



# BUILDING A STRONGER ENTERPRISE

**NITCO**  
LIMITED  
Annual Report 2011-12

## Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could


cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.



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**F**or a number of years, we had strengthened our business through a combination of manufacture and prudent outsourcing.

This business model worked well for our Company. We reported handsome profits in 45 years out of the 47 years of our existence. During this period, we emerged as one of the highest margin tile companies India.

In 2011-12, we reported a loss of Rs. 55.45 crore on account of a sharp fluctuation in the value of the Indian currency.

At Nitco, we are capitalising on this experience to create a stronger and progressively de-risked company with the objective to return the Company to profits, high margins and enhanced shareholder value.

**“IF IT IS INNOVATIVE, IT MUST BE FROM NITCO.”**

**THIS ONE LINE VOICED BY OUR TILE AND MARBLE CUSTOMERS ACROSS THE COUNTRY HAS UNDERLINED WHAT WE HAVE ALWAYS STOOD FOR – A PRIDE-ENHANCING PRODUCT.**

**THE RESULT IS THAT NITCO HAS GROWN REVENUES AT A CAGR OF 21 PER CENT IN THE FIVE YEARS LEADING TO 2011-12.**

**PAST INSPIRES. PRIDE WORKS. PASSION PAYS.**

#### BACKGROUND

- Nitco (established in 1966 by Mr. Pran Nath Talwar) is among the top premium tile companies in India
- The Company is headed by Mr. Vivek Talwar (Managing Director)
- The Company diversified into the business of property development in 2007, leveraging decades of experience of the building materials industry

#### EXPERTISE

- Nitco is one of India’s largest floor tiles manufacturers
- The Company’s tile manufacturing facility is located in Alibaug (off Mumbai) with an installed capacity of **80.85 Lakhs Sq mt** (as on 31st March 2012); the plant’s fuel supplies are assured through a 5.5 MW gas-based cogeneration power plant
- The Company’s marble cutting and processing facilities are located at Kanjurmarg (Mumbai) and Silvassa (Dadra and Nagar Haveli)

#### PRODUCT PORTFOLIO

(The capacity for the entire Alibaug plant is 80.85 lakh Sqm. There is no separate capacity according to separate category of tiles)

Products	Portfolio
Floor tiles	Ceramic tiles, vitrified tiles, polished glazed vitrified tiles, naturoc gres tiles and duracottura tiles
Wall tiles	HD digital tiles and mosaic highlighters
Marble	Natural marble and engineered marble
Mosaic	Signature collection, magnum opus collection, décor collection, solitaire collection, naturale collection, crust collection, frame collection, steps, risers and skirting

## PRESENCE

- The Company is headquartered in Mumbai, India
- Its pan-India presence is facilitated through 30 offices
- Its strong and vibrant distribution network comprises 1100 dealers and 5500 sub-dealers
- The Company exports 1% of its tile volumes to 24 countries (including the US, Canada, Oman and the UAE as well as countries from Europe, Africa)
- The Company's shares are listed on the BSE and NSE. The promoters own 48.90% of the Company's equity. The Company enjoyed a market capitalisation of Rs. 124 crore as on 31st March, 2012

## AWARDS AND ACCREDITATION

- The Alibaug plant is certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007
- The corporate office has been certified for ISO 9001:2008
- Awarded 13 Capexil awards for innovation and design
- Won two Construction World awards
- Awarded the 'Best SAP Project Implementation' by SAP India
- Won the 'Quality Excellence Award for Processing Unit' in Silvassa
- Bagged the 'Building Industry Leadership Award 2007' from the Builder Information Bureau

## VISION

To be better and faster than everybody else in the business

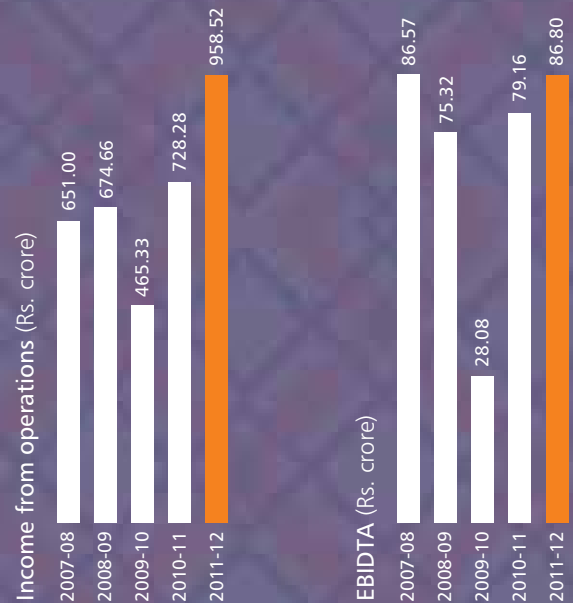
## PIONEERING

- The Company produces safe lead-free glazed tiles, using lead-free inputs from Europe.
- The Company is the only Indian tile manufacturer (and one of 30 in the world) to have introduced rustic tiles reconciling a unique 'dry powder application' technology leading to a natural stone look. The uniqueness of the technology is that tiles with undulated surface can be decorated using special glazes to replicate the aesthetic finish of natural stone.
- The Company introduced super gloss floor tiles (with enhanced aesthetic finish similar to natural marble), dirt-free and anti-bacterial (nano-coated) and scratch resistant tiles.
- The Company introduced 600x600 mm glazed vitrified tiles, one of the largest in the country
- The Company introduced 100% matt finish tiles in satin and rustic finish with anti-skid properties addressing medium and heavy traffic
- The Company introduced dirt-free tiles leveraging unique sharp-edge technology wherein tiles are cut to a perfect square ensuring minimal joints following laying resulting in lower dirt accumulation; besides, the micro porosity makes the tiles dirt-free and antibacterial.
- The Company introduced rectangular wood strips for the first time in India, the product reconciling the texture and colours of natural wood with superior porcelain tile quality. These durable products do not need lower maintenance than traditional wood flooring.

## MISSION

- To launch innovative and world-class products to help customers realise their dreams
- To manufacture products of the highest quality, creating industry benchmarks
- To be fast and flexible to be grasp opportunities in a fast-changing world
- To be transparent and fair to customers, shareholders, suppliers and employees in all our dealings

# WHAT WE ACHIEVED OVER THE YEARS



## KEY MILESTONES



### 1966

- Incorporated as Nitco Tiles Pvt. Limited
- Commenced cement tiles manufacture at Thane (Mumbai)



### 1984

Commenced marble processing at Kanjurmarg



### 1997

Commissioned the Alibaug ceramic tiles unit



### 2002

Received the quality excellence award for ceramic floor tiles from the Institute of Trade and Industrial Development



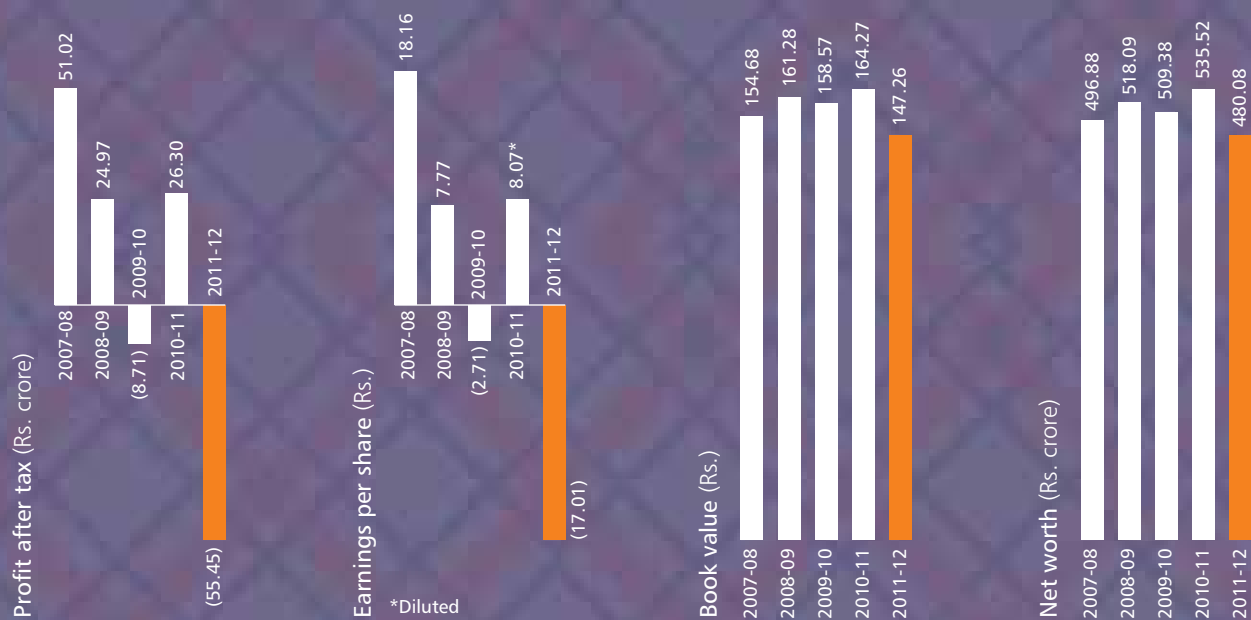
### 2004

Upgraded the Alibaug plant for manufacturing porcelain tiles



### 2006

- Mobilised Rs.168 crore through an IPO
- Installed six windmills (7.5 MW) at Dhule (Maharashtra)



