Board of Directors  
**Dr. R N SHETTY**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT**

**PARTICULARS IN COMPLIANCE WITH PROVISIONS OF SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

**A. CONSERVATION OF ENERGY :**

- (a) **Energy Conservation measures taken :**  
New Fluxing material [Soap Stone] is used to reduce firing temperature and firing cycle.
- (b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy :**  
Inkjet Printing Machine is proposed for production of value added Vitrified Tile Production.
- (c) **Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :**  
Reduction in fuel & power cost. Better sales realization of sales values of Vitrified tiles.
- (d) **Total energy consumption and energy consumption per unit of production : - Not Applicable -**

**B. TECHNOLOGY ABSORPTION :**

Efforts made in technology absorption as per Form B of the Annexure:

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO :**

- (a) **Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans : - Nil -**
- (b) **Total Foreign Exchange used and earned:**  
Foreign Exchange Earnings : - Nil -  
Foreign Exchange Outgo : ₹ 3.81 lacs

**FORM B**

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION**

**RESEARCH AND DEVELOPMENT (R & D)**

1. **Specific areas in which R & D was carried out by the Company**  
a. Grinding Media sourced from supplier close to factory to reduce transport cost.  
b. Soluble salt development in-house.
2. **Benefits derived as a result of the above R & D**  
a. Better utilization of plant & machinery.  
b. Better sales realization on the finished product
3. **Future plan of action**  
Double fired wall tile production

4. **Expenditure on R & D**

(₹ in lacs)

Particulars	2011-2012	2010-2011
a) Capital	-	1.99
b) Recurring	1.32	1.56
c) Total	1.32	3.55
d) Total R & D expenditure as a percentage of total turnover	0.007	0.02

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

1. **Efforts in brief made towards technology absorption, adaptation and innovation.**  
Successful trial production of Vitrified soluble tiles production using in-house material development
2. **Benefits derived as a result of above efforts**  
Reduction in the material cost, transport cost and quality consistency.
3. **In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:**  
a) Technology Imported : Not done during the year  
b) Year of Import : N.A.  
c) Has technology been fully absorbed : N.A.  
d) If not absorbed, areas where this has not taken place, reasons and future plans of action : N.A.





**MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF THE DIRECTORS' REPORT**

**INDUSTRY STRUCTURE AND DEVELOPMENT**

The growth of Ceramic and Vitrified Tiles industry is closely correlated to the growth of cement and construction industry. The industry has just recovered from the impact of the global recession of the past four years. In both dwelling and institutional construction, Ceramic tile has become an integral as flooring and cladding material. A growth rate of about 20% in demand is estimated with a possible additional increase in the coming years. From the concept of utility and functional needs the development and innovation in the flooring and wall tile, has moved to aesthetic aspect also, thus giving the customer a wider choice. The major change that took over the ceramic industry was the introduction of Vitrified tiles in larger sizes with wider application specifically for floors because of less joints.

Murudeshwar Ceramics Limited started commercial production on 01.05.1988 with an installed capacity of 12,500 tons per annum (TPA) of Ceramic tiles at Hubli in Northern Karnataka. The Company undertook a major product diversification into manufacture of Vitrified tiles in the year 1993. The Vitrified tiles project was completed in a very short time and the production commenced on 01.03.1994. On considerations of quality, value addition, aesthetic looks and endurance, the said Vitrified tiles under the Brand Name of "NAVEEN DIAMONTILE" became very popular in domestic markets in a very short time. Encouraged by the response for Vitrified tiles in the Indian market, the Company has established one more Vitrified tile manufacturing unit in Karaikal with an initial capacity of 6,000 Sq.mtrs. per day which commenced its commercial production on 1st day of October 2003. Simultaneously the capacity expansion also was carried on side by side. On cost considerations the Company stopped production of Ceramic tiles in August 2002. But later on, as a support product, manufacturing of Ceramic tiles was once again started with an initial capacity of 8,000 sq.mtrs. per day at Hubli unit. The new Ceramic tile manufacturing unit became operational from January 2006 and the expansion project was undertaken simultaneously. New varieties of tiles in aesthetic colours, shades, body matrix and in different dimensions are being constantly added on in the product mix. On cost considerations, the Kilns in Hubli unit were modified to be fueled by Coal Gas. The Coal Gasification was completed in the year 2009. Now in the year 2011-12 the Hubli Plant was under conversion process from Coal Gas to Natural Gas. As at the end of the financial year the installed capacity of Ceramic and Vitrified tiles are as follows:

Annual Capacity	VITRIFIED TILES		CERAMIC TILES
	Hubli	Karaikal	Hubli
Installed Capacity (in Sq. Mtrs.) per annum	24,00,000	42,00,000	48,00,000

**OPPORTUNITIES**

With product acceptance on wider application and with the industry growing at a rapid rate, the potential for various types of Ceramic tile is high. At one time considered as a limited application and affordability product, the acceptance of Ceramic tile in suburban and rural market (apart from the growing rate in urban market) has increased the demand. However lack of infrastructure and technical facilities in the rural market does restrict the usage and it is hoped that with clear awareness of health and sanitation these hurdles will be eliminated. All these will definitely increase the demand for Vitrified & Ceramic tile in the coming months.

With improvement in technology and its availability, Vitrified & Ceramic tiles are now made in different sizes, shades and textures thus providing a variety of choice to the discerning customers.

The Concept of owning a house has got off well in the minds and life style of every middle class families. With required finance being made easily available by Bank and other Finance Institution and with easy repayment system owning a house becomes a necessity and a priority in investment.

The Company is taking advantage of having two units one at Hubli and the other at Karaikal. This helps the Company to have a comprehensive production plan and distribute production of tiles of different sizes and patterns to different units suiting to the market conditions and demand patterns. This will reduce waiting periods and saving in time that would be otherwise lost for changeovers.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF THE DIRECTORS' REPORT (Contd.)**

**THREATS**

With an expanding market and increase in demand due to multi various applications, the chances of new entrants coming in to the field cannot be avoided which is turn is making the market highly competitive, The market demands new design and varieties of tile, unless we rise upto the situation we will be left behind. Further two major element of cost of power and fuel are governed by the Government is consistent supply at reasonable rate are extremely important for the growth of this industry. Both price and supply of two major element of cost which is governed by the Government thus creating certain amount of uncertainty. Pricing and extended credit are the other factors of concern.

The severe competition from unorganized sector which is also growing rapidly cannot be ruled out. In view of the restriction on supply of Natural Gas and Power, we are not able to operate our plant fully. Not to lose our market share and the premium enjoyed by our brand image, we have resorted to outsourcing supplies in our brand name. Though we are not able to achieve the required sales level by outsourcing, efforts are made to improve the situation, so that the contribution from outsourced material is substantial.

Cost of raw material is going up continuous increase in power and fuel prices added with uncertain supply position has affected the profit margin. Change in the economic growth pattern and the impact of the global recession has also affected the industry.

**SEGMENT-WISE PERFORMANCE AND DISCUSSION ON FINANCIAL/OPERATIONAL PERFORMANCE :**

The Segment-wise performance for the year ended on 31.03.2012 is furnished hereunder:

SEGMENT	PRODUCTION (in Sq. Mtrs.)	SALES	
		Volume (Sq.Mtrs.)	Value (₹ in lacs)
Vitrified Tiles	34,74,059 (33,75,306)	39,27,205 (37,92,605)	13,031.50 (12,726.12)
Ceramic Tiles	6,25,150 (14,99,947)	12,41,942 (21,88,120)	2,840.15 (4,063.55)
Granite Slabs	- (-)	- (2,413)	- (15.74)
Earth Work (Sales receipts)	- (-)	- (-)	3,128.98 (1,751.35)

(Figures in brackets indicate corresponding values for the previous year)

As may be seen from the above statement, production of Ceramic tiles has been reduced by 28.32% and Vitrified tiles production has increased by 2.93% and Granite Division has not produced any slabs during the year. The sales revenue of the ceramic division has been reduced by 30.11% and vitrified division has grown by 2.40%. Where as for granite division it has been reduced by 100%. Overall sales revenue has increased by 2.44% which is ₹19,037.34 lacs for the year under report. With the result the Company has incurred a profit of ₹ 377.05 lacs for the year under report compared to profit of ₹529.56 lacs for the previous year.

**OUT-LOOK**

Demand for Vitrified tiles is very high. Though this tile meet with all the technical requirements, competitors have an edge over us because of the improved whiteness of their tile compared to ours. With matching aesthetic look we will be able to double our sale of this as we have a strong and wide distribution network and brand image. There is a great demand for Cegress Tile/Exterior Tile in which Rustic finish Vitrified tiles go well with exterior, sit out and foris. There is a great demand for Granite Finish Tile also.



## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF THE DIRECTORS' REPORT (Contd.)**

The Management is constantly exploring various ways to reach rural areas, since demand in rural areas is increasing constantly. The R & D team is working hard to invent new product range, designs and sophisticated colors. Management is planning to increase professional staff members in marketing department and also has introduced pay package to marketing staff which is linked with sales. The Management constantly Endeavour to provide customers with the finest Ceramic / Vitrified tiles.

### **RISKS AND CONCERNS**

Cost of Raw materials is highly volatile. Slow down in the economy will adversely affect our Industry which in turn affects the production. Continuous increase in fuel and energy prices in the international market has reduced the profit margins. High inflation and credit policy of Reserve Bank of India has resulted in High Finance Costs. Changes in interest rates could significantly affect the financial condition and results of operations of the Company. Retaining skilled professional is also a major concern, however best H R practices are in place to retain the talent and reduce the attrition rate. The major concern of the Company is delay by the Government in installation of Natural Gas at Hubli Unit. Small players in unorganized sector have been increasing year by year. The cost of production for low quality Vitrified tiles produced by these players is less which enables them to enter into a price war. This may have an adverse impact on the profitability of the Company.

### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

Day to day administration is looked after by the Managing Director and the Joint Managing Director under supervision, control and guidance of the Executive Committee of Directors headed by Dr. R N Shetty as Chairman. The Company has a separate internal audit department with experienced staff, placed under the supervision and control of the Vice President (Finance) and CFO. The system control of the Company is functioning efficiently with most of the branches electronically connected with the Head Office. The organizational set up and the system control have been efficient. The internal control procedures are adequate and efficient.

### **MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS**

As at the end of the year the Company had 483 employees on the rolls. The Company continued to engage services of senior level personnel even at branches level to ensure better control and coordination. Management also continues to give due importance for Manpower training and motivation. Customer care and Customer satisfaction are being ensured with meticulous care. The understanding between the Management and workers continues to be cordial.

### **CAUTION**

Opportunities, threats, outlook, forecasts in any form and manner, made in this section or any other sections of this Annual Report are purely based on management perceptions made on situations as could be reasonably foreseen under the existing conditions. But various factors viz., capacities elsewhere, technology related matters, inflationary trends, unexpected recession and changes in policies of the Government etc., may impair such perceptions and adversely impact on calculations of the management.

Place : Bangalore  
Date : July 30, 2012

for and on behalf of the Board of Directors  
**Dr. R N SHETTY**  
Chairman

**CORPORATE GOVERNANCE REPORT****1. PHILOSOPHY AND CORPORATE GOVERNANCE**

The Management believes that all applicable laws, rules and regulations in force are to be abided as a basic discipline. In the process the Company has complied with requirements of Corporate Governance provisions prescribed under Cl.49 of the Listing Agreement. Investors/Customer satisfaction are being constantly monitored and maintained at satisfactory levels. Inter-department co-ordination is satisfactory. Accountability and responsibility fixed at each level of hierarchy. On the operations side, the Management relies upon quality maintenance, effective presentation and customer satisfaction as basic requirements. Accordingly Manpower training and motivation are being pursued to attain desired results. The Management aims at commitment to high standards of administrative and financial discipline, transparent administration and enhancement of investor value.