## 2007

- Entered real estate development through Nitco Realities (subsidiary) with a 100 % shareholding
- Launched 16 exclusive showrooms under the Le Studio brand

## 2008

Embarked on the creation of exclusive franchised showrooms under Le Studio Express

## 2009

- Received ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007 certifications
- GAIL commenced RLNG supplies at Alibaug

## 2010

Launched premium category porcelain tiles under the Naturoc brand

## 2011

- Commissioned a 5.5-MW cogeneration gas-based power plant at Alibaug
- Completed construction of the Biz Park at Thane, admeasuring 2 lakh sq. ft

## 2012

- Marble processing plant at Silvassa commenced commercial operations.
- Installed automatic palletizer and polishing Line at ceramic tiles plant at Alibaug







BUILDING A STRONGER ENTERPRISE THROUGH


# ALLIANCE

For years, Nitco outsourced material from dependable quality-driven tile manufacturers in China. These outsourcing agencies delivered material benchmarked to the prevailing trends in the largest volumes at the most competitive prices. However, this enduring outsourcing arrangement needed to be rationalised on account of growing global currency volatility and its cascading impact on the freight incidence.

Even as the economics of tile outsourcing continues to remain attractive, Nitco embarked on a decisive initiative during the year under review. The Company invested in a joint venture with a reputed Morbi tile manufacturer (capacity 8 msm per annum) with the longest kiln in India to manufacture quality vitrified floor and wall tiles.

This alliance represents a win-win proposition: the Gujarat-based manufacturer had reached a critical manufacturing scale which now warranted a sizeable investment in creating a pan-India branding and distribution infrastructure, which Nitco already possesses. On the other hand, Nitco enjoyed deep intangible capital but a dearth of manufacturing capacity, which the Gujarat-based company already possessed.

Following this alliance, the Gujarat-based company will continue to focus on production from within its plant without drawing on Nitco's management bandwidth; in turn, Nitco will be able to market the additional throughput through its distribution channels without increasing dealers or investments.



Nitco will be able to market the additional throughput through its distribution channels without increasing dealers or investments.



BUILDING A STRONGER ENTERPRISE THROUGH

# WIDENING PORTFOLIO AND REACH

**F**or years, Nitco focused on institutional customers and sales largely in western India.

To enhance competitiveness, the Company increased its retail penetration, enhanced its manufacturing capacity and enriched its product portfolio through the following initiatives:

Modified its Alibaug plant to increase the manufacture of innovative products addressing changing consumer preferences. Introduced new designs in different sizes. Launched Polished Glazed Vitrified Tiles (PGVT) tiles in flooring, digital wall tiles and digital cladding. Embarked on commissioning a digital printing machine to provide digital floor tiles in India.

Undertook a large expansion that will raise directly and indirectly manufactured capacity from 8.08 msm to 16 msm effective by 2013.

The Company also appointed more than 300 dealers which doubled dealer counter sales over the previous year

**Nitco will raise (direct and indirect) manufacturing capacity from 8.08 msm to 16 msm effective by 2013.**

# OUR PRIMARY OBJECTIVE IS TO RETURN NITCO TO THE BLACK, ENHANCE MARGINS AND RESTORE OUR CORPORATE VALUATION

A PERSPECTIVE BY ALOK GOEL, CEO

## Q: HOW WOULD YOU EVALUATE NITCO'S 2011-12 PERFORMANCE?

This was one of the most challenging years in our existence. To enable shareholders to get a fair idea of about how we reported the largest single reversal in our history, it would be important to understand the enduring nature of our business model. Nitco was one of the first companies in India to have successfully reconciled a manufacture and outsource business model: the Company selected to manufacture premium tiles within its manufacturing facility in Alibaug on the one hand and outsourced the manufacture of a variety of premium vitrified tiles on the other. At Nitco, this asset-light approach translated into margins that were generally higher than the industry average. The speed derived from the ability to respond to changes in marketplace developments translated into revenue growth higher than the sectoral mean. As a result, this combination of manufacture and outsourcing translated into a superior volume and value proposition.

## Q: HOW WOULD YOU THEN EXPLAIN THE LOSS THAT NITCO SUFFERED IN 2011-12?

For a number of years, we marketed tiles to dealers and institutional customers and then outsourced from established quality-respecting production lines in China. This arrangement worked predictably well for 10 years of a stable currency environment. However, this model was severely tested during the last financial year: the Indian rupee lost ground against the US dollar to the extent of 25 percent in the space of only a few weeks. This sharp and sudden depreciation did two things: one, we were required to pay higher for our imports and two, we were required to earn the same from our rupee-based sales within India. The result was that following this currency depreciation we were compelled to book a loss on the import of each consignment. This explains the sizable loss of Rs. 55.45 crore in 2011-12, which extended to a loss of Rs. 78.57 crore in the first quarter of the current financial year.

## Q: THE BIG QUESTION IS WHAT THE COMPANY IS DOING ABOUT THIS DEVELOPMENT.

At Nitco, we recognise that currency volatility is here to stay and we cannot continue to import and sell without exposing our balance sheet to a large potential downside. In view of this, the management at Nitco resolved to sustain its strategic outsourcing but shift from the sourcing of material from China to India. Besides, this India-centric outsourcing was secured through investment in a joint venture with a large unorganised Gujarat-based tile manufacturer possessing the longest kiln in India for the manufacture of vitrified and wall tiles. The result is that we rationalised our Chinese imports from a peak of 2,000 containers a month to almost 80 containers a month, plugging the decline with an increase in outsourcing from our Gujarat joint venture.

This arrangement will make it possible for the Company to continue remaining asset-light while leveraging logistic, transportation and outsourcing

economies. More importantly, this arrangement will make it possible for us to be largely insulated from currency fluctuations on end product import, limiting our exposure to input import, which is being comfortably hedged through the export of tiles. So we would like to assure our shareholders that we have emerged stronger from this experience and it is only a matter of time when the benefits of this robust business model translate into our financials.

#### **Q: WHAT WERE SOME OF THE OTHER BUSINESS-STRENGTHENING INITIATIVES TAKEN BY THE COMPANY?**

At Nitco, even as we were affected by a trading loss, we continued to make business-strengthening investments:

- We modified one of our ceramic lines at our Alibaug unit to produce larger sized (2x2 ft) tiles; we introduced new wood-like tile designs
- We launched PGVT tiles (flooring, digital wall tiles and digital cladding), which were well-received
- We are in the process of commissioning our digital floor tile making machine at Alibaug
- We appointed 300 more dealers, strengthening our ability to push material through our distribution pipeline

#### **Q: SHAREHOLDERS ARE APPREHENSIVE ON WHERE NITCO IS NOW PLACED IN THE INDIAN TILE INDUSTRY SPACE?**

At Nitco, our objective is to aggregate our manufacturing and outsourcing capabilities with the objective to enhance our shelf space presence. We

expect that our Alibaug unit will be able to deliver around 7.2 million sq m of production at full blast while our joint venture will be able to generate an incremental 8 million sq m per annum. However, we recognise that this is not going to be enough as Nitco has generated an aggregate 10.5 million sq m in a year like 2010-11 when its outsourcing cum manufacturing model was in full evidence. Therefore, the principal objective at Nitco will be to seek more outsourcing arrangements, bring these capacities to the marketplace with speed and grow our shelf space presence as a decisive step towards increased market share.

#### **Q: IS THE INDIAN MARKETPLACE CONDUCIVE FOR THIS DEVELOPMENT?**

At Nitco, our strategy is compatible with the needs, trends and realities of the Indian marketplace. With real estate values rising, the cost of a tile as a percentage of the finished cost of creating a new home has declined. Concurrently, there has been a growing sense of pride and aspiration across a larger number of people and a growing preference for value-added tiles down to Tier II and Tier III Indian cities. What is pleasantly surprising is that even as the country is passing through a marked slowdown in construction activity, the market is becoming broader and deeper. A combination of these realities has catalysed the growth of India's tile sector over the last few years, marked by improved financials of manufacturers, investment in retail-based distribution, increase in manufacturing capacities and a growing number of outsourcing-linked alliances.

#### **Q: HOW DOES THE COMPANY INTEND TO ENHANCE SHAREHOLDER VALUE?**

At Nitco, the idea is to de-risk the business model at one end and maximize value at the other. So let me address these subjects separately:

**De-risking:** We will progressively develop our real estate portfolio without enhancing our working capital outlay, generate attractive accruals and progressively pare down debt. We intend to remain asset-light, reduce our exposure to currency, commodity and marketplace volatility.

**Value-addition:** We expect to increase the first pass proportion of our manufactured tiles from 76 per cent (2010-11) to 80 per cent. We also expect to increase the value-added proportion of our product mix from 35 per cent to 38 - 40 per cent and in doing so strengthen our realisations per sq m from an average Rs. 514 per sq m in 2011-12.

I would end by stating that one of my key result areas is an increase in shareholder value. We are painfully aware that our market capitalisation at less than Rs. 100 crore is way below the intrinsic value of our brand and undeveloped real estate portfolio. Our primary objective is to return the Company to the black starting from the fourth quarter of the current financial year and then scale profits with speed with the objective to enhance investor confidence and value.

# THIS IS WHAT MAKES NITCO DIFFERENT



## DIVERSIFIED

The Company possesses a diversified product portfolio comprising premium ceramic and vitrified tiles, wall tiles, highlighters, natural and engineered marble, mosaic and inlays

## BRAND

Nitco's brand-enhancing clients comprises reputed institutional customers such as DLF, Raheja, Pantaloons, Reliance Industries, Godrej Properties, Club Mahindra Holidays, Ramky Infrastructure, Shapoorji Pallonji, Prestige Group and Larsen & Toubro, among others

## DISTRIBUTION

Nitco has expanded its reach through a strong and extensive distribution network comprising 1100 dealers and 5500 sub-dealers reinforced by 30 sales and marketing offices spread across India

## RETAIL

Nitco enjoys a pan-India presence facilitated by the ownership of 16 display centers (Le Studio) and 55 franchised showrooms (Le Studio Express) and seven Nitco Looks.



#### **AFFORDABLE**

Nitco's products are available across multiple price points in product like, Ceramic Tiles (Rs. 435-1040 per sq. m), vitrified tiles (Rs. 540-2150 per sq. m) and gres porcelain (nатурoc) tiles (Rs. 950-1800 per sq m), catering to various customer segments

#### **GLOBAL**

Nitco's products are widely exported to the UAE, Oman, the UK, New Zealand, Saudi Arabia, Taiwan, Maldives, Mauritius and Italy

#### **MANUFACTURING FACILITIES**

Nitco's state-of-the-art ceramic tiles manufacturing facility is located at Alibaug with an annual production capacity of 80.85 Lakh and a 5.5-MW captive power plant (meeting 100% power requirements). Its world-class marble processing facility is located at Kanjurmarg and Silvassa

#### **FLEXIBILITY**

Nitco's business model comprises products that are either manufactured or outsourced (largely Gujarat), enhancing the Company's ability to respond swiftly to marketplace developments

## INDIAN ECONOMY

The Indian economy grew 6.5% in 2011-12 following 8.5% growth in 2010-11. The IIP growth of 8.1% in January 2011 declined to 1.8% in December 2011. The services sector increased its GDP share from 58% in 2010-11 to 59% in 2011-12. The agricultural and allied sectors achieved a modest 2.5% growth in 2011-12.

## GLOBAL CERAMIC TILES INDUSTRY

The global tile manufacturing output increased 11.7% from 8,515 mn sq m to 9,515 mn sq m in 2010, growing higher than the pre-2007 average of 6-7%. Consumption also increased 10.52% from 8,460 mn sq m to 9,350 mn sq m in 2010, which prompted an identical surge in exports and imports.

## SNAPSHOT

The global tiles production increase was largely contributed by Asia and non-EU countries, which witnessed growth of 14.9% and 12.2%, respectively. China continued leading the production race, increasing its output by 16.7%, while Brazil remained second with an increase of 5.4%.

Global tiles consumption rose 10.52% from 846 to 935 mn sq m in 2010, where locally-manufactured products constituted 79.5% of the total tile production. The only area which experienced a decline in sales was the EU, showed a 5% dip. EU countries consumed 941 mn sq m, roughly 10% of the tiles sold globally. China retained its position as the world's largest tiles consumer in the current year and purchased 3,500 mn sq m, accounting for 58.1% of Asian sales and 37.4% of the global tile consumption.

### Global Production vs consumption

		2007	2008	2009	2010
China	Production	3,200	3,400	3,600	4,200
	Consumption	2,700	2,830	3,030	3,500
Brazil	Production	637	713	715	753
	Consumption	535	605	645	700
India	Production	385	390	490	550
	Consumption	397	403	494	557
Iran	Production	250	320	350	400
	Consumption	236	265	295	335

# MANAGEMENT DISCUSSION AND ANALYSIS



## INDIAN TILES INDUSTRY

The Indian tiles industry (third largest producer and consumer after China and Brazil) is growing at an annual rate of 15% over the last few years, outperforming the global growth of 6% per annum. The booming demand for tiles in the housing, retail, IT and BPO sectors led the 12.24% production increase in 2011, while rapid urbanisation, rising disposable incomes and affordability led to an increase in Indian tiles consumption by 12.75% during the period.

## 10 REASONS DRIVING TILE CONSUMPTION IN INDIA

**Rising population:** The Indian population is expected to grow at a CAGR of 1.2% during 2010-2020. According to McKinsey, 590 million people (twice the size of the US population) will be urbanised by 2030

**Burgeoning middle-class:** The size of the upper middle-class household group is expected to grow from 58 million in 2010 to 110 million by 2020 (40% of the total national households from 24% in 2010). This segment is adopting international trends much faster than expected and consumption

is moving beyond big centers to smaller cities

**Low per capita consumption:** India's per capita tiles consumption is merely 0.46 mn sq m while the world average is three times that at 1.20 mn sq m; China's average is more than five times higher at 2.26 mn sq m

**Growing urbanisation:** According to reports, India has 42 cities with more than a million population, which is expected to rise to 68 by 2030, which will propel ceramic tiles consumption

**Affordable housing:** Affordable housing demand is expected to grow at a CAGR of 13% in 2011-2013 (Source: RNCOS Research). According to reports, India will witness a demand of 3.94 million units during 2011-15

**Nuclear families:** India's dependency ratio has declined from 58% in 2005 to 55.06% in 2010 and is expected to drop to 52% by 2015. This reduction will increase housing and related product demand

**Commercial real estate:** The Indian commercial space is expected to grow 20-22% over the next five years, expected to reach 243.5 mn sq ft;

demand for malls and other retail space is estimated to reach 57 mn sq ft and 112.57 mn sq ft, respectively in 2011-15

**Retail sector growth:** The annual demand for retail space is expected to remain at 10-20 mn sq ft with strong growth coming out of Tier-I and II cities, catalysed by consumerism and organised annual retail growth of 25-30%

**Hospitality:** India's tourism industry is expected to grow from USD 67.2 billion in 2010 to USD 262.7 billion in 2021. India has over 200,000 hotel rooms across various categories and is still facing a shortfall of over 100,000 rooms (Source: FHRAI)

**Aviation sector:** There is increasing passenger traffic (CAGR of 18.8%) and cargo (CAGR 11.4%) in India. The AAI is mobilising Rs. 50 billion for airport infrastructure to develop 15 airports. Better airspace management will require an investment of about Rs. 67,500 crore in the Twelfth Five Year Plan in the sector, enhancing opportunities for tile manufacturers

# TILES

804.47

Rs. crore – Revenue from the segment in 2011-12

84

Percentage contribution to total revenue, 2011-12

## OVERVIEW

The segment represents three products – ceramic tiles, vitrified tiles and naturoc tiles. The total tiles production capacity stood at 8 mn sq m as on 31st March 2012.

**Ceramic tiles:** The total manufacturing capacity stood at 5.5 mn sq m across five sizes at the Alibaug plant. The wide portfolio comprised tiles with gloss, matt, wood, metal, stone and rustic finishes

**Vitrified tiles:** The Company has abrasion-

resistant and stain-resistant vitrified tiles, enhancing portfolio strength

**Naturoc tiles:** A gradual shift towards premium full-body porcelain tile under the Naturoc brand was a one of its kind launch by Nitco in 2010. The Company produced gloss and matt finishes coupled with superior tile strength and anti-skid quality.

**Duracottura tiles:** These tiles were manufactured using high-grade raw materials and cutting-edge technology.

## DESIGN PORTFOLIO

67

Ceramic tiles

50

Vitrified tiles

41

Naturoc tiles

With excellent product finish, high tensile strength and a large number of patterns and designs, these tiles were preferred in a competitive marketplace

### KEY HIGHLIGHTS, 2011-12

- Registered 24% and 71% growth in ceramic and vitrified tiles respectively.
- Introduced 600x600 mm glazed vitrified tiles (GVT) in matt and rustic finishes. Introduced dirt free, scratch-resistant anti-bacterial (nano-coated) super glossy floor tiles. Also introduced wood strip tiles in

rectangular sizes, which resembles natural wood, produced in different textures and sizes.