**2. BOARD OF DIRECTORS**

As on the date of this report the composition of the Board of Directors is as follows:

**2.1 Non-Executive Directors**

- 1) Dr R N Shetty : Promoter and Chairman
- 2) Shri K Sundar Naik : Independent Director
- 3) Dr. S S Hiremath : Independent Director
- 4) Shri Annappayya K : Independent Director
- 5) Shri Sunil R. Shetty : Director
- 6) Shri Sankappa K Shetty : Independent Director

**2.2 Executive Directors**

- 7) Shri Satish R Shetty : Managing Director
- 8) Shri Naveen R Shetty : Joint Managing Director

The Board has six Non-Executive Directors of whom four are independent Directors. Dr R N Shetty is the Non-Executive Chairman. The said composition is in conformity with the requirements of Clause 49 of the Listing Agreement. Executive Directors have been appointed for a term of five years effective from respective dates of their appointment.

None of the above said Non-Executive Directors has any pecuniary relationship or transaction with the Company excepting eligibility for Sitting Fees and reimbursement of expenses incurred for attending Board Meetings. Promoters Dr. R N Shetty, Shri Sunil R Shetty and the Executive Directors continue to not receive any kind of remuneration for attending any Board and/or Committee meetings as they have waived their entitlement for such remuneration.

**2.3 Brief Particulars of Directors appointed / re-appointed**

Pursuant to provisions of Clause 49 of the Listing Agreement, brief particulars of Directors appointed/reappointed are furnished hereunder:

- 2.3(a) **Shri Sunil R Shetty** aged about 48 years, is a Civil Engineer. Shri Sunil R Shetty has been on the Board of Murudeshwar Ceramics Ltd., since November 1993. He has taken active part in many expansion projects of the Company. Apart from Murudeshwar Ceramics Limited, he is also actively involved in successful functioning of other group named in succeeding paragraph. He has also involved himself in expansion projects of Naveen Hotels Limited. He is also managing RNS Motors Limited, dealers for Maruti Udyog Limited and the said business has various units in Karnataka. Shri Sunil R Shetty holds 11,11,102 equity shares of ₹10/- each (3.01%) in the Company.



## CORPORATE GOVERNANCE REPORT *(Contd.)*

Shri Sunil R Shetty is a Member of the Executive Committee of Directors which is a sub-committee of Board of Directors of Murudeshwar Ceramics Limited.

Other Companies on the Boards of which Shri Sunil R Shetty is associated as a Director are (1) RNS Infrastructure Limited (2) RNS Motors Limited (Managing Director), (3) Naveen Hotels Limited, (4) Naveen Mechanised Construction Co. Pvt. Ltd., (5) Naveen Structurals & Engineering Co. Pvt. Ltd., (6) Shri Murudeshwar Tiles Pvt. Ltd. (7) Murudeshwar Developers Limited, (8) Firebricks & Potteries Pvt. Ltd., (9) Murudeshwar Power Corporation Limited, (10) Murudeshwar Infosystems Limited, (11) RNS Earthmover Private Limited (Managing Director), (12) SHP Auto Service Private Limited.

2.3(b) **Shri K Sundar Naik** aged about 86 years is basically a Civil Engineer. His academic career includes graduation in Civil Engineering from University of Madras and Training in Pre-stressed Concrete in France. His professional career started directly as Assistant Engineer (Now Asst.Executive Engineer) in the year 1946 under the then Madras Government. On reorganization of states in the year 1956 he was assigned the responsible office of Asst.Executive Engineer, PWD under the then Government of Mysore (Now Karnataka). He held various important positions as Executive Engineer, Superintending Engineer, Chief Engineer etc., in various departments and was instrumental in executing various projects like highways, bridges, major buildings etc. Before his retirement from Government Service in the year 1979 he was Administrator (Engineer-in-Chief), Upper Krishna Project, Command Area Development Authority. After his retirement he is associated with Civil Engineering Consultancy works and Infrastructure projects and also a Practicing Arbitrator and Valuer. Shri K Sundar Naik is not a shareholder of the Company.

Shri Sundar Naik is a Chairman of Audit Committee and member of the Remuneration/Shareholder Grievance/ Executive Committee of the Company.

Shri Sundar Naik is also a non-executive independent director on the Board of Directors of RNS Infrastructure Limited.

2.3(c) **Shri Sankappa Keremane Shetty** aged around 65 years is an Civil Engineering Graduate from Karnataka Regional Engineer College Surathkal (presently NITK) and started his carrer in the Koyna Hydro Electric - Stage-III underground Power House Construction in the year 1966. After serving there for six years he joined Karnataka Power Corporation Limited(KPCL) in the year 1973. He retired from KPCL in the year 2001 as Executive Director. He had an illustrious carrer in the state Power Generation Company spanning over 27 years holding responsible positions and associations/incharge of execution of civil works of major projects like Kalinadi Hydrel Project Stage-I and II, Sharavathy Stage-II-Gerasoppa Project, Hidkal Dam Power House and RTPS Thermal Project Unit-III. After his retirement, he was appointed by Government of Karnataka as Director and Board member of KPCL till 2007.

He has undergone Energy Management Training in USA under USAID Programme in the year 1995. He has participated and presented Technical papers in many International Conferences held abroad. Presently he is advisor to many Power Producing Companies mainly for the execution of mini Hydrel projects. Shri Sankappa Keremane Shetty is not a shareholder of the Company.

Other Companies on the Boards of which Shri Sankappa Keremane Shetty is associated as a Director are (1) RNS Infrastructure Limited (2) Naveen Hotels Limited, (3) Murudeshwar Power Corporation Limited,

**CORPORATE GOVERNANCE REPORT (Contd.)**

**2.4 Meetings, Attendance and Membership of Committees**

During the year under report Seven (7) Board Meetings were held on 28.05.2011, 30.07.2011, 30.09.2011, 29.10.2011, 28.01.2012, 17.02.2012 and 21.03.2012 the gap between any two consecutive Board Meetings has not exceeded four months.

The following are the particulars of attendance of directors at the Board/General Meetings of the Company and memberships of Committees and number of other directorships, of each director during the year 2011-12.

Sl. No.	Name of Director	BOARD MEETINGS		Whether attended last AGM	COMMITTEES		Other director -ships held
		held	Attended		Memberships	Chairman	
1	Dr. R.N.Shetty	7	3	No	2	1	11
2	Dr. Sadanand V Nadig	7	2	Yes	4	Nil	4
3	Shri.K Sundar Naik	7	7	Yes	3	1	1
4	Dr S S Hiremath	7	6	Yes	1	Nil	2
5	Shri Annappayya K	7	6	Yes	1	2	Nil
6	Shri Satish R Shetty	7	7	Yes	1	Nil	12
7	Shri Sunil R Shetty	7	2	No	1	Nil	12
8	Shri. Naveen R Shetty	7	7	Yes	1	Nil	10

**3. CODE OF CONDUCT**

The Board of Directors has laid down Code of Conduct for all Board Members and senior management personnel of the Company. In the above context, Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct for the year ended 31.03.2012 and necessary declaration from CEO is annexed forming part of this report.

**4. AUDIT COMMITTEE**

During the year under report four (4) Audit Committee Meetings were held on 28.05.2011, 30.07.2011, 29.10.2011, 28.01.2012. The meeting held on 28.05.2011 was for the purpose of considering audited accounts for the year ended on 31.03.2011 and the members were

1. Dr. R N Shetty - Member
2. Shri Sundar Naik - Chairman
3. Dr. Sadanand V Nadig - Member
4. Shri Annappayya K - Member

Minimum three members attended all the meetings of Audit Committee. The members of the Audit Committee are non-executive directors and three of them are independent directors. The Chairman, Shri Sundar Naik was an independent non-executive director and having knowledge of financial and accounting matters and Shri Lakshisha Babu S, Company Secretary is the Secretary of the Committee.

Audit Committee functions with reference to matters contained in Secn.292A of The Companies Act, 1956 read with Clause 49 of the Listing Agreement, inter-alia, monitoring, reviewing and reporting on (a) Accounting Policies, practices and procedures (b) Compliance with Accounting Standards (c) Related party transactions (d) Compliance with all applicable provisions of law (e) Internal Control procedures (f) Review of periodical accounts etc.

## CORPORATE GOVERNANCE REPORT (Contd.)

### 5. REMUNERATION COMMITTEE

5.1 **Composition** : During the year under report the members of the Remuneration Committee were as follows:

- |    |                     |   |          |
|----|---------------------|---|----------|
| 1. | Shri. Annappaya K   | - | Chairman |
| 2. | Dr Sadanand V Nadig | - | Member   |
| 3. | Shri K Sundar Naik  | - | Member   |

During the year the Remuneration Committee met once on 30.07.2011. All three directors attended.

All the three members including the Chairman of the Committee are non-executive and independent directors. Shri Lakshmisha Babu S Company Secretary is the Secretary. The terms of reference include scrutinizing and recommending from time to time all aspects of remuneration and/or any other payments/allowances to Executive Directors.

5.2. **Remuneration Policy** : The Remuneration Committee reviews the remuneration package for Executive Directors periodically with reference to trends prevailing else where for similar industry for similar positions. Board of Directors decide on a suitable remuneration package to the Executive Directors based on recommendations of the Remuneration Committee and submit the same for approval of members.

5.2 (a) **Details of Remuneration paid/accrued to Executive Directors for the year ended 31.03.2012 :**

	Salary (₹)	Perquisites & Amenities (₹)	TOTAL (₹)
Shri Satish R Shetty, Managing Director	24,00,000	4,89,360	28,89,360
Shri Naveen R Shetty, Jt. Managing Director	12,00,000	2,61,360	14,61,360
<b>Total</b>	<b>36,00,000</b>	<b>7,50,720</b>	<b>43,50,720</b>

**NOTE :**

- None of the abovesaid remuneration/benefits is performance linked.
- The Executive Directors shall discharge their duties under the supervision, control and directions of the Board of Directors from time to time. There is no service contract or agreement.
- The Term of office of the abovesaid Directors was for five years effective from their respective dates of re-appointment.
- Directors are entitled to sitting fee of ₹ 5,000/- per meeting attended and reimbursement of travel and other incidental expenses. However the said Executive Directors continue to not receive any kind of remuneration for attending any Board and/or Committee meetings as they have waived their entitlement for such remuneration.

5.2 (b) **Pecuniary Relationship/transaction of Non-Executive Directors**

Non-Executive Directors of the Company have no pecuniary relationship or transaction with either the Company or with any Promoters of the Company. The Non-Executive Directors are entitled to sitting fees of ₹ 5,000/- for every meeting attended and reimbursement of travel and stay expenses for each meeting attended. However Chairman Dr. R N Shetty and Shri Sunil R Shetty, Director continue to not receive any kind of remuneration for attending any Board and/or Committee meetings as they have waived their entitlement for such remuneration.

5.2 (c) **Remuneration Package of Non-Executive Directors**

The remuneration package to Non-Executive Directors of the Company is within the limits prescribed under Secn.198 and 309 of the Companies Act, 1956 read with Schedule XIII thereunder. The Remuneration Committee shall examine and review payments, to Executive and Non-Executive Directors. As and when such recommendations are made by the Audit / Remuneration Committee, Board shall examine and adopt suitable remuneration package subject to compliance with applicable provisions of law and the Listing Agreement. The remuneration package for Non-Executive Directors is furnished in paragraph 5.2(b) above.

**CORPORATE GOVERNANCE REPORT (Contd.)**

**5.2 (d) Share holding of Directors as on March 31, 2012**

Name of Director	Nature of office of Director	Shares held	Percentage to Eq. Cap.
Dr R N Shetty	Non-Executive	26,808	0.07
Shri Satish R Shetty	Executive	11,10,402	3.01
Shri Sunil R Shetty	Non-Executive	11,11,102	3.01
Shri Naveen R Shetty	Executive	11,10,502	3.01
Dr. Sadanand V Nadig	Non-Executive	Nil	N.A
Shri K Sundar Naik	Non-Executive	Nil	N A
Dr S S Hiremath	Non-Executive	2,300	0.01

None of the above directors holds any convertible instruments of the Company.

**6. SHAREHOLDERS GRIEVANCE COMMITTEE**

**6.1 Composition :** During the year under report the members of the Shareholders Grievance Committee were as follows:

1. Dr. R N Shetty - Member
2. Shri. Annappayya K - Chairman
3. Dr. Sadanand V Nadig - Member

Shri. Annappaya K, the Non-Executive Director was the Chairman of the Committee. Shri. Lakshmisha Babu S, Company Secretary is the Secretary of the Committee.

**6.2 STATUS OF INVESTORS COMPLAINTS**

During the year under report the Company has not received any valid Investor complaints. Investor grievances were attended on top priority. As on 31.03.2012 there were no complaints pending redressal. Share transfers were attended within the prescribed time limits.

**7. OTHER COMMITTEES**

In order to closely monitor the day to day administration and speed up the administrative procedures, the Sub-Committee of the Board called the "Executive Committee" is functioning under the overall control and supervision of the Board of Directors. Following Directors are members of the said Executive Committee :

1. Dr. R N Shetty - Chairman
2. Shri. Satish R Shetty
3. Shri Sunil R Shetty
4. Shri Naveen R Shetty
5. Dr. Sadanand V Nadig (Upto 20.01.2012)
6. Shri Sundar Naik

The said Committee has been discharging all the functions and responsibilities vested in it by the Board of Directors from time to time. Decisions taken by the Committee will be referred to the Board for review and suggestions, if any.





## CORPORATE GOVERNANCE REPORT (Contd.)

### 8. DISCLOSURES

- 8.1 **Materially significant related party transactions** :Related party transactions has been furnished in Note No. 30.7 of the Annual Accounts. None of the transactions stated therein may be considered to have potential conflict with the interests of the Company and all transactions are in the usual course of business of the Company. The related party transactions, in the ordinary course of business are subject to periodical review by the audit committee.
- 8.2 **Board Disclosures and Risk Management** : The Company has regular procedure of reporting to the Board on quarterly basis about all significant transactions, developments, policies etc., concerning the Industry in general and the Company in particular. The Board reviews the same and also uses the same as tool of risk assessment, planning and control.
- 8.3 The Company has been regular in making timely disclosures prescribed under the Listing Agreement and by SEBI. The Company has not been subjected to any penalties or strictures either by SEBI or by Stock Exchanges in the last three years.

### 9. GENERAL BODY MEETINGS

The three previous Annual General Meetings of the Company were held at Shri R N Shetty Kalyana Mantap, Opp. Glass House, Hubli on the following dates:

Year Ended	Date of Meeting	Time
2010 - 2011	30.09.2011	4 p.m.
2009 - 2010	19.06.2010	4 p.m.
2008 - 2009	25.09.2009	4 p.m.

### 10. MEANS OF COMMUNICATION

- 10.1 Financial Results prescribed under Cl.41 of the Listing Agreement were published in Financial Express in English Version and Udayavani in Vernacular text.
- 10.2 The Presentations made to Institutional Investors were mainly on case-to-case basis and purely related to matters concerning the Company and corresponding Lenders. No analysts were involved during the year.
- 10.3 The Management Discussion and Analysis report is separately annexed forming part of the Directors' Report.

### 11. GENERAL INFORMATION TO SHARE HOLDERS

General Information to Shareholders is furnished in the annexure to this report.

### 12. OTHER PROVISIONS

**Certificate from Auditors** : Statutory Auditors have certified that the Company has complied with Corporate Governance Provisions prescribed under Cl.49 of the Listing Agreement. A copy of the said Certificate is annexed forming part of this Report.

Place : Bangalore  
Date : July 30, 2012

for and on behalf of the Board of Directors  
**Dr. R.N.SHETTY**  
Chairman

## ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

### 11. GENERAL INFORMATION TO SHAREHOLDERS

#### 11.1 Annual General Meeting

- (a) Date and time : September 22, 2012 at 4 p.m.  
 (b) Venue : Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli - 580 029.

11.2 **Financial Year** : 1<sup>st</sup> day of April to 31<sup>st</sup> day of March of succeeding year.

11.3 **Books Closure** : September 15, 2012 to September 22, 2012 (both days inclusive)

11.4 **Stock Exch. on which listed and Stock Code** : a) Bombay Stock Exchange Ltd., (Stock Code 515037)  
 b) National Stock Exchange of India Ltd., (Symbol MURUCERA, Series EQ)

#### 11.5 Market Price Data (BSE & NSE)

Month	BSE		NSE	
	Highest ₹	Lowest ₹	Highest ₹	Lowest ₹
April 2011	22.00	18.80	21.00	18.20
May 2011	21.55	16.60	21.95	16.05
June 2011	21.00	15.00	21.50	16.00
July 2011	20.70	17.00	20.70	17.00
August 2011	19.85	15.00	19.50	14.75
September 2011	18.50	16.10	18.60	16.00
October 2011	18.50	16.00	18.15	16.10
November 2011	18.55	15.00	18.50	15.00
December 2011	16.75	13.50	15.90	13.50
January 2012	17.80	13.50	17.90	13.20
February 2012	19.90	15.10	19.00	15.90
March 2012	18.90	16.15	18.95	16.15

#### 11.6 Share Transfer System and Dematerialisation

As at the end of March 31, 2012 the Company had 12,587 share holders holding 3,50,03,922 Equity Shares of the Company. Out of the above 10,919 members (86.75%) held 3,41,05,590 Shares (97.43%) in dematerialized form. The Balance of 1,668 members (13.25%) held 8,98,332 Equity Shares (2.57%) in physical form.

From the records it is clear that 1,668 (13.25%) of the total number of members holding in all 8,98,332 (2.57%) in physical form have still not taken action to dematerialize their shares, in spite of appeal by the Company in the interest of such members. Since the trading of shares of this Company is allowed by Stock Exchanges only in dematerialized form, members holding shares in physical form will lose the advantage of easy liquidity for their shares unless their share holding is dematerialized. Such members are requested to dematerialize their shares in their own interest. Members may please contact their Depository Participants or may contact the Company Secretary for guidance.

Note : a) The Company had allotted 18,40,000 Equity Shares to MPCL which was in the process of listing as on 31.03.2012, hence the same has not been included in calculating the percentages said above.

b) The particulars of Share Transfer Agents for all Share related matters are furnished at the end of this Report.

#### 11.7(a) Distribution of Shareholding as on 31.03.2012

Nominal Value of Shares	No. of Holders	Share Amount	
		in ₹	% to Paid-up Capital
Upto 5,000	10,146	1,52,62,220	4.36
5,001 - 10,000	1,074	85,89,940	2.45
10,001 - 20,000	646	98,94,610	2.83
20,001 - 30,000	227	57,70,700	1.65
30,001 - 40,000	113	41,03,110	1.17
40,001 - 50,000	83	39,68,070	1.13
50,001 - 1,00,000	149	1,09,67,750	3.13
1,00,001 - & Above	149	29,14,82,820	83.28
<b>T O T A L</b>	<b>12,587</b>	<b>35,00,39,220*</b>	<b>100.00</b>

\*The said amount does not include amount of 18,40,000 equity shares allotted since it was in the process of listing as on 31.03.2012



## ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

### 11.7(b) Shareholding Pattern as on 31.03.2012

Sl. No.	Category of Shareholder	No. of Shares	Percentage to Eq. Cap.
1	Financial Institutions Govt. Sponsored	2,11,087	0.57
2	Mutual Funds	700	0.00
3	Nationalized Banks	400	0.00
4	NRI's	38,84,520	10.54
5	Hindu Undivided Family	5,49,488	1.49
6	Foreign Institutional Investors	900	0.00
7	State Finance Corporation	2,200	0.01
8	Directors	33,58,814	9.12
9	Relative of Directors	30,61,330	8.31
10	Associated Companies**	1,44,68,552	39.27
11	R N Shetty on behalf of R N Shetty Family Trust	1,74,590	0.47
12	Other Bodies Corporate	34,41,575	9.34
13	Clearing Members	1,787	0.00
14	Resident Individuals	76,87,979	20.88
	<b>Total</b>	<b>3,68,43,922*</b>	<b>100.00</b>

\*\* The Company had allotted 18,40,000 Equity Shares to Murdeshwar Power Corporation Ltd, which was in the process of listing on stock exchanges as on 31.03.2012

\* The above statement does not include 24,857 Equity Shares forfeited.

### 11.8 Compliance with non-mandatory requirements under Corporate Governance Provisions

The Company has taken action to comply with Non-mandatory requirements mentioned in the Annexure to Clause 49 of the Listing Agreement, to the following extent:

- The Chairman is Non-Executive Director and is entitled to reimbursement of expenses incurred for the Business purposes of the Company. But the Chairman has waived his entitlement to remuneration for attending Board/ Committee Meetings.
- The Company has constituted a Remuneration Committee with 3 non-executive independent directors to examine and recommend to the Board on all aspects of remuneration package to Executive Directors.

### 11.9 General

- Members of the Company may nominate a person to whom share(s) held by such Member/s shall vest in the event of the death of such member/s. Such Nomination should be in Form No.2B prescribed under The Companies Act, 1956.
- Members holding shares in physical form may please furnish their change of address, if any, and Bank Account details to the Company from time to time to enable the Company to update such particulars in the corresponding ledger folios for prompt delivery of any communication from the Company.
- It is noticed that some of the members holding shares in dematerialized form have not updated address, email, phone numbers and Bank Account details with their Depositories through their DPs. Some members holding dematerialized shares request the Company for updating the particulars. Members may please note that the Company has no access to their Demat accounts and all such corrections have to be got updated by the members in their Demat accounts through their respective DPs.

### 11.10 Address for Communication :

- Members may contact Company Secretary at the Registered Office of the Company at 604/B, Murudeshwar Bhavan, Gokul Road, Hubli - 580 030 [Phone: 0836 - 2331615 (upto 18)], Fax: 0836 - 4252583 or at 7th Floor, Naveen Complex, 14, M G Road, Bangalore-560 001 (Phone-080-25584181. Fax : 080-25584017) for clarifications or grievances if any.
- In respect of members holding shares in physical form, all correspondences relating to share transfers, transmissions, issue of certificates on split-up/consolidation/ replacement, change of address and dematerialisation requests may be addressed to the Share Transfer Agents - **Canbank Computer Services Limited at its Office at No.218, "J.P.ROYALE", 1st Floor, 2nd Main, Sampige Road, Near 14th Cross, Malleswaram, Bangalore 560003. Phone: 080-23469661-62, Fax 080 - 23469667 - 68.**
- In pursuance of the provisions of Cl.49 of the Listing Agreement the Company has designated a separate E-mail Id - **investor@naveentile.com** for the benefit of members to report their grievances, if any, regarding their share holding, transfers/transmissions and dividends.

Place : Bangalore  
Date : July 30, 2012

for and on behalf of the Board of Directors  
**Dr. R. N . SHETTY**  
Chairman

**AUDITORS' CERTIFICATE ON COMPLIANCE CORPORATE GOVERNANCE PROVISIONS**

To,

**The Members,  
Murudeshwar Ceramics Limited**

We have reviewed the compliance of conditions of Corporate Governance by Murudeshwar Ceramics Limited for the year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

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 compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

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.