- Enhanced averages realisation for ceramic and gres porcelain tiles from Rs. 404 per sq m to Rs. 437 per sq m.

### OUTLOOK

- Enhance share of value-added vitrified tiles using new technologies (double charge and nano-finish).
- Introduce new ceramic and vitrified tiles in various sizes and designs.

# MARBLE

143.66

Rs. crore – Revenue from  
the segment in 2011-12

15

Percentage contribution to  
total revenue, 2011-12

## OVERVIEW

The Company's polishing and waxing unit at Kanjurmarg and Silvassa facilities refine imported marble blocks. The marble comprising superior designs and high quality is used for interior and exterior flooring solutions.

## PRODUCT TYPES

**Natural marble:** Nitco is one of India's largest natural marble importers from Italy, Spain, Turkey, Egypt and China. The Company's high-end marble variants are available in more than 200 different shades



## DESIGN PORTFOLIO

200

Natural

48

Engineered

12

Engineered quartz

**Engineered marble:** The Company is one of the world's few to possess an integrated plant at Silvassa using Breton technology. A cost-effective alternative to natural marble (comprising resins, pigments and additives), this marble ensures consistency and durability

### KEY HIGHLIGHTS, 2011-12

- Sale of marble contributed to round 15% of total revenues.
- State-of-the-art marble processing plant at Silvassa commenced commercial operations.

- Introduced technology to fill marble with epoxy resin through vacuum suction with a unique netting system

### OUTLOOK

- Procure quality marble blocks from new geographies.
- Introduce technology and innovative varieties
- Enhance revenue contribution from marble through exclusive marble showrooms.

# REAL ESTATE DEVELOPMENT



The Company completed its first premium project in 2011 (Nitco Biz Park) at Thane, a six storey building spread across 200,000 sq. ft.

## OVERVIEW

The Company ventured into real development through Nitco Realities (100% subsidiary) to unlock the value of its real estate assets at prime locations in Mumbai, Thane and Alibaug.

The Company completed its first premium project in 2011 (Nitco Biz Park) at Thane, a six storey building spread across 200,000 sq. ft. with a three storeyed landscaped atrium. The environment friendly building is equipped with modern amenities comprising hi-tech security surveillance, dedicated security control room and an

'intelligent' building management system with a 100% power backup. The environment friendly and energy efficient focus resulted in LEED (Leadership in Energy and Efficient Design) pre-certification. Following the amalgamation with Particle Boards India Ltd., the Company possessed a plot measuring 4.01 acres at Kanjurmarg (Mumbai), which will be developed following approvals from appropriate authorities.

Nitco and its subsidiaries will enhance their exposure in the development of residential and commercial projects.

EXCELLENCE DRIVER 1

# OPERATIONS

Total capacity

6.3 mn sq m

As on March 31, 2009

Total capacity

8.1 mn sq m

As on March 31, 2012

First pass increased to

80%

in FY 2011-12 from 76%  
in FY 2010-11.

## KEY HIGHLIGHTS, 2011-12

- Installed digital printing machines from Italy.
- Improved plant capacity utilisation from 56% to 72%
- Sustained energy-efficiency in ceramic tile manufacture, using 100% of waste heat from the gas turbine
- Increased the production of value-added products

## OVERVIEW

In an industry marked by intense competition, competitiveness is catalysed through superior plant efficiency, enhanced productivity and optimal energy consumption. Over the years, Nitco invested in state-of-art technology and fully-automated assets to enhance efficiency.

## KEY INITIATIVES, 2011-12

- Invested in new equipment (airless devices, digital printing machine, surface inspection at green stages and energy savings at kiln) to reduce the process time
- Introduced tintometric systems (automatic color matching system) to prevent shade variations
- Upgraded laboratory for stringent control of incoming raw-materials for LEED certification (green buildings)
- Strengthened quality checks of finished products using electronic devices
- Reduced powder consumption by modifying the process without affecting overall quality
- Installed air-less devices for reducing engobe and glazes for optimising costs

EXCELLENCE DRIVER 2

# INTELLECTUAL CAPITAL

Team size

1143

As on March 31, 2012

Average employee age

35 years

As on March 31, 2012

## KEY HIGHLIGHTS, 2011-12

- Invested in around 25,000 hours of training with more than 80% of the organisation members covered
- Training imparted on various disciplines covering leadership development, marketing and behavioral training
- Strengthened the performance evaluation process
- Launched 'Nitco Star', an employee recognition programme

## OVERVIEW

With a team size of 1,143 as on 31st March, 2012, the Company is driven by its passionate employees.

## KEY INITIATIVES

### A. Recruitment

The Company added around 105 employees to manage its increasing operations and marketing. It hired various employees through campus

hiring as management trainees, executive trainees and graduate engineering trainees.

### B. Training

- Quality training was provided to workers for enhanced insight into product manufacture
- Initiated a course for young prospective engineers through shop-floor training

### C. Leadership

- Launched internal job posting programmes, identifying talent development potential. This enhanced lateral and vertical movement within the organisation

## OUTLOOK

Introduce structured induction programmes through product and process training and ensure timely hiring of talented employees to build a performance-based organisation.



# INFORMATION TECHNOLOGY (IT)

## KEY HIGHLIGHTS, 2011-12

- Invested in strengthening IT infrastructure
- Strengthened the SAP data warehouse and SAP business intelligence system to facilitate decision-making

## OVERVIEW

At Nitco, the use of information technology has emerged as a critical business driver, connecting the Company's dispersed manufacturing and marketing operations. The comprehensive IT system enabled it to stay interconnected with its dealers.

## KEY INITIATIVES, 2011-12

- Implemented customer relationship management through the launch of [www.salesforce.com](http://www.salesforce.com),

enabling direct access and ease in inventory management

- Implemented e-payment for vendors, facilitated through the SAP financial accounting module
- Implemented checks and balances in commercial processes through automation and SAP process to facilitate better monitoring
- Implemented online connectivity to all new warehouses

## OUTLOOK

- Strengthen CRM systems
- Continually upgrade SAP systems
- Initiate plans to focus around major cost reduction programmes
- Focus towards establishing a paperless work environment

# FINANCIAL STATEMENT ANALYSIS

## SEGMENT PERFORMANCE

	2011-12	2010-11	Y-O-Y increase/(decrease)
<b>Vitrified tiles</b>			
Sales value (Rs. lakhs)	52,818	30,876	71%
Sales (in lakhs sq mt) per annum	93	50	86%
Average realisation (in Rs. per sq. mt)	567	617	(8%)
<b>Ceramic and Gres Porcelain tiles</b>			
Sales value (Rs. lakhs)	27,628	22,275	24%
Sales (in lakhs sq. mt) per annum	63	55	15%
Average realisation (in Rs. per sq mt)	437	404	8%
<b>Marble</b>			
Sales value (Rs. lakhs)	14,366	17,601	(18%)
Sales (in lakhs sq mt) per annum	61	72	(15%)
Average realisation (in Rs. per sq mt)	236	246	(4%)
Total tiles and related products (sales value Rs. lakhs)	94,812	70,751	34%
Real estate (Rs. lakhs)	1,040	2,077	(50%)
<b>Total gross sales (Rs. lakhs)</b>	<b>95,852</b>	<b>72,828</b>	<b>32%</b>

## OPERATIONAL HIGHLIGHTS OF SEGMENTS

### Vitrified tiles

- Comprised 55% of the total turnover of the Company in 2011-12
- Divisional turnover increased by 71% from Rs. 30,876 lakhs in 2010-11 to Rs. 52,818 lakhs in 2011-12

### Ceramic and Gres Porcellanato tiles

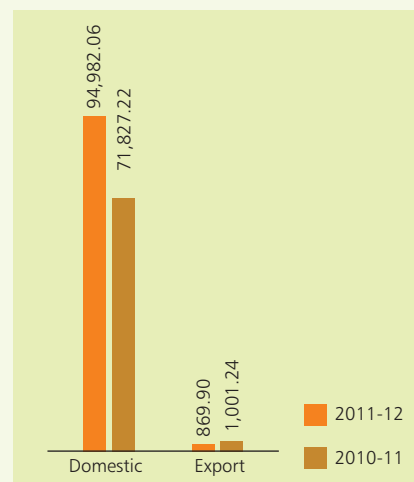
- Comprised 29% of the total turnover of the Company in 2011-12
- Divisional turnover increased by 24% from Rs. 22,275 lakhs in 2010-11 to Rs. 27,628 lakhs in 2011-12
- Realisations increased 8% from Rs. 403.56 per sq. mt in 2010-11 to

Rs. 436.62 per sq. mt in 2011-12

### Marble

- Comprised 15% of the total turnover of the Company in 2011-12
- Divisional turnover decreased by 18% from Rs. 17,601 lakhs in 2010-11 to Rs. 14,366 lakhs in 2011-12
- Realisations dropped 4% from Rs. 245.51 per sq. ft in 2010-11 to Rs. 236.15 per sq. ft in 2011-12

**Revenues by source:** Other operating revenues increased from Rs. 78.61 lakhs to Rs. 118.56 lakhs, mainly due to an increase in rent received during the year by leasing office space at the newly-constructed Thane Biz Park



## EXPENSE ANALYSIS

**Cost of goods sold:** Material costs as a proportion of net sales increased by 121 bps and accounted for 65.30% of net sales as the percentage of outsourced goods was higher compared to the previous year and due to increase in the cost of imported material due to a huge depreciation of Indian rupees against USD Dollar in the last two quarters of 2011-12.