No Investor Grievances are pending for a period exceeding one month against the Company as per records maintained by the Company.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges have been complied with in all material respects by the Company.

Place : Bangalore  
Date : July 30, 2012

**For M.A.NARASIMHAN & CO.,**  
Chartered Accountants  
ICAI FIRM REG No : 002347S  
**(M.A. PARTHANARAYAN)**  
Partner  
Membership No : 028994



## AUDITORS' REPORT

To

**The Members  
MURUDESHWAR CERAMICS LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Murudeshwar Ceramics Limited ('the Company') which comprise the Balance Sheet as at 31 March, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2012
- (ii) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash flow statement, of the cash flows for the year ended on that date.

### **Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. 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;
  - c. the Balance Sheet, Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e. On the basis of written representations received from the directors as on 31 March, 2012, and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

**For M.A.NARASIMHAN & CO.,**

Chartered Accountants

ICAI FIRM REG NO : 002347S

**(M.A. PARTHANARAYAN)**

Partner

Membership No:028994

Place : Bangalore

Date : 30-07-2012

## **ANNEXURE TO THE AUDITORS' REPORT**

### **Referred in paragraph (3) of our report of even date**

- I. (a) The company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.  
  
(b) As explained to us physical verification of major portion of fixed assets as at 31st March 2012 was conducted by the Management during the year. In our opinion, the frequency of physical verification is reasonable. Having regard to the size of the operations of the company and on the basis of explanations received, in our opinion, the net difference found on physical verification were not significant.  
  
(c) During the year the Company has not disposed off any major part of plant and machinery.
- II. (a) 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.  
  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
  
(c) Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- III. The company has not granted or taken loan from any company, firm or other parties covered in the register maintained under Section 301 of the Act.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchases of inventory fixed assets and with regard to sale of goods. During the course of audit, we have not observed any continuing failure to correct major weakness in internal controls.
- V. (a) 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.  
  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupee 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.
- VI. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptances of Deposits) Rules, 1975, with regard to the deposits accepted from the public. No order has been passed by the Company Law Board in this regard.
- VII. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- VIII. The company has been maintaining cost records as prescribed by the Central Government under Section 209(1)(d) of The Companies Act, 1956.
- IX. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no dues outstanding as at the year end for a period or more than six months from the date they became payable in respect of Income tax, Wealth tax, Sales tax, Customs Duty, Excise duty and cess.
- X. According to the records of the company, there are no dues outstanding of Sales tax, Income Tax, Customs Duty, Wealth tax, Excise Duty or cess on account of any dispute.



## ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- XI. The company has not got any accumulated losses.
- XII. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution or banks.
- XIII. The company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
- XIV. In our Opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of Clause 4(xiii) of the companies (Auditors Report) Order 2003 are not applicable to the company.
- XV. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the companies (Auditors Report) Order, 2003 are not applicable to the company.
- XVI. The company has not given any guarantees for loans taken by others from banks or financial institutions.
- XVII. In our opinion, the term loans were applied for the purpose for which they were raised.
- XVIII. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short - term basis have been used for long term investment. No long term funds have been used to finance short term assets except permanent working capital.
- XIX. The company has made any preferential allotment of shares and warrants during the year under review to parties and companies covered in the register maintained under section 301 of the Act as per the SEBI guidelines. The price at which shares have been issued is not prejudicial to the interest of the Company.
- XX. The company has not issued any debentures.
- XXI. The company had not raised any money by way of public issue during the year.
- XXII. According to the information and explanations given to us, no fraud on or the company has been noticed or reported during the year.

For **M.A.NARASIMHAN & CO.**,  
Chartered Accountants,  
ICAI FIRM REG NO:002347S  
**(M.A.PARTHANARAYAN)**  
Partner  
Membership No. 028994

Place : Bangalore  
Date : 30-07-2012

## DECLARATION REGARDING COMPLIANCE WITH COMPANIES CODE OF CONDUCT BY THE BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL

### To

The Members of Murudeshwar Ceramics Ltd.

This is to confirm that the Company has laid down Code of Conduct for all Board members and senior management personnel of the Company and a copy of the said Code of Conduct is available on the Company's web-site [www.naveentiles.co.in](http://www.naveentiles.co.in).

This is also to confirm that the members of the Board of Directors and senior management personnel within the meaning of the said Code of Conduct have affirmed compliance with the said Code of Conduct applicable to them for the year ended 31.03.2012.

Place : Bangalore  
Date : July 30, 2012

**SATISH R SHETTY**  
Managing Director and CEO

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2012**

Particulars		Note No.	As at 31-03-2012	As at 31-03-2011
			₹ in lacs	₹ in lacs
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
1	<b>Shareholders' funds</b>			
	(a) Share Capital	3	3,685.17	3,501.17
	(b) Reserves and surplus	4	26,224.12	25,718.26
	(c) Money received against share warrants		168.73	-
			<b>30,078.02</b>	29,219.43
2	<b>Share application money pending allotment</b>		-	-
3	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	5	5,957.37	6,084.20
	(b) Deferred tax liabilities (net)		589.47	699.80
	(c) Other long-term liabilities		-	-
	(d) Long-term provisions		-	-
			<b>6,546.84</b>	6,784.00
4	<b>Current liabilities</b>			
	(a) Short-term borrowings	6	7,617.06	8,019.24
	(b) Trade payables	7	2,399.54	2,495.73
	(c) Other current liabilities	8	1,209.82	1,068.06
	(d) Short-term provisions	9	17.14	63.22
			<b>11,243.56</b>	11,646.25
	<b>TOTAL</b>		<b>47,868.42</b>	47,649.68
<b>B</b>	<b>ASSETS</b>			
1	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	12.A	27,936.68	29,016.19
	(ii) Intangible assets		-	-
	(iii) Capital work-in-progress		204.19	160.28
			<b>28,140.87</b>	29,176.47
	(b) Non-current investments	10	300.37	300.39
	(c) Deferred tax assets (net)		-	-
	(d) Long-term loans and advances	11	70.48	14.70
	(e) Other non-current assets		-	-
			<b>370.85</b>	315.09
2	<b>Current assets</b>			
	(a) Current investments		-	-
	(b) Inventories	12	13,637.09	14,310.19
	(c) Trade receivables	13	3,746.77	2,133.68
	(d) Cash and cash equivalents	14	523.94	544.06
	(e) Short-term loans and advances	15	1,378.98	1,096.89
	(f) Other current assets	16	69.92	73.30
			<b>19,356.70</b>	18,158.12
	<b>TOTAL</b>		<b>47,868.42</b>	47,649.68
	<b>See accompanying notes forming part of the financial statements</b>			

In terms of our report attached  
For **M.A.NARASIMHAN & CO.,**  
Chartered Accountants  
ICAI FIRM REG NO:002347S  
**M.A. PARTHANARAYAN**  
Partner  
Membership No:028994  
Place : Bangalore  
Date : 30-07-2012

For and on behalf of the Board of Directors  
**MURUDESHWAR CERAMICS LIMITED**  
**R.N.SHETTY** Chairman  
**K.SUNDAR NAIK** Director  
**LAKSHMISHA BABU S.** Company Secretary  
**SATISH R. SHETTY** Managing Director & CEO  
**S.S. HIREMATH** Director

**SUNIL R. SHETTY**  
Director  
**ANNAPPAYYA K.**  
Director

**NAVEEN R. SHETTY**  
Jt. Mg. Director  
**SANKAPPA K. SHETTY**  
Director  
**N.M. HEGDE**  
Vice President (Finance) & CFO





**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2012**

Particulars		Note No.	For the year ended 31st March 2012	For the year ended 31st March 2011
<b>A</b>	<b>CONTINUING OPERATIONS</b>		₹ in lacs	₹ in lacs
1	Revenue from operations (gross)	17	19,037.34	18,582.80
	Less : Excise duty		1,130.28	1,289.80
	<b>Revenue from operations (net)</b>		<b>17,907.06</b>	<b>17,293.00</b>
2	<b>Expenses</b>			
	(a) Cost of materials consumed	18.a	3,361.47	3,051.71
	(b) Purchases of stock-in-trade	18.b	1,766.79	1,428.16
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	18.c	252.12	(1,346.01)
	(d) Employee benefits expense	19	1,655.31	1,486.71
	(e) Other expenses	20	6,656.03	7,376.59
	<b>TOTAL</b>		<b>13,691.72</b>	<b>11,997.16</b>
3	<b>Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortisation (EBITDA) (1 - 2)</b>		<b>4,215.34</b>	<b>5,295.84</b>
4	Finance cost	21	2,355.71	2,283.17
5	Depreciation and amortisation expense	12.B	1,691.28	2,539.69
6	Other income	22	96.54	38.00
7	<b>Profit / (Loss) before exceptional and extraordinary items and tax (3 - 4 - 5 + 6)</b>		<b>264.89</b>	<b>510.98</b>
8	Exceptional items		-	-
9	<b>Profit / (Loss) before extraordinary items and tax (7 - 8)</b>		<b>264.89</b>	<b>510.98</b>
10	Extraordinary items		-	-
11	<b>Profit / (Loss) before tax (9 - 10)</b>		<b>264.89</b>	<b>510.98</b>
12	<b>Tax expense:</b>			
	(a) Current tax expense for current year		53.95	109.00
	(b) (Less) : MAT credit entitlement		(55.78)	-
	(c) Current tax expense relating to prior years		-	-
	(d) Net current tax expense		(1.83)	109.00
	(e) Deferred tax Assets		110.33	127.58
	<b>TOTAL</b>		<b>(112.16)</b>	<b>(18.58)</b>
13	<b>Profit/(Loss) from continuing operations (11-12)</b>		<b>377.05</b>	<b>529.56</b>
14	<b>Profit/(Loss) for the year</b>		<b>377.05</b>	<b>529.56</b>
15	<b>Earnings per share (of ₹10/- each) :</b>		₹	₹
	(a) Basic			
	(i) Continuing operations	24.4.a	1.02	1.51
	(ii) Total operations		1.02	1.51
	<b>See accompanying notes forming part of the financial statements</b>			

In terms of our report attached  
**For M.A.NARASIMHAN & CO.,**  
Chartered Accountants  
ICAI FIRM REG NO:002347S  
**M.A. PARTHANARAYAN**  
Partner  
Membership No:028994  
Place : Bangalore  
Date : 30-07-2012

For and on behalf of the Board of Directors  
**MURUDESHWAR CERAMICS LIMITED**  
**R.N.SHETTY** Chairman  
**SATISH R. SHETTY** Managing Director & CEO  
**K.SUNDAR NAIK** Director  
**S.S. HIREMATH** Director  
**LAKSHMISHA BABU S.** Company Secretary

**SUNIL R. SHETTY**  
Director  
**ANNAPPAYYA K.**  
Director

**NAVEEN R. SHETTY**  
Jt. Mg. Director  
**SANKAPPA K. SHETTY**  
Director  
**N.M. HEGDE**  
Vice President (Finance) & CFO

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)****Note : 1 Corporate Information :**

Murudeshwar Ceramics Limited (the Company) was established during the year 1983. The Company is manufacturing Ceramic and Vitrified Tiles. The registered office of the Company is at 604/B, Murudeshwar Bhavan, Gokul Road, Hubli - 580 030 and the Corporate Office is at Naveen Complex, 7th Floor, 14, M.G. Road, Bangalore - 560 001. The Company is having 2 manufacturing plants at Krishnapur Village, Hubli and Karaikal, Pondicherry. The Company started Trading activities for outsourcing of Vitrified Tiles and Ceramic Tiles. The Company's products are branded as 'Naveen Ceramic Tiles' and 'Naveen Diamontile'. The Company is having well established marketing network all over the country.