**Power and fuel:** It increased 45% from Rs. 2,636.14 lakhs in 2010-11 to Rs. 3,825.18 lakhs in 2011-12, due to an increase in capacity utilisation and also due to an increase in the cost of RLNG.

**Employee benefit expense:** It increased 31.91 % from Rs. 3,536.49 lakhs in 2010-11 to Rs. 4,665.09 lakhs in 2011-12, owing to the new recruitments in accordance with the increase in sales turnover and normal salary increment to the staff.

**Finance costs:** It increased 167.39% from Rs. 2,809.11 lakhs in 2010-11 to Rs. 7,511.39 lakhs in 2011-12. This was mainly on account of higher borrowings cost in comparison to the last year and increase in borrowing. Please also refer to Note No. 28 of Schedule 21.

**Depreciation and amortisation**

**expenses:** The Company provided depreciation on the straight line method in accordance with, and the rates prescribed in the Companies Act, 1956.

**Other expenses excluding power and fuel:** It increased 32.86% from Rs. 9,044.68 lakhs in 2010-11 to Rs. 12,017.11 lakhs in 2011-12 mainly on account of an increase in rent, C&F charges and freight forwarding expenses in relation to the higher sales.

**Tax:** No tax was provided on account of losses during the year. Tax cost during the FY 2010-11 was Rs. 204.78 Lakhs due to deferred tax.

## BALANCE SHEET ANALYSIS

### EQUITY AND LIABILITIES

**Equity share capital:** The equity share capital of the Company was Rs. 3260.01 lakhs comprising 32600132 shares of Rs. 10 each.

**Reserves and surplus:** Reserves and surplus decreased by Rs. 5,544.64 lakhs from Rs. 50,292.13 lakhs in 2010-11 to Rs. 44,747.49 lakhs in 2011-12. This decrease was on account of losses incurred during the year

**Non-current liabilities:** Total non-current liabilities increased from Rs. 32,277.90 lakhs in FY 2010-11 to Rs. 33,457.15 lakhs in FY 2011-12 mainly due to increase in long-term borrowings from Rs. 24,422.71 lakhs to Rs. 30,061.65 lakhs on account of various capital expenditure programmes implemented by the Company at its plants at Alibaug and Silvassa. Other long-term liabilities included creditors

for capital equipments and reduced due to payments made during the year under review.

**Current liabilities:** Current liabilities increased from Rs. 59,652.86 lakhs in FY 2010-11 to Rs. 89,936.73 lakhs in FY 2011-12 mainly due to increase in trade payables on account of increased business activity and the holding of stocks

## ASSETS

**Non-current assets:** Total non-current assets increased from Rs. 75,750.76 lakhs in FY 2010-11 to Rs. 93,244.63 lakhs in FY 2011-12 mainly due to an increase in net block (including CWIP) by Rs. 10,579.11 lakhs to Rs. 74,096.30 lakhs in 2011-12, owing to capital expenditure at the ceramic tiles plant at Alibaug and marble processing plant at Silvassa. Long-term loans and advances also increased by Rs. 4,674.90 lakhs to Rs. 15,655.46 lakhs due to advances made to the wholly-owned subsidiary during the year. This money was

temporarily refunded by WOS in the previous year which has been returned to them in the year under review. Non-current investments increased from Rs. 974.48 lakhs in 2010-11 to Rs. 1,184.08 lakhs in 2011-12, on account of additional investments in the wholly-owned subsidiaries.

**Current Assets:** Current assets increased from Rs. 69,732.15 lakhs in FY 2010-11 to Rs. 78,156.75 lakhs in FY 2011-12 mainly on account of an increase in inventories.

**Inventories:** Inventories increased from

Rs. 31,141.78 lakhs in 2010-11 to Rs. 38,936.51 lakhs in 2011-12 after writing off of Rs. 3,447.48 lakhs, owing to an increase in finished stock inventory.

**Trade receivables:** Trade receivables decreased from Rs. 10,919.29 lakhs in 2010-11 to Rs. 7,224.36 lakhs in 2011-12, due to faster collections.

**Cash and cash equivalents:** The cash and cash equivalents increased from Rs. 2,393.70 lakhs in 2010-11 to Rs. 3,868.84 lakhs in 2011-12 on account of an increase in margin money with banks.

# RISK MANAGEMENT

NITCO HAS A WELL-DEFINED INTEGRATED RISK MANAGEMENT POLICY THAT INCLUDES A CLEAR UNDERSTANDING OF RISK, EVALUATING ITS IMPACT ON THE BUSINESS AND TAKING APPROPRIATE ACTIONS TO COUNTER THEM.

## 01 INDUSTRY RISK

**Definition:** A slowdown in demand could impact the Company's business prospects

### RISK MITIGATION

■ India is the fastest urbanising country; the UN estimates that 40% of India's population will be living in urban areas by 2030. Rising disposable income (FY08-11 CAGR of ~15%), growing

middle-class and increasing urbanisation (currently ~30% of the population) will boost demand for improved flooring solutions and other value-added products

■ The government targets to invest USD 30 billion in 10 years to modernise existing airports. The Airports Authority of India (AAI) is upgrading and modernising 35 non-metro airports in

the country at an estimated cost of around USD 1 billion as well as modernising the Chennai and Kolkata airports

■ The potential is huge considering the per capita consumption of ceramic tiles in India is currently at 0.50 sq m compared with over 2 sq m in China, Brazil and Malaysia

## 02 COMPETITION RISK

**Definition:** Growing competition can affect profitability

### RISK MITIGATION

■ The Company offers products at various price points to various business segments, expanding its presence across

the value chain

■ With improving standards of living and changing preference for branded products, there exists a huge demand for premium ceramic and vitrified tiles and marble

■ The Company shifted from mass to premium products by launching value-added ceramic tiles and imported marble

## 03 BRANDING RISK

**Definition:** Weak brand management can affect sales and profitability

### RISK MITIGATION

■ The Company works closely with architects, masons and builders to cater to their evolving requirements

■ The Company took measures to strengthen branding through trade shows, trade magazines, bus backs and catalogues

## 04 GEOGRAPHIC CONCENTRATION RISK

**Definition:** Slackening demand from a particular region might impact the Company's growth prospects

### RISK MITIGATION

■ The Company derives revenues evenly from across India

■ The Company expanded its export reach to countries like Germany, Israel, Belgium, Nigeria, Uganda, Oman among others

## 05 TECHNOLOGY OBSOLESCENCE RISK

**Definition:** Technology obsolescence may result in compromise of quality standards

### RISK MITIGATION

- The Company scaled its IT infrastructure by investing in SAP,

enabling real-time open communication between the sales, distribution and manufacturing divisions

- It installed automated call centres for product enquiries and enabled online stock and order status visibility across all depots

- It invested in efficient new technologies to enhance quality

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## 06 CLIENT ATTRITION RISK

**Definition:** Institutional clients constitute a substantial portion of the Company's total sales; client attrition can impact growth

### RISK MITIGATION

- The Company has taken measures to

strengthen relationship with customers by providing post-sale services to retail customers and offering guidance programmes for institutional customers

- It customises products to suit specific requirements

- Its products are used and recommended by brand-enhancing customers comprising Pantaloons, Reliance Retail, Rahejas, Godrej, Oberoi Construction, DLF, L&T and Unitech

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## 07 HUMAN RESOURCE RISK

**Definition:** Attrition of key executives and personnel could affect the Company's functioning.

### RISK MITIGATION

- The Company's top management consist of individuals with over 30 years

of industry experience

- It initiated training programmes for executives in institutes like the IIMs and IITs to improve capabilities and sharpen skills sets

- It kept a check on attrition in the sales

and marketing team through continuous training

- It strengthened the team from 1038 members in 2010-11 to 1143 in 2011-12 and reduced attrition rates by 7.10%

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## 08 DEALER ATTRITION RISK

**Definition:** Decline in the number of dealers could affect sales

### RISK MITIGATION

- The Company enhanced its dealer network on the back of introducing fast-moving tiles varieties

- It widened the product basket, increasing dealer income prospects

- It provides a variety of dealer-centric services (online order placement, tracking stock movement and secure payment processing)

- It added new dealers in 2011-12, bringing the total direct dealers to around 1100, representing one of the largest industry dealership networks