**Note : 2 Significant Accounting Policies :****1. Basis of Preparation :**

The Company adopts generally accepted Accounting policies excepting those which have been specifically stated herein. The Financial statements have been drawn up according to the accounting standards prescribed under Section 211(3C) of The Companies Act, 1956.

Finished stock lying at the factory has been valued inclusive of excise duty which has no impact on the profits of the company. This accounting policy is in conformity with the Accounting Standard issued by the Institute of Chartered Accountants of India.

**2. Income :**

- i) Sales are net of returns and inclusive of excise duty. Sales are accounted for on despatch basis.
- ii) Other Income is accounted on accrual basis.

**3. Expenses :**

All expenditures are accounted on accrual basis after reducing any specific income attributable to such expenditure.

**4. Fixed Assets :**

Fixed Assets are stated at the historical cost which is inclusive of freight, installation cost and duties and other incidental expenses up to the date of commencement of commercial production.

Depreciation is provided on straight line basis at the rate as prescribed under Schedule XIV of The Companies Act, 1956 as amended by Notification issued by the Department of Company Affairs in this regard dated 16.12.1993.

Amounts spent on Site preparation at Quarry for mining of Clay have been capitalized under the head Building - Others and Depreciation provided accordingly.

**5. Inventories :**

Finished goods are valued at lower of cost or market value. Cost is inclusive of all overheads (including interest) incurred by the Company in bringing the goods to the finished stage. Raw materials, components and spare parts are valued at average cost. Average cost is calculated at weighted cost per unit after taking into account receipts at actual cost. Consumption and / or other stock diminution is accounted for at the aforesaid weighted cost.

**6. Investments :**

Investments are valued at cost and income thereon is accounted for when received.

**7. Gratuity :**

Gratuity has been paid through an approved gratuity fund managed by the LIC of India. Premium paid thereon is accounted as expenditure.

**8. Bonus :**

Minimum Bonus payable as per the Payment of Bonus Act has been provided in the accounts.

**9. Leave Encashment :**

Leave encashment has been determined based on the available leave entitlement at the end of each calendar year. The incremental amount so calculated each year is debited to Salaries and Wages - leave encashment.

**10. Deferred Income Tax :**

Deferred income tax is provided using the liability method on all timing differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the tax rates and tax laws substantively enacted at the balance sheet date.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 3 Share Capital**

Particulars	As at 31-03-2012		As at 31-03-2011	
	No. of Shares	₹ in lacs	No. of Shares	₹ in lacs
<b>(a) Authorised :</b>				
Equity Shares of ₹ 10/- each with voting rights	<b>5,56,20,000</b>	<b>5,562.00</b>	5,56,20,000	5,562.00
Redeemable Preference Shares of ₹100/- each	<b>16,00,000</b>	<b>1,600.00</b>	16,00,000	1,600.00
	<b>5,72,20,000</b>	<b>7,162.00</b>	5,72,20,000	7,162.00
<b>(b) Issued :</b>				
Equity Shares of ₹ 10/- each with voting rights	<b>3,68,68,779</b>	<b>3,686.88</b>	3,50,28,779	3,502.88
	<b>3,68,68,779</b>	<b>3,686.88</b>	3,50,28,779	3,502.88
<b>(c) Subscribed and fully paid up :</b>				
Equity Shares of ₹ 10/- each with voting rights	<b>3,68,68,779</b>	<b>3,686.88</b>	3,50,28,779	3,502.88
	<b>3,68,68,779</b>	<b>3,686.88</b>	3,50,28,779	3,502.88
<b>(d) Subscribed but not fully paid up :</b>				
Less : Equity Shares of ₹ 10/- each with voting rights not paid up forfeited	<b>24,857</b>	<b>2.49</b>	24,857	2.49
Add : Amount received against forfeited shares	<b>24,857</b>	<b>0.78</b>	24,857	0.78
	<b>24,857</b>	<b>1.71</b>	24,857	1.71
<b>TOTAL</b>	<b>3,68,43,922</b>	<b>3,685.17</b>	3,50,03,922	3,501.17

**Notes :** (i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh Issue	Bonus	ESOP	Conversion	Buy Back	Other Changes (give details)	Closing Balance
Equity shares with voting rights								
<b>Year ended 31-03-2012</b>								
- Number of shares	3,50,03,922	18,40,000	-	-	-	-	-	3,68,43,922
- Amount (₹ in Lacs)	3,501.17	184.00						3,685.17
<b>Year ended 31-03-2011</b>								
- Number of shares	1,75,01,961	1,75,01,961	-	-	-	-	-	3,50,03,922
- Amount (₹ in Lacs)	1,750.97	1,750.20						3,501.17

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 3 Share Capital (Contd.)**

<b>Note :</b> (ii) Details of Shares held by each Shareholder holding more than 5% Shares :				
<b>Class of Shares</b>	<b>As at 31-03-2012</b>		<b>As at 31-03-2011</b>	
	<b>No. of Shares held</b>	<b>% holding in that Class</b>	<b>No. of Shares</b>	<b>% holding in that Class</b>
Equity Shares with voting rights RNS Infrastructure Limited	<b>1,21,40,466</b>	<b>34.68</b>	25,40,466	7.26
R N Shetty(R N Shetty Family Trust)	-	-	97,74,590	27.92
<b>Details of calls unpaid</b>				
<b>Particulars</b>	<b>No. of Shares</b>	<b>(₹ in Lacs)</b>	<b>No. of Shares</b>	<b>(₹ in Lacs)</b>
<b>Equity Shares with voting rights</b> Aggregate of calls unpaid - by others	<b>24,857</b>	<b>2.49</b>	24,857	2.49
<b>Details of forfeited shares</b>				
<b>Class of Shares</b>	<b>No. of Shares</b>	<b>Amount Originally (₹ in Lacs)</b>	<b>No. of Shares</b>	<b>Amount Originally (₹ in Lacs)</b>
Equity Shares with voting rights	<b>24,857</b>	<b>2.49</b>	24,857	2.49
Amount received partly against forfeited shares	<b>24,857</b>	<b>0.78</b>	24,857	0.78

**Note 4 Reserves and Surplus**

<b>Particulars</b>	<b>31st March 2012</b>	<b>31st March 2011</b>
	<b>(₹ in Lacs)</b>	<b>(₹ in Lacs)</b>
(a) Capital reserve		
Opening balance	<b>15.02</b>	15.02
Add : Additions during the year (give details)	-	-
Less : Utilised / transferred during the year (give details)	-	-
Closing balance	<b>15.02</b>	15.02
(b) Capital redemption reserve		
Opening balance	<b>1,600.00</b>	1,600.00
Add : Additions during the year	-	-
Less : Utilised during the year (give details)	-	-
Closing balance	<b>1,600.00</b>	1,600.00
(c) Securities premium account		
Opening balance	<b>10,777.83</b>	9,027.63
Add : Premium on shares issued during the year	<b>128.80</b>	1,750.20
Less : Utilised during the year	-	-
Closing balance	<b>10,906.63</b>	10,777.83
(d) General reserve		
Opening balance	<b>12,795.85</b>	12,795.85
Add : Transferred from surplus in Statement of Profit and Loss	-	-
Less : Utilised / transferred during the year for :		
Issuing bonus shares	-	-
Others (give details)	-	-
Closing balance	<b>12,795.85</b>	12,795.85
(e) Profit & Loss Account		
Opening balance	<b>529.57</b>	-
Add : Profit / (Loss) for the year	<b>377.05</b>	529.56
Closing balance	<b>906.62</b>	529.56
<b>TOTAL</b>	<b>26,224.12</b>	25,718.26

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 5 Long-term borrowings**

Particulars	31st March 2012	31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
(a) Term loans		
From banks		
Secured	5,315.74	5,394.58
Unsecured	-	-
	5,315.74	5,394.58
From other parties		
Secured	329.54	403.14
Unsecured	298.69	259.39
	628.23	662.53
(b) Deposits		
Secured	-	-
Unsecured	13.40	27.09
	13.40	27.09
<b>TOTAL</b>	<b>5,957.37</b>	<b>6,084.20</b>

(iii) Details of terms of repayment for the other long-term borrowings and security provided in respect of the secured other long-term borrowings :

Particulars	Terms of repayment and Security	As at 31-03-2012		As at 31-03-2011	
		Secured	Unsecured	Secured	Unsecured
<b>Term loans from Banks:</b>					
Canara Bank	The Term Loans from Banks are repayable in quarterly instalments. Interest is payable on monthly basis. The Term Loans from Banks, namely Canara Bank, State Bank of India, Bank of Baroda, Indian Bank & The Lakshmi Vilas Bank Ltd are secured by first charge created on the immovable/Fixed Assets of the Company and by charges on the other movables including machinery, spares, tools, accessories and movable plant and machinery both present and future, save and except book debts and other Deferred Payment Guarantee equipments, assets hypothecated to concerned institutions/ bankers against specific finance for the same. The said charge on the movable properties of the Company in favour of these Bankers is subject to prior charges created in favour of Company's Bankers for working capital requirements. Loans from ICICI Bank Ltd, Tata Finance Ltd, Sundaram Finance Ltd, HDFC Bank Ltd for specific assets are secure against hypothecation of specific items of assets financed for. Loan from LIC of India is against pledge of Key-Man policy. All the secured and unsecured loans other than public deposits have been further secured by way of Personal Guarantees of two Promoter Directors of the Company to the extent applicable.	2,588.77	-	2,653.32	-
State Bank of India		1,662.52	-	1,681.33	-
Bank of Baroda		610.74	-	609.63	-
Indian Bank		390.58	-	388.20	-
The Lakshmi Vilas Bank Ltd		63.13	-	62.10	-
<b>TOTAL-Term loans from Banks</b>		<b>5,315.74</b>	<b>-</b>	<b>5,394.58</b>	<b>-</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**
**Note 5 Long-term borrowings (Contd.)**

Particulars	Terms of repayment and Security	As at 31-03-2012		As at 31-03-2011	
		Secured	Unsecured	Secured	Unsecured
<b>Term loans from other parties:</b>					
ICICI Ltd		3.50	108.50	8.58	111.68
Kotak Mahindra Ltd		1.26	-	2.00	-
Sundaram Finance Ltd.		58.86	-	68.20	-
H D F C Bank		3.20	-	15.11	-
Tata Motor Finance Ltd		-	-	29.19	-
SBI Global Factors Ltd		262.72	-	278.14	-
L I C of India		-	190.19	-	147.71
Axis Bank Ltd.,		-	-	1.92	-
Total-Term loans from other parties		329.54	298.69	403.14	259.39
<b>Deposits :</b>					
Public deposits		-	13.40	-	27.09
Inter-corporate deposit 1		-	-	-	-
Inter-corporate deposit 2		-	-	-	-
TOTAL - Deposits		-	13.40	-	27.09
<b>TOTAL</b>		<b>5,645.28</b>	<b>312.09</b>	<b>5,797.72</b>	<b>286.48</b>

**Note 6 Short-term borrowings**

Particulars	31st March 2012	31st March 2011
(a) Loans repayable on demand	(₹ in Lacs)	(₹ in Lacs)
From Banks		
Secured	7,617.06	8,019.24
Unsecured	-	-
	7,617.06	8,019.24

Note : (i) Details of security for the secured short-term borrowings:

Particulars	Nature of Security	As at 31-03-2012	As at 31-03-2011
		(₹ in Lacs)	(₹ in Lacs)
<b>Loans repayable on demand from Banks:</b>			
Canara Bank	The Cash Credit and other working capital facilities from the consortium of Bankers namely, Canara Bank, State Bank of India, Bank of Baroda, Axis Bank Ltd., Oriental Bank of Commerce & The Lakshmi Vilas Bank Ltd, are secured by way of hypothecation of Raw materials, Stock in Process, Finished Goods, Book Debts and Goods meant for export on pari-passu basis and further secured by way of second & subsequent charge on the whole of the immovable/Fixed Assets of the Company. These borrowings are further secured by way of Personal Guarantees of two Promoter Directors of the Company to the extent applicable.	2,024.55	2,116.73
State Bank of India		1,625.44	1,542.96
Bank of Baroda		1,063.97	932.76
Axis Bank Ltd.,		2,040.85	2,473.21
Oriental Bank of Commerce		604.45	601.22
The Lakshmi Vilas Bank Ltd		257.80	352.36
TOTAL - from Banks		7,617.06	8,019.24

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 7 Trade Payables**

Particulars	As at 31-03-2012	As at 31-03-2011
	(₹ in Lacs)	(₹ in Lacs)
Trade Payables :		
Acceptances	2,399.54	2,495.73
Other than Acceptances	-	-
<b>TOTAL</b>	<b>2,399.54</b>	<b>2,495.73</b>

**Note 8 Other Current Liabilities**

Particulars	As at 31-03-2012	As at 31-03-2011
	(₹ in Lacs)	(₹ in Lacs)
(a) Interest accrued but not due on borrowings	4.18	4.71
(b) Unpaid dividends	24.10	25.14
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax etc.)	362.87	349.29
(ii) Contractually reimbursable expenses	4.13	6.65
(iii) Trade / security deposits received	88.85	97.65
(iv) Advances from customers	320.94	304.65
(v) Salary & Wages payable	152.91	93.89
(vi) Outstanding Liabilities for Expenses	251.84	186.08
<b>TOTAL</b>	<b>1,209.82</b>	<b>1,068.06</b>

**Note 9 Short - term Provisions**

Particulars	31st March 2012	31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
(a) Provision for employee benefits :		
(i) Provision for bonus	17.14	17.15
	17.14	17.15
(b) Provision - Others :		
(i) Provision for tax (net of advance tax ₹ Nil (As at 31st March, 2011 ₹ 62.93 Lacs)	-	46.07
	-	46.07
<b>TOTAL</b>	<b>17.14</b>	<b>63.22</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 10 Non-Current Investments**

Particulars	31st March 2012			31st March 2011		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	₹	₹	₹	₹	₹	₹
(a) Investment in equity instruments						
(i) of associates						
14,89,400 (As at 31 March, 2011:14,89,400)						
shares of ₹ 10/- each fully paid up in						
Murudeshwar Power Corporation Ltd.	-	297.88	297.88	-	297.88	297.88
(ii) of other entities						
20,000 (As at 31 March, 2011: 20,000)						
shares of ₹ 10/- each fully paid up in						
Murudeshwar Decor Ltd.	-	2.00	2.00	-	2.00	2.00
		299.88	299.88		299.88	299.88
(b) Other non-current investments - National Savings Certificate	-	0.49	0.49	-	0.51	0.51
<b>TOTAL</b>	-	300.37	300.37	-	300.39	300.39
Less : Provision for diminution in value of investments			-			-
<b>TOTAL</b>	-	-	300.37	-	-	300.39
Aggregate amount of quoted investments	-	-	-	-	-	-
Aggregate market value of listed and quoted investments	-	-	-	-	-	-
Aggregate value of listed but not quoted investments	-	-	300.37	-	-	300.39
Aggregate amount of unquoted investments	-	-	-	-	-	-

**Note 11 Long- term Loans and Advances**

Particulars	As at 31.03.2012	As at 31.03.2011
	₹	₹
(a) MAT credit entitlement - Unsecured, considered good	55.78	-
(b) Other loans and advances		
Secured, considered good	-	-
Unsecured, considered good	14.70	14.70
	70.48	14.70
Less : Provision for other doubtful loans and advances	-	-
<b>TOTAL</b>	70.48	14.70

**Note 12 INVENTORIES**

(At lower of cost and net realisable value)

Particulars	As at 31.03.2012	As at 31.03.2011
	(₹ in Lacs)	(₹ in Lacs)
(a) Raw materials	3,670.78	3,783.15
(b) Work-in-progress (Refer Note below)	3,203.85	3,046.53
(c) Finished goods (other than those acquired for trading)	4,910.49	5,214.01
(d) Stock-in-trade (acquired for trading)	198.51	304.43
(e) Stores and spares	1,646.82	1,956.67
(f) Loose tools	6.64	5.40
<b>TOTAL</b>	13,637.09	14,310.19
Note : Details of inventory of work-in-progress		
Ceramic Tiles	228.90	390.96
Vitrified Tiles	2,737.33	2,417.96
Natural Granite	237.62	237.61
	3,203.85	3,046.53



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 12 Fixed Assets**

A.	TANGIBLE ASSETS	GROSS BLOCK									Balance as at 31 March 2012
		Balance as at 1 April 2011	Additions	Disposals	Acquisitions through Business Combinations	Reclassified as held for Sale	Revaluation Increase	Effect of Foreign Currency Exchange differences	Borrowing Cost Capitalised	Other Adjustments	
		(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	
(a)	Land										
	Freehold	257.25	0.40	-	-	-	-	-	-	-	257.65
	Leasehold	9.61	-	-	-	-	-	-	-	-	9.61
(b)	Buildings										
	Own use	8,815.12	370.62	-	-	-	-	-	-	-	9,185.74
(c)	Plant and Equipment										
	Owned	42,550.58	106.09	-	-	-	-	-	-	-	42,656.67
(d)	Furniture and Fixtures										
	Owned	600.89	102.68	-	-	-	-	-	-	-	703.57
(e)	Vehicles										
	Owned	430.30	1.14	4.49	-	-	-	-	-	-	426.95
(f)	Office equipment										
	Owned	104.04	1.64	-	-	-	-	-	-	-	105.68
(g)	Computers										
	Owned	214.74	31.83	0.70	-	-	-	-	-	-	245.87
	<b>TOTAL</b>	<b>52,982.53</b>	<b>614.40</b>	<b>5.19</b>	-	-	-	-	-	-	<b>53,591.74</b>
	Previous year	52,069.24	924.51	11.23	-	-	-	-	-	-	52,982.52



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 13 Trade receivables**

Particulars	As at 31.03.2012 (₹ in Lacs)	As at 31.03.2011 (₹ in Lacs)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured, considered good	-	-
Unsecured, considered good	767.62	493.93
Doubtful	-	-
	<b>767.62</b>	493.93
Less : Provision for doubtful trade receivables	-	-
	<b>767.62</b>	493.93
Other Trade receivables		
Secured, considered good	-	-
Unsecured, considered good	2,979.15	1,639.75
Doubtful	-	-
	<b>2,979.15</b>	1,639.75
Less : Provision for doubtful trade receivables	-	-
	<b>2,979.15</b>	1,639.75
<b>TOTAL</b>	<b>3,746.77</b>	2,133.68
Note: Trade receivables include debts due from :		
Private companies in which any director is a director or member		
- RNS Infrastructure Limited	2,116.89	1.25
	<b>2,116.89</b>	1.25

**Note 14 Cash and Cash Equivalent**

Particulars	As at 31.03.2012 (₹ in Lacs)	As at 31.03.2011 (₹ in Lacs)
(a) Cash on hand	21.49	31.82
(b) Balances with Banks		
(i) In current accounts	213.95	191.40
(ii) In deposit accounts	7.78	10.50
(iii) In earmarked accounts		
- Unpaid dividend accounts	24.14	25.28
- Balances held as margin money or security against borrowings, guarantees and other commitments	256.58	285.06
<b>TOTAL</b>	<b>523.94</b>	544.06

**Note :** (i) Balances with banks include deposits amounting to ₹ 7.78 Lacs (As at 31 March, 2011 ₹ 10.50 Lacs) which have an original maturity of more than 12 months.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 15 Short Term Loans and Advances**

Particulars	As at 31.03.2012 (₹ in Lacs)	As at 31.03.2011 (₹ in Lacs)
(a) Security deposits		
Secured, considered good	-	-
Unsecured, considered good	520.63	497.14
Doubtful	-	-
	<b>520.63</b>	497.14
Less : Provision for doubtful deposits	-	-
	<b>520.63</b>	497.14
(b) Loans and advances to employees		
Secured, considered good	-	-
Unsecured, considered good	358.28	187.50
Doubtful	-	-
	<b>358.28</b>	187.50
Less : Provision for doubtful loans and advances	-	-
	<b>358.28</b>	187.50
(c) Prepaid expenses - Unsecured, considered good	51.26	59.92
(d) Balances with government authorities		
Unsecured, considered good		
(i) CENVAT credit receivable	64.30	83.44
(ii) VAT credit receivable	3.09	-
(iii) Service Tax credit receivable	108.31	92.16
	<b>175.70</b>	175.60
(e) Others - Advances		
Unsecured, considered good		
For supply of goods and rendering services	245.05	176.73
Advance Payment of Income Tax (net of provision for tax ₹ 53.95 lacs)	28.06	-
	<b>273.11</b>	176.73
Less : Provision for other doubtful loans and advances	-	-
	<b>273.11</b>	176.73
<b>TOTAL</b>	<b>1,378.98</b>	1,096.89

**Note 16 Other Current Assets**

Particulars	As at 31.03.2012 (₹ in Lacs)	As at 31.03.2011 (₹ in Lacs)
(a) Unamortised expenses		
(i) Miscellaneous Expenses	34.10	45.47
(b) Accruals		
(i) Interest accrued on deposits	27.25	20.23
(c) Others		
(iii) Contractually reimbursable expenses	8.57	7.60
<b>TOTAL</b>	<b>69.92</b>	73.30



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 17 Revenue from Operations**

	Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
		(₹ in Lacs)	(₹ in Lacs)
(a)	Sale of products	15,871.65	16,805.41
(b)	Sale of services	3,128.98	1,751.35
(c)	Other operating revenues	36.71	26.04
		<b>19,037.34</b>	<b>18,582.80</b>
	<u>Less:</u>		
(d)	Excise duty	1,130.28	1,289.80
	<b>TOTAL</b>	<b>17,907.06</b>	<b>17,293.00</b>
<b>Note</b>			
(i)	Sale of products comprises		
	<b>MANUFACTURED GOODS</b>		
	Ceramic Tiles	1,594.65	3,452.56
	Vitrified Tiles	12,042.96	11,395.13
	Granite Slabs	-	15.74
	<b>Total - Sale of manufactured goods</b>	<b>13,637.61</b>	<b>14,863.43</b>
	<b>TRADED GOODS</b>		
	Vitrified Tiles	988.54	1,330.99
	Ceramic Wall Tiles	1,245.50	610.99
	<b>TOTAL - Sale of traded goods</b>	<b>2,234.04</b>	<b>1,941.98</b>
	<b>TOTAL - Sale of products</b>	<b>15,871.65</b>	<b>16,805.41</b>
(ii)	Sale of services comprises		
	Service - Earth Work	2,815.09	1,751.35
	Service - Road Work	313.89	-
	<b>TOTAL - Sale of services</b>	<b>3,128.98</b>	<b>1,751.35</b>
(iii)	Other operating revenues comprise :		
	Sale of Scraps	34.39	17.72
	Trasportation, Loading & Unloading	2.32	8.32
	<b>TOTAL - Other operating revenues</b>	<b>36.71</b>	<b>26.04</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 18 a Cost of Materials Consumed**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
Opening stock	3,783.15	3,049.08
Add : Purchases	3,249.10	3,785.78
	7,032.25	6,834.86
Less : Closing stock	3,670.78	3,783.15
<b>Cost of material consumed</b>	<b>3,361.47</b>	<b>3,051.71</b>
Material consumed comprises :		
Clay	2,578.14	2,014.65
Glaze & Pigments	412.95	759.60
Packing Material	300.71	245.34
Other items	69.67	32.12
<b>TOTAL</b>	<b>3,361.47</b>	<b>3,051.71</b>