# FIVE-YEAR FINANCIALS

(Rs. in crore)

Year	2011-12	2010-11	2009-10	2008-09	2007-08
Share Capital*	32.60	32.60	32.12	32.12	32.12
Reserves	447.47	502.92	477.26	485.97	464.76
Loan Funds	679.03	572.34	455.50	291.13	128.13
Gross Block	889.13	679.22	466.90	442.03	245.07
Net Block	737.58	559.82	370.06	366.23	183.17
Capital Work in Progress	3.38	77.83	109.89	65.96	69.69
Investments	11.94	9.84	9.16	8.57	32.08
Current Assets	961.11	809.36	703.69	537.89	497.79
Current Liabilities	534.57	328.63	209.61	151.13	147.08
Net Current Assets	426.54	480.72	494.08	386.76	350.71
Deferred tax (assets) Liability	20.35	20.35	18.30	18.30	10.64
Turnover	958.52	728.55	465.33	674.66	651.00
Other Income	1.55	1.64	0.30	0.09	3.63
Material Costs	548.55	394.61	230.00	386.78	361.03
Excise Duty	22.21	16.74	16.23	8.52	13.51
Power Costs	38.25	26.36	30.11	28.25	27.05
Employee Costs	46.65	35.36	31.07	29.21	26.22
Other Manufacturing Expenses	10.48	7.31	6.98	7.09	6.29
Administration & Selling Expenses	207.13	154.44	123.16	139.58	133.96
EBIDTA	86.80	79.16	28.08	75.32	86.57
Interest	75.11	28.09	15.65	23.55	13.94
EBDT	11.69	51.07	12.43	51.77	72.63
Depreciation	32.66	22.71	21.14	14.41	10.93
Exceptional Items	34.47	-	-	-	-
PBT	(55.45)	28.35	(8.71)	37.36	61.70
Tax	-	2.05	-	12.39	10.68
PAT	(55.45)	26.30	(8.71)	24.97	51.02
Net Worth	480.08	535.52	509.38	518.09	496.88
Capital Employed	1,179.45	1,128.21	983.18	827.52	635.65
EPS (Rs.)	(17.01)	8.07	(2.71)	7.77	18.16
Book Value (Rs.)*	147.26	164.27	158.57	161.28	154.68
Dividend Per Share (Rs.)*	-	-	-	1.00	2.00
RONW (%)	(11.55)	4.91	(1.70)	4.92	12.89
ROCE (%)	4.69	5.35	0.77	8.33	14.13

\* Face value of Rs. 10 per share

# STATEMENT OF VALUE-ADDITION

(Rs. in Crore)

Year	2011-12	2010-11	2009-10	2008-09	2007-08
Sales (Gross)	958.52	728.28	465.33	674.66	651.00
Other Income	1.55	1.90	0.30	0.09	3.63
Increase/(Decrease) in Stock	96.22	40.33	62.76	(10.71)	20.48
	<b>1,056.29</b>	<b>770.51</b>	<b>528.39</b>	<b>664.04</b>	<b>675.11</b>
Less					
Raw Material Consumed	175.78	200.12	144.56	186.22	123.35
Trading Goods Purchased	468.99	251.01	148.20	189.85	258.16
<b>Material consumed</b>	<b>644.77</b>	<b>451.14</b>	<b>292.76</b>	<b>376.07</b>	<b>381.51</b>
Manufacturing Expenses	48.73	33.67	37.09	35.34	33.34
Other Expenses	144.17	83.14	77.02	78.86	74.73
	<b>837.67</b>	<b>567.95</b>	<b>406.87</b>	<b>490.27</b>	<b>489.58</b>
<b>Total Value-Addition</b>	<b>218.62</b>	<b>202.57</b>	<b>121.52</b>	<b>173.77</b>	<b>185.53</b>

# OUR CONTRIBUTION TO THE NATIONAL EXCHEQUER

(Rs. in Crore)

Year	2011-12	2010-11	2009-10	2008-09	2007-08	Total
Revenue	958.52	728.28	465.33	674.66	651.00	3,478.06
<b>Contribution to Ex-Chequer</b>						
Excise Duty/Service Tax	24.89	23.11	13.74	10.38	12.06	84.18
Custom Duty	68.02	44.25	25.09	57.72	69.09	264.16
Sales tax/Octroi	87.42	57.18	49.62	65.14	65.24	324.59
Income Tax	4.07	5.15	–	4.82	10.52	24.57
Dividend Distribution Tax	–	0.26	–	0.55	1.09	1.90
<b>Total</b>	<b>184.39</b>	<b>129.96</b>	<b>88.45</b>	<b>138.60</b>	<b>158.00</b>	<b>699.41</b>

# Director's Report

Your Directors take pleasure in presenting the Annual Report with the audited statement of accounts of the Company for the year ended March 31, 2012.

## Financial results

The highlights of the financial results for the year ended March 31, 2012 are as follows:

	<i>Rs. in crores</i>	
For the year ended March 31	2012	2011
Gross Sales	958.52	728.28
Profit before interest depreciation and tax	86.80	79.16
Interest and financial charges (Net)	75.11	28.09
Depreciation	32.66	22.71
Exceptional items	34.47	--
Profit/(loss) before tax	(55.45)	28.35
Provision for tax	--	2.05
Profit/(loss) after tax	(55.45)	26.30
Balance brought forward from previous year	127.32	112.91
Amount available for appropriation	71.88	139.21
Proposed dividend	--	1.63
Dividend tax on proposed dividend	--	0.27
Transferred to general reserve	--	10.00
Balance carried forward	71.88	127.31

## Review of operations

During the year under review, your company registered 32% growth in gross sales. There is a net loss of Rs. 55.45 crore as compared to PAT of Rs. 26.30 crore in the previous year.

## Highlights 2011-12

The gross revenue for the year ended March 31, 2012 grew 32% to reach Rs. 958.52 crore driven by increased

sales in:

- Vitrified tiles sales up 71% to Rs. 528.18 crore
- Ceramic tiles sales up 24% to Rs. 276.28 crore
- Marble sales however decreased by 18% to Rs. 143.66 crore
- Real estate sales at Rs. 10.40 crore

## Challenges faced by the Company

Demand for Tiles is primarily linked with growth of Real Estate sector. Real Estate sector has been grappling with problems. Slow sales and a glut of properties are hampering the residential real estate market in major metro and A-class cities in India. The glut is likely to extend into 2013 as steady streams of new developments are launched on the





market. Developers who bought land at high prices, are not ready to bring prices down. The overall sentiments of the market and the consistent rate of new project launches in major cities give a clear indication of an impending oversupply in 2012 and 2013. A lot of developers in the most severely affected locations are currently open to closing sales at lower rates. Prices for commercial properties slumped in the Indian city in 2009 and many developers switched from offices to residential in the hope of keeping profits high. But now there is slump in the residential sector in major metros as well.

As the economy shows signs of lower GDP growth rate, the Indian real estate industry faces its own share of concerns. Real estate developers are reeling under high debt and FDI inflows have also slowed down. The increase in home loan interest rates is dampening the sales even further. Amidst these macroeconomic conditions, Indian real estate asset classes across the prime cities of India have seen mixed sentiments.

Because of the prevailing uncertainties on the global market and there is no likelihood of major interest rate reduction by RBI, sentiments on the residential market will remain cautious over the short term. The absorption rate – meaning the ratio of sales over inventory in the market – is likely to be

low, and the incidence of new launches will decline. Rise in capital values will be marginal because of low sales.

Project-specific price increases can be expected across all sub-markets – this pertains specially to projects that are being delivered or are nearing completion. The mid-end and affordable housing segments will record healthy appreciation in capital values in the short term from a low base. We expect these trends to continue during FY 13.

For more than a decade, your Company has been following a policy of part in-house manufacturing and part outsourcing from China which had served the Company well during the last several years. As per business model, your Company needs to import significant portion of outsourced products from China. The exchange rate between Indian Rupee and US Dollar has changed dramatically during 3rd and 4th quarter of FY 2011-12. This has impacted the landed cost of the outsourced products. Due to competitive pressure the Company was not able to pass on the excess burden on account of higher exchange rate to its customers. This has resulted in operating losses during 4th Quarter.

The proportion of outsourcing from China has over the years considerably increased. As the China factories

generally remain closed for two months in the early calendar year, it was required to procure stocks in advance in anticipation of sales. Because of the large lead times in procurement and frequent changes in the consumer tastes, there has been a mismatch between products procured and sales achieved. The inventory has gone up to Rs. 424 crore (including the stock written off of Rs. 34 crore) as on year ended March 2012 as against Rs. 311 crore as on year ended March 2011. The Company has reviewed the realisability of stocks and upon a review and as a measure of abundant precaution, the management has written off obsolete/damaged stock of Rs. 34 crore in March 2012 as exceptional items.

### **Joint Venture with New Vardhman Vitrified Tiles Pvt. Ltd.**

With imports from China becoming progressively unviable, Company has entered into a Memorandum of Understanding with New Vardhman Vitrified Tiles Pvt. Ltd. and its promoters for a 51% stake in New Vardhman Vitrified Tiles Pvt. Ltd. The said Company is setting up a plant in Wakaner, Morbi, Gujarat for manufacturing 8 million sq. mtrs (approximately) of vitrified tiles and Wall tiles. The plant is expected to start production in Q3 of the current financial year. The entire production of this plant

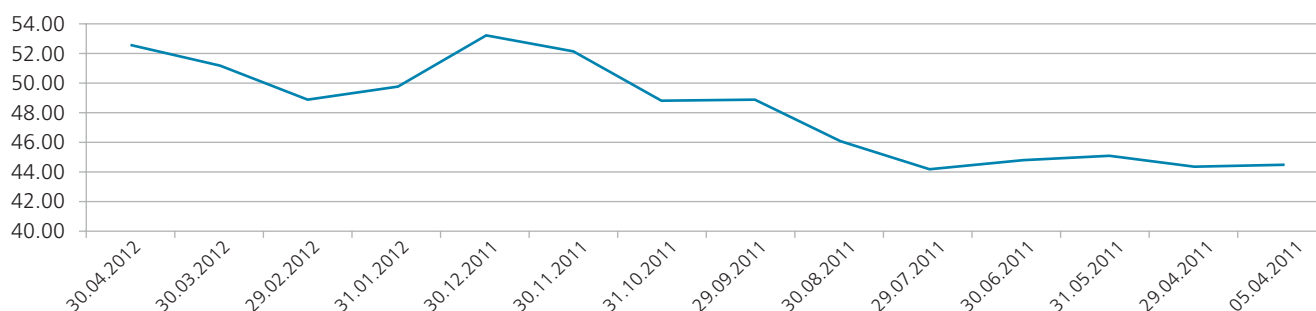
will be marketed by the Company under its brand name. With this arrangement, Company's dependence on China for tiles sourcing will significantly reduce.

### Increased cost of Borrowings

Cost of borrowings has also increased during the fiscal due to increase in

benchmark rates as well as higher level of borrowings. Subsequent to recently commissioned projects at Silvassa and Alibaug the entire interest cost is charged to revenue with effect from last quarter of the FY 2011-12. The increase in interest costs on the base of high level of debt further affected net profit margins. Besides, the Company had to

suffer an exchange loss of Rs. 10 crore in FY 2011-12 as against an exchange gain of Rs. 4 crore in FY 2010-11 i.e. net impact of Rs. 14 crore on year to year basis. The following graph shows the monthly movement of exchange rate between Indian Rupees and United States Dollar:



### Dividend

In view of the losses incurred during the year your Board is not able to recommend any dividend for the financial year ended 2011-12 (previous year Re. 0.5 per share).

### Consolidated Financial Statements

As required by the Listing Agreement with the Stock Exchanges and in accordance with the Accounting Standards AS-21 on consolidated financial statements, your Directors provide the audited annual consolidated financial statements in this Annual Report.

### Corporate Debt restructuring

In view of the operating losses faced by the Company and the high level of Debt,

Punjab National Bank the lead Bank has made a reference to the CDR cell for restructuring the Company's debt.

### Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2008, the Directors confirm that:

- a) In preparation of the annual accounts, applicable accounting standards have been followed along with proper explanations relating to material departures;
- b) Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state

of affairs of the Company as on March 31, 2012 and of the loss of the Company for the year ended March 31, 2012;

- c) Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts have been prepared on a going concern basis.

### Subsidiary companies

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account



and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company shall provide a copy of the Annual Report of its subsidiary companies, free of cost, as required under Section 212 of the Act to members on their written request to the Company Secretary at the registered office of the Company. These documents will also be available for inspection by any shareholder at the registered office of your company on any working day during business hours. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

A statement pursuant to section 212 of the Companies Act, 1956, containing details of subsidiaries of the Company also forms part of this Annual Report.

## Directors

Mr. Shivkumar Bhardwaj, Mr. Atul Sud and Mrs. Poonam Talwar resigned as Director of the Board. The Board placed on record its deep sense of appreciation for the services rendered by them as Directors of the Company.

The Board places on record its condolences for the sad demise of Mr. Prannath Talwar, who has passed away on 2nd May, 2012.

Mr. Pradeep Saxena, Mr. Vishal Malik and Mr. Rohan Talwar were appointed as Additional Directors at the Meeting of the Board of Directors held on 3rd May, 2012 and they hold office until the conclusion of the ensuing Annual General Meeting. Notices have been

received from Members of the Company for appointing them at the ensuing General Meeting.

Brief resume of Mr. Pradeep Saxena, Mr. Vishal Malik and Mr. Rohan Talwar the nature of their expertise in specific functional areas and the names of the companies in which they hold directorships as stipulated in Clause 49 of the Listing agreement is provided in the report on Corporate Governance annexed to the Annual Report.

## Corporate Governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed report on Corporate Governance forms a part of this Annual Report. A certificate from the auditors of the Company confirming their compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report.

## Management Discussion and Analysis

Management Discussion and Analysis on matters related to business performance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given in a separate statement which forms part of the Annual Report.

## Personnel

Relationships with employees continued to be cordial. The HR policies of your Company were focused on the development potential of each employee. With this premise, a comprehensive set of HR policies were

laid down, aiming to attract, retain and motivate employees at all levels. Information required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is provided in the Annexure forming part of the Directors' Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the Registered Office of the Company.

## Corporate Social Responsibility

Today's business environment demands that corporate play a pivotal role in shouldering social responsibility. You will be happy to note that in the year under review your company executed several Corporate Social Responsibility (CSR) programmes for the benefit of the communities where your company operates. Your company contributed actively towards community welfare measures, taking several initiatives related to education, health, environmental improvement and other development measures such as:

- Regular medical check up
- Blood donation camps
- Tree plantation programmes on World Environment Day and Earth Day to promote awareness about the effect of climate change and importance of environment protection

- Conducting Safety Awareness programmes regularly
- Support to sports activities including local sports championships for kabaddi and cricket.
- First aid centre at manufacturing facility

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings/Outgo

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is given in Annexure A, which forms part of this Report.

### Risk and Concern

Changes in macro economic factors like inflation, interest rate, world trade, exchange rate, etc. also play an important role in our industry thereby affecting the operations of business. Any adverse change in the above may affect the performance of your Company. Your Company periodically reviews the risk associated with the

business and takes steps to mitigate and minimise the impact of risk.

### Quality Safety and environment

Your Company, in order to ensure highest standard of safety, has implemented and initiated various measures with respect to Quality, Safety and Environment Management Systems. The initiatives by your Company have been rewarded with several recognitions.

### Internal control framework

Your Company conducts its business with integrity and high standards of ethical behavior and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, including suitable monitoring procedures. In addition to the external audit, the financial and operating controls of your Company at various locations are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

### Auditors' Report

The Board has duly examined the statutory auditor's report to accounts

and clarifications, wherever necessary, have been included in the Notes to Accounts section of the Annual Report.

### Auditors

The present auditors of the Company, M/s. A. Husein Noumanali & Co., Chartered Accountants, retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment. Your Directors recommend their appointment.

### Appreciation and acknowledgement

Your Directors wish to place on record their sincere thanks to the following stakeholders:

- Customers, who continue to be delighted in the Company's range of products and their quality, and who therefore continue to patronise the Company's products despite competition
- Banks and financial institutions for their continued support
- Employees for their sincere efforts during the year under review.



# Annexure to Director's Report

Particulars as per the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

## A) Conservation of Energy:

The Company's manufacturing operations are energy intensive. The concern for more efficient utilisation and conservation of energy has remained not only in the domain of the top management but has also percolated to the shop floor. Continuous improvements in the manufacturing processes and practices are carried out with one of the objectives of energy conservation. The Company has installed a 5.5 MW captive power plant. The waste heat generated from this captive power plant is used in

spray dryers resulting in a daily RLNG saving of around 405 MMBTU.

## B) Technology Absorption:

The state of the art Marble processing plant commenced operations during FY 2011-12. Major equipments have been imported from leading equipment manufacturers like Breton (Italy), Omis (Italy), Fraccarole E Balzan SPA (Italy) and Matec (Italy). The Company's technicians have been imparted training in maintenance of this equipment by supplier's technicians.

## C) Foreign exchange earnings and outgo:

The information on foreign exchange earnings and outgo is furnished in the Notes to the Accounts.

For and on behalf of the Board

Date: 27th July, 2012  
Place: Mumbai

Sd/-  
**Vivek Talwar**  
*Managing Director*

Sd/-  
**Vishal Malik**  
*Director*

# Report on Corporate Governance

Corporate Governance pertains to the system by which companies are directed and controlled, keeping in mind the long-term interests of stakeholders. It refers to the blend of law, regulations and voluntary practices, which enable the Company to attract financial and human capital, perform efficiently and thereby perpetually generate long-term economic value for its shareholders, while respecting and balancing the interests of other stakeholders and society as a whole.