**Note 18.b Purchase of traded goods**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
Traded goods - Vitrified Tiles	770.74	828.11
Traded goods - Ceramic Wall Tiles	996.05	600.05
<b>TOTAL</b>	<b>1,766.79</b>	<b>1,428.16</b>

**Note 18.c Changes in inventories of finished goods, work-in-progress and stock-in-trade**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
<b>INVENTORIES AT THE END OF THE YEAR :</b>		
Finished goods	4,910.49	5,214.01
Work-in-progress	3,203.85	3,046.53
Stock-in-trade	198.51	304.43
	8,312.85	8,564.97
<b>INVENTORIES AT THE BEGINNING OF THE YEAR :</b>		
Finished goods	5,214.01	4,607.73
Work-in-progress	3,046.53	2,524.07
Stock-in-trade	304.43	87.16
	8,564.97	7,218.96
<b>Net (increase) / decrease</b>	<b>252.12</b>	<b>(1,346.01)</b>

**Note 19 Employee Benefits Expense**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
Salaries and Wages	1,093.52	1,016.81
Contributions to provident fund and other funds	119.42	94.59
Staff welfare expenses	442.37	375.31
<b>TOTAL</b>	<b>1,655.31</b>	<b>1,486.71</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 20 Other Expenses**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
Consumption of stores and spare parts	1,035.41	1,001.95
Consumption of loose tools	0.94	4.82
Increase / (decrease) of excise duty on inventory	102.39	40.23
Subcontracting	180.43	-
Power and Fuel	3,034.80	3,731.72
Rent including lease rentals	217.76	206.95
Repairs and maintenance - Buildings	19.37	26.63
Repairs and maintenance - Machinery	28.48	14.45
Repairs and maintenance - Others	154.47	197.13
Insurance	136.55	101.19
Rates and taxes	60.70	71.52
Communication	56.66	58.34
Travelling and conveyance	371.85	325.96
Printing and stationery	34.48	30.59
Freight and forwarding	960.69	1,231.45
Sales commission	55.57	71.49
Sales discount	63.28	90.38
Business promotion	3.53	8.78
Donations and contributions	1.19	0.17
Legal and professional	25.84	21.91
Payments to auditors	5.00	3.75
Directors Sitting Fees	1.35	1.20
Advertisement & Publicity	9.16	22.32
Sales Promotion Expenses	10.86	9.21
Selling & Distribution expenses-Others	32.48	61.41
Security Charges	10.67	10.41
Amortisation of share issue expenses and discount on shares	13.80	11.37
Loss on fixed assets sold / scrapped	2.46	0.48
Miscellaneous expenses	25.86	20.78
<b>TOTAL</b>	<b>6,656.03</b>	<b>7,376.59</b>
<b>Notes</b>		
<b>(i) Payments to the Auditors comprises</b>		
As auditors - statutory audit	2.50	1.75
For taxation matters	0.50	0.50
For management services	0.50	0.25
Reimbursement of expenses	1.50	1.25
<b>TOTAL</b>	<b>5.00</b>	<b>3.75</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 21 Finance Cost**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
(a) Interest expenses on :		
(i) Borrowings	2,006.68	1,986.42
(ii) Trade payables	158.41	141.96
(iii) Others		
- Interest on delayed / deferred payment of income tax	-	-
- Security deposits	5.59	5.74
(b) Other borrowing costs	185.03	149.05
<b>TOTAL</b>	<b>2,355.71</b>	<b>2,283.17</b>

**Note 22 Other Income**

Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
	(₹ in Lacs)	(₹ in Lacs)
(a) Interest income	30.56	24.41
(b) Dividend income : associates	7.45	7.45
(c) Other non-operating income (net of expenses directly attributable to such income)	58.53	6.14
<b>TOTAL</b>	<b>96.54</b>	<b>38.00</b>

Note	Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
		(₹ in Lacs)	(₹ in Lacs)
(i)	Interest income comprises :		
	Interest from banks on : deposits	30.56	24.41
	<b>TOTAL - Interest income</b>	<b>30.56</b>	<b>24.41</b>
(ii)	Other non-operating income comprises :		
	Insurance Claim received	2.63	5.62
	Profit on sale of fixed assets (net of expenses directly attributable)	0.03	0.03
	Prior period items (net) (Refer Note (iii) below)	55.82	-
	Miscellaneous income [net of expenses directly attributable]	0.05	0.49
	<b>TOTAL - Other non-operating income</b>	<b>58.53</b>	<b>6.14</b>
(iii)	Details of prior period items (net)		
	Prior period income - VAT Refund	55.82	-
	Prior period expenses	-	-
	<b>TOTAL</b>	<b>55.82</b>	<b>-</b>



**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 23 Additional Information to the Financial Statements**

Note	Particulars	As at 31st March 2012 (₹ in Lacs)	As at 31st March 2011 (₹ in Lacs)
23.1	<p><b>Monies received against share warrants</b></p> <p>As approved by the shareholder at the Extra Ordinary General Meeting held on March 14, 2012, the Board of Directors at their meeting held on March 21, 2012 allotted 18,40,000 Equity Shares &amp; 39,70,000 Convertible Share Warrants at a price of ₹17/- per Equity Share &amp; per Convertible Share Warrants in accordance with SEBI Guidelines to Murdeshwar Power Corporation Ltd. 25% Price of convertible Share Warrants which amounts to ₹ 1,68,72,500/- was received by them. The warrants may be converted into equivalent number of shares on payment of the balance amount at any time on or before eighteen months from the date of issue of warrant. In the event the warrants are not converted into shares within the said period, the Company is eligible to forfeit the amounts received towards the warrants.</p>		
23.2	<p><b>Contingent liabilities and commitments (to the extent not provided for)</b></p> <p>(i) Contingent liabilities</p> <p>(a) Claims against the Company not acknowledged as debt (give details)</p> <p>(b) Guarantees</p> <p>(c) Letters of Credit established with Banks</p> <p>(ii) Commitments</p> <p>(a) Estimated amount of contracts remaining to be executed on capital account and not provided for Tangible assets</p>	<p><b>255.90</b></p> <p><b>1,272.07</b></p> <p><b>25.22</b></p>	<p>-</p> <p>239.88</p> <p>1,794.43</p> <p>33.60</p>
23.3	<p><b>Details of unutilised amounts out of issue of securities made for specific purpose</b></p> <p>The Company had issued securities (Equity Share and Share Warrants) amounting to ₹ 4,81,52,500 for purposes clearing high cost debt and working capital needs of the Company.</p>		
23.4	<p><b>Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006</b></p> <p>(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year</p> <p>(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year</p> <p>(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day</p> <p>(iv) The amount of interest due and payable for the year</p> <p>(v) The amount of interest accrued and remaining unpaid at the end of the accounting year</p> <p>(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid</p>	<p><b>203.86</b></p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>98.69</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>
	<p>Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.</p>		

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**
**Note 23 Additional Information to the Financial Statements (Contd.)**

23.5	<b>Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges</b>			
	Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such parties:			
	<b>Name of the Party</b>	<b>Relationship</b>	<b>Amount outstanding as at 31.03.2012</b>	<b>Maximum Balance Outstanding during the year</b>
			(₹ in Lacs)	(₹ in Lacs)
	Murdeswar Power Corporation Ltd.		297.88 (297.88)	297.88 (297.88)
	Note: Figures in bracket relate to the previous year.			
	ii. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :			
	<b>As at 31st March 2012</b>		<b>As at 31st March 2011</b>	
	<b>Payable</b>	<b>Payable in Foreign Currency</b>	<b>Payable</b>	<b>Payable in Foreign Currency</b>
	(₹ in Lacs)	(indicate amount with Currency)	(₹ in Lacs)	(indicate amount with Currency)
	480.01	US\$ 9,43,508	656.40	US\$ 12,90,225
	<b>Particulars</b>		<b>For the year ended 31st March 2012</b>	<b>For the year ended 31st March 2011</b>
			(₹ in Lacs)	(₹ in Lacs)
23.6	<b>Value of imports calculated on CIF basis :</b>			
	Raw materials		1,004.77	1,018.40
	Components		233.30	397.48
	Spare parts		162.69	284.96
	Total Components and spare parts		395.99	682.44
	Capital goods		35.00	116.30
23.7	<b>Expenditure in foreign currency :</b>			
	Travel		3.81	7.67
23.8	<b>Details of consumption of imported and indigenous items *</b>		<b>For the year ended 31st March 2012</b>	
			(₹ in Lacs)	%
	<b>IMPORTED</b>			
	Raw materials		1,020.94 (794.91)	62.97% (60.91%)
	Components		404.01 (342.98)	24.92% (26.28%)
	Spare parts		196.35 (167.13)	12.11% (12.81%)
	<b>TOTAL</b>		<b>1,621.30</b> (1,305.02)	<b>100.00%</b> (100.00%)
	<b>INDIGENOUS</b>			
	Raw materials		2,336.21 (2,252.21)	84.27% (81.93%)
	Components		222.26 (230.12)	8.02% (8.37%)
	Spare parts		213.74 (266.54)	7.71% (9.70%)
	<b>TOTAL</b>		<b>2,772.21</b> (2,748.87)	<b>100.00%</b> (100.00%)

Note : Figures / percentages in brackets relates to the previous year.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 24 Disclosures under Accounting Standards**

Note		Year ended 31st March 2012	Year ended 31st March 2011
24.1	<b>Employee benefit plans</b>		
24.1.a	<b>DEFINED CONTRIBUTION PLANS</b> The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 39.41 lacs (Year ended 31 March, 2011 ₹ 38.19 lacs) for Provident Fund contributions and ₹ 8.72 lacs (Year ended 31 March, 2011 ₹ 8.13 lacs) for Superannuation Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.		
24.1.b	<b>DEFINED BENEFIT PLANS</b> The Company offers the following employee benefit schemes to its employees : i. <b>Gratuity</b> : The following table sets out the funded status of the defined benefit schemes and the amount recognised in the financial statements :		
	<b>Particulars</b>	<b>Gratuity</b>	<b>Gratuity</b>
	<b>Components of employer expense</b>		
	Current service cost	14.08	14.97
	Interest cost	14.36	7.25
	Expected return on plan assets	(9.18)	(8.38)
	Curtailment cost / (credit)	-	-
	Settlement cost / (credit)	-	-
	Past service cost	-	-
	Actuarial losses/(gains)	(13.75)	148.45
	<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>4.30</b>	<b>162.29</b>
	<b>Actual contribution and benefit payments for year</b>		
	Actual benefit payments	18.14	15.19
	Actual contributions	9.05	24.90
	<b>Net asset / (liability) recognised in the Balance Sheet</b>		
	Present value of defined benefit obligation	152.66	156.22
	Fair value of plan assets	115.38	114.19
	Funded status [Surplus / (Deficit)]	(37.28)	(42.03)
	Unrecognised past service costs	-	-
	<b>Net asset / (liability) recognised in the Balance Sheet</b>	<b>(37.28)</b>	<b>(42.03)</b>
	<b>Change in defined benefit obligations (DBO) during the year</b>		
	Present value of DBO at beginning of the year	156.22	-
	Current service cost	14.08	14.97
	Interest cost	14.36	7.25
	Curtailment cost / (credit)	-	-
	Settlement cost / (credit)	-	-
	Plan amendments	-	-
	Acquisitions	-	-
	Actuarial (gains) / losses	(13.86)	149.19
	Past service cost	-	-
	Benefits paid	(18.14)	(15.19)
	Present value of DBO at the end of the year	152.66	156.22
	<b>Change in fair value of assets during the year</b>		
	Plan assets at beginning of the year	114.19	95.36
	Acquisition adjustment	-	-
	Expected return on plan assets	9.18	8.38
	Actual company contributions	9.05	24.90
	Actuarial gain / (loss)	1.10	0.74
	Benefits paid	(18.14)	(15.19)
	Plan assets at the end of the year	115.38	114.19
	Actual return on plan assets	-	-
	<b>Composition of the plan assets is as follows:</b>		
	Government bonds	-	-
	PSU bonds	-	-
	Equity mutual funds	-	-
	Others	115.38	114.19
	<b>Actuarial assumptions</b>		
	Discount rate	8.00%	8.00%
	Expected return on plan assets	8.00%	8.00%
	Salary escalation	5.00	5.00

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 24 Disclosures under Accounting Standards (Contd.)**

Note	For the Year ended 31 March, 2012						
24.2	<p><b>Segment information</b></p> <p>The Company has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily Ceramic Tiles and Vitrified Tiles. Revenues and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly identifiable to each reportable segment have been allocated on the basis of associated revenues of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets that are used interchangeably amongst segments are not allocated to primary and secondary segments. Geographical revenues are allocated based on the location of the customer. Geographic segments of the Company are Americas (including Canada and South American countries), Europe, India and others.</p>						
		For the Year ended 31 March, 2012					
	PARTICULARS	Business Segments					Total
		Ceramic Tiles	Vitrified Tiles	Trading	Granite Slab	Services	
		(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)	(₹ in Lacs)
	Revenue	1,594.65	12,042.96	2,234.04	-	3,128.98	19,000.63
	Inter-segment revenue	-	36.71	-	-	-	36.71
	Total	1,594.65	12,079.67	2,234.04	-	3,128.98	19,037.34
	Less : Excise	(128.85)	(1,001.43)	-	-	-	(1,130.28)
	Net Revenue	1,465.80	11,078.24	2,234.04	-	3,128.98	17,907.06
	Segment result	(155.87)	259.47	24.09	(58.04)	112.51	182.16
	Unallocable expenses (net)	-	-	-	-	-	13.80
	Operating income	-	-	-	-	-	-
	Other income (net)	-	-	-	-	-	96.53
	Profit before taxes	-	-	-	-	-	264.89
	Tax expense	-	-	-	-	-	53.95
	Net profit for the year	-	-	-	-	-	210.94
	Segment assets	6,879.48	36,550.38	879.09	1,798.45	1,458.90	47,566.30
	Unallocable assets	-	-	-	-	-	-
	Total assets	6,879.48	36,550.38	879.09	1,798.45	1,458.90	47,566.30
	Segment liabilities	1,443.61	14,537.67	622.43	-	597.20	17,200.91
	Unallocable liabilities	-	-	-	-	-	-
	Total liabilities	1,443.61	14,537.67	622.43	-	597.20	17,200.91
	<b>OTHER INFORMATION</b>						
	Capital expenditure (allocable)	5,535.24	20,913.78	-	1,186.16	505.69	28,140.86
	Capital expenditure (unallocable)	-	-	-	-	-	-
	Depreciation and amortisation (allocable)	75.48	1,156.81	-	58.04	400.96	1,691.28

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**

**Note 24 Disclosures under Accounting Standards (Contd.)**

Note	Particulars		
24.3	<b>Related party transactions</b>		
	<b>Details of related parties:</b>		
	<b>Description of relationship</b>		
	Associates	RNS Infrastructure Ltd Murdeswar Power Corporation Ltd. Naveen Hotels Ltd RNS Motors Ltd R N Shetty Trust R N S Trust	
	Key Management Personnel (KMP)	Dr. R N Shetty Shri Satish R Shetty Shri Sunil R Shetty Shri Naveen R Shetty	
	Key Management Personnel /Relatives of Key Management Personnel	Same as above	
	Company in which KMP / Relatives of KMP can exercise significant influence	Above mentioned Associate Companies	
	Note : Related parties have been identified by the Management.		
	<b>Details of related party transactions during the year ended 31 March, 2012 and balances outstanding as at 31 March, 2012 :</b>	<b>Associates</b>	<b>Relatives of Key Management Personnel</b>
		<b>Total</b>	
	Purchase of goods	381.02 (303.47)	381.02 (303.47)
	Sale of goods	126.34 (181.24)	126.34 (181.24)
	Purchase of fixed assets	-	-
	Rendering of services :		
	- RNS Infrastructure Limited	2,411.28 (1,716.33)	2,411.28 (1,716.33)
	- Others	347.94 (-)	347.94 (-)
	Receiving of services	6.23 (1.52)	6.23 (1.52)
	<b>Balances outstanding at the end of the year</b>		
	Trade receivables	2,277.81 (218.73)	2,277.81 (218.73)
	Trade payables	133.07 (208.85)	133.07 (208.85)
	Note: Figures in bracket relates to the previous year		

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**
**Note 24 Disclosures under Accounting Standards (Contd.)**

Note	Particulars	For the year ended 31st March 2012	For the year ended 31st March 2011
		(₹ in Lacs)	(₹ in Lacs)
24.4	<b>Earnings per share</b> Basic		
24.4.a	<b>Continuing operations</b>		
	Net profit / (loss) for the year from continuing operations	3,77,05,321	5,29,55,837
	Less: Preference dividend and tax thereon	-	-
	Net profit / (loss) for the year from continuing operations attributable to the equity shareholders	3,77,05,321	5,29,55,837
	Weighted average number of equity shares	3,68,43,922	3,50,03,922
	Par value per share	10	10
	Earnings per share from continuing operations - Basic	1.02	1.51
24.5	<b>Deferred tax (liability) / asset</b>		
	<b>Tax effect of items constituting deferred tax liability</b>	589.47	699.80
	On difference between book balance and tax balance of fixed assets	-	-
	On expenditure deferred in the books but allowable for tax purposes	-	-
	On items included in "Reserves and surplus pending amortisation into the Statement of Profit and Loss	-	-
	Others	-	-
	<b>Tax effect of items constituting deferred tax liability</b>	589.47	699.80
	<b>Tax effect of items constituting deferred tax assets</b>		
	Provision for compensated absences, gratuity and other employee benefits	-	-
	Provision for doubtful debts / advances	-	-
	Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961	-	-
	On difference between book balance and tax balance of fixed assets	-	-
	Unabsorbed depreciation carried forward	-	-
	Brought forward business losses	-	-
	On items included in Reserves and surplus pending amortisation into the Statement of Profit and Loss	-	-
	Others	-	-
	Tax effect of items constituting deferred tax assets	-	-
	<b>Net deferred tax (liability) / asset</b>	589.47	699.80
	The Company has recognised deferred tax asset on unabsorbed depreciation to the extent of the corresponding deferred tax liability on the difference between the book balance and the written down value of fixed assets under Income Tax.		

**Note 25 Previous Year's Figures**

Note	PARTICULARS
25	The revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.



**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET  
FOR THE PERIOD FROM APRIL 2011 to MARCH 2012**

(₹ in lacs)

	2011-12	2010-11
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before tax & extra - ordinary items	264.89	511.28
Adjustments for :		
Depreciation	1,691.28	2,539.69
Interest paid	2,355.71	2,134.12
Preliminary Expenses written off	11.37	11.37
Loss on Sale of fixed assets	2.46	0.48
Profit on Sale of Assets	(0.03)	(0.03)
Interest Income on Investments	(30.56)	(24.41)
Dividend received	(7.45)	(7.45)
<b>Operating profit before working capital changes</b>	<b>4,287.68</b>	5,165.05
Adjustments for :		
Decrease / (Increase) in Inventories	673.10	(2,085.31)
Decrease / (Increase) in Trade receivables	(1,613.09)	118.58
Increase / (decrease) in Trade Payables	(96.19)	-
Decrease/(Increase) in Short term loans & advances	(254.09)	(47.87)
Decrease/(Increase) in Other Current Assets	3.38	-
Decrease/(Increase) in Long Term Loans & Advances	-	-
Increase / (decrease) in Other Current Liabilities	141.75	66.03
Increase / (decrease) in Short Term Provisions	(0.01)	-
Cash generated from operations	3,142.53	3,216.48
Taxes paid	(139.16)	(37.76)
<b>Net Cash from Operating Activities (before extra - ordinary item)</b>	<b>3,003.37</b>	3,178.72
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(658.32)	(1,012.07)
Sale of fixed assets	-	5.67
Interest received	30.56	24.41
Dividend received	7.45	7.45
Sale of Investments	0.02	-
<b>Net cash flow from investing activities</b>	<b>(620.29)</b>	(974.54)

**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET  
FOR THE PERIOD FROM APRIL 2011 to MARCH 2012 (Contd.)**

(₹ in lacs)

	2011-12		2010-11	
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Long term Borrowings repaid	(126.83)		(3,354.24)	
Short Term Borrowings repaid	(402.18)		(85.43)	
Proceeds from Issue of Share Capital	312.80		3,500.39	
Issue of Share Warrants	168.73		(56.84)	
Dividend paid	-			
Interest paid	(2,355.71)		(2,134.12)	
<b>Net cash used in Financial activities</b>		<b>(2,403.19)</b>		<b>(2,130.24)</b>
Net Increase in cash and cash Equivalents		<b>(20.11)</b>		73.94
Cash and Cash Equivalents as on 01.04.2011		<b>544.06</b>		470.12
<b>Cash and Cash Equivalents as on 31.03.2012</b>		<b>523.95</b>		<b>544.06</b>

**NOTES TO THE CASH FLOW STATEMENT**

**CASH AND CASH EQUIVALENT :**

Cash and cash equivalents consists of cash on hand and balances with Banks and Investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following Balance Sheet amounts.

	<u>2011-12</u>	<u>2010-11</u>
Cash on hand and balances with Banks	<b>523.95</b>	544.06
Short Term investments	-	-
Cash and cash equivalents effect of changes in Exchange rates	-	-
<b>Cash and cash equivalents as restated</b>	<b>523.95</b>	<b>544.06</b>

By Order of the Board  
**For MURUDESHWAR CERAMICS LIMITED**

**R.N.SHETTY**  
*Chairman*

**SATISH R. SHETTY**  
*Managing Director & CEO*

**SUNIL R. SHETTY**  
*Director*

**NAVEEN R. SHETTY**  
*Jt. Mg. Director*

**K.SUNDAR NAIK**  
*Director*

**S.S. HIREMATH**  
*Director*

**ANNAPPAYYA K.**  
*Director*

**SANKAPPA K. SHETTY**  
*Director*

Place : Bangalore  
Date : 30-07-2012

**LAKSHMISHA BABU S.**  
*Company Secretary*

**N.M. HEGDE**  
*Vice President (Finance) & CFO*

**CERTIFICATE**

We have examined the above Cash Flow Statement of Murudeshwar Ceramics Ltd., for the year ended 31.03.2012 and certify that the said statement has been prepared by the Company in accordance with Accounting Standard-3 issued by the Institute of Chartered Accountants of India and as per requirements of Listing Agreements with Stock Exchanges and is based on and is in agreement with the Profit & Loss Account and Balance Sheet of the Company for the year ended on 31.03.2012.

Place : Bangalore  
Date : 30-07-2012

**For M.A.NARASIMHAN & CO.,**  
*Chartered Accountants*  
ICAI FIRM REG NO:002347S  
**M.A. PARTHANARAYAN**  
*Partner*  
Membership No:028994