It aims to align the interest of the Company with that of its shareholders and other key stakeholders. The incentive for companies, and for those who own and manage them, to adopt global governance standards which will help them achieve a long-term partnership with their stakeholders and achieve their corporate objectives efficiently. The principal characteristics of Corporate Governance are transparency, independence, accountability, fairness and social responsibility.

In sum, Corporate Governance focuses on the treatment of all shareholders and reinforces the belief among the shareholders that it is 'Your Company' as it belongs to them. The Chairman and Board of Directors are the shareholders' fiduciaries and trustees pushing the business forward and maximising long-term value for them.

A good governance process provides transparent corporate policies, strategies and the decision-making process and also strengthens internal control systems and helps in building relationships with all stakeholders. We at NITCO believe in being transparent and commit ourselves to adherence to good Corporate Governance practices at all times, as we believe that good governance generates goodwill among business partners, customers and investors and helps the Company grow.

## A. Board of Directors

### 1. Composition of the Board and a brief profile of Directors

The Board of Nitco consists of two Independent Directors, which together constitute 50% of the total number of Board of Directors.

The composition of the Board of Directors is in conformity with Clause 49 of the Listing Agreement.

The day-to-day management of the Company is conducted by the Managing Director.

**Mr. Vivek Talwar**, son of Mr. Pran Nath Talwar, aged 55 years, is the Managing Director of your Company. He holds a Bachelor's Degree in Science and has a rich experience of over 30 years in the tile industry. He joined the Company as a Director in 1980. The operational responsibility and day-to-day functioning of the Company were

gradually handed over to him. He was instrumental in setting up a plant at Alibaug to manufacture ceramic floor tiles and also in diversifying the business of the Company by entering into new activities such as marketing of imported marble, vitrified tiles and cement in India. Mr. Vivek Talwar holds 63,23,669 equity shares in the Company.

**Mr. Pradeep Saxena**, aged 64 years, joined the Company as a Director in the Board Meeting held on 3rd May, 2012. His career spans 30 years in international banking and five years in information technology. He was President of e-Funds International from 2000 to 2003. Earlier he was Managing Director and CEO, South Asia Region of ING Barings and Executive Director with Merrill Lynch International. Starting his career with Grindlays Bank, he has worked in senior management positions for the Gulf International Bank, the American Express Bank, and Grindlays Bank in the US, the UK, Europe, the Gulf and India. Mr. Saxena is a consultant and specialist advisor engaged primarily with SMEs and start-ups for advice on corporate strategy and management and business development. Among his assignments, he serves as the Executive Director of the Indian Institute for Human Settlements (IIHS), a prospective independent national university for innovation, an initiative which has been established by a group of publically-minded citizens. He has a Bachelor's



Degree in Economics and a Master's in Management Sciences, from the University of Bombay. He is a Fellow of the Institute of Financial Services, London. He holds office as an Additional Director until the ensuing Annual General Meeting. He is eligible for appointment at the ensuing Annual General Meeting. He is a Director in the following Companies:

S. No.	Name of the companies / Firms	Nature of Interest
1.	Strategic Capital Corporation Private Limited	Director
2.	Interdev Marketing Services Private Limited	Director
3.	Sumani Trading Private Limited	Additional director
4.	Sunovaa Tech Private Limited	Director
5.	ITEK Business Solutions Private Limited	Director
6.	Gujarat Foils Limited	Director
7.	Strategic India Real Estate Management Company Private Limited	Director
8.	Strategic Portfolio Advisory Company Private Limited	Director
9.	Strategic Trustee Company Private Limited	Director
10.	Avakash Consultants Private Limited	Director
11.	Colva Tradeplace Private Limited	Director
12.	Saturn Advisory Services Private Limited	Director
13.	Bliss Advisory Services Private Limited	Director
14.	Strategic Trading Private Limited	Director

**Mr. Vishal Malik**, aged 40 years, has been appointed as the Director of the Company at its Board Meeting held on 3rd May, 2012. He has over 18 years of experience in the investment banking industry, having done extensive work in the areas of M&A, private equity and real estate financing. He formerly worked in the treasury of Reliance Industries and was a part of the founding team of Stratcap Securities India Pvt Ltd, a full-service investment bank. He is currently the managing partner of Knox Capital Advisors, a boutique investment bank focusing on financing in the SME segment. Vishal is an MBA from Asian Institute of Management, Manila and a Chemical Engineer from Mumbai University. He holds office as an Additional Director until the ensuing Annual General Meeting. He is eligible for appointment at the ensuing Annual General Meeting. He is a Director in the following Companies:

S. No.	Name of the companies / Firms	Nature of Interest
1.	Mecklai Financial Services Limited	Additional director
2.	Knox Capital Advisors Private Limited	Director
3.	Vantage Realty Ventures Private Limited	Director
4.	Contemporary Realty Ventures Private Limited	Director
5.	Parthesh Ventures Limited	Director

**Mr. Rohan Talwar**, aged 27 years, has been appointed as a Non Executive Director of the Company at its Board Meeting held on 3rd May, 2012. He is son of Mr. Vivek Talwar, the Managing Director of the Company. He has completed his Bachelor's in Business Administration from Carnegie Mellon University, USA. He is currently looking after his business in the hospitality sector. He is not involved in the business of the Company. He holds office as an Additional Director until the ensuing Annual General Meeting. He is eligible for appointment at the ensuing Annual General Meeting. He is a Director in the following Companies:

S. No.	Name of the companies / Firms	Nature of Interest
1.	IB Hospitality Private Limited	Director
2.	Digital Symphony Private Limited	Director
3.	Strongbase Properties Private Limited	Director
4.	Firstlife Properties Private Limited	Director
5.	Watco Engineering Company Private Limited	Director
6.	Watco Trading Private Limited	Director
7.	Watco Chennai Real Estates Private Limited	Director
8.	Watco Hyderabad Properties Private Limited	Director

## 2. Board procedure

To follow transparency, the Board follows the procedure of planning in advance the matters requiring discussions/decisions by the Board. The Board is given presentations on finance, sales, marketing, major business segments and operations of the Company and other matters, as members want. The Managing Director along with the Company Secretary finalises the agenda papers for the Board meeting in consultation with other persons concerned. The agenda folder is sent to each Director in advance

of the meetings. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions. Meetings of various Committees are held properly. The minutes of Committees and Board meetings of subsidiary companies are placed regularly before the Board for its review.

## 3. Directorships and attendance

Your Company in the last financial year had six Directors. The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of

directorships and committee chairmanships/memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, private companies with unlimited liability, companies incorporated outside India, companies under section 25 of the Companies Act, 1956 and other body corporates. Chairmanship/membership of Board Committees includes only Audit and Shareholders'/Investors' Grievance Committees.

Name	Category	No. of Board meetings held during the year 2011-12		No. of directorships held in other companies		No. of committee positions held in other public companies		Whether attended the last AGM
		Held	Attended	Chairman	Member	Chairman	Member	
<b>Executive</b>								
Mr. Vivek Talwar (Managing Director)	Promoter	4	4	--	--	--	--	Yes
Ms. Poonam Talwar (Wholetime Director) \$	Non-Independent	4	4	--	--	--	--	Yes
<b>Non-Executive</b>								
Mr. Pran Nath Talwar (Chairman) @	Promoter	4	--	--	--	--	--	No
Mr. S.K. Bhardwaj*	Independent	4	3	--	--	--	--	Yes
Mr. Atul Sud**	Independent	4	4	-	2	1	2	No
Mr. Gaurav Burman#	Independent	4	-	-	1	-	-	No

# ceased to be a Director with effect from 24th April, 2012

\*ceased to be a Director with effect from 7th December, 2011

@ ceased to be a Director of the Company w.e.f. 2nd May, 2012, due to his demise

\$ ceased to be a Director with effect from 8th May, 2012

\*\* ceased to be a Director with effect from 26th June, 2012.

Four Board meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held are:

4th May 2011; 12th August 2011; 10th November 2011 and 30th January 2012.





#### 4. Code of conduct

The Board has laid down a Code of Conduct for all Board members and senior management of the Company. The same is posted on the website of the Company. A declaration by the Managing Director providing affirmation towards the compliance of the Code of Conduct by all Board members and senior management is attached to this Corporate Governance report.

None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company which may affect their independence.

Necessary information pursuant to Clause 49 of the Listing Agreement has been placed before the Board from time to time.

### B. Committees of the Board

#### 1. Audit Committee

The Company has an Audit Committee

in accordance with the requirement of Section 292A of the Companies Act, 1956, and the terms of reference are in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. All the members of the Committee possess strong accounting and financial knowledge. The composition and attendance of each member at the meetings held during the year ended 31st March 2012, is as follows:

Name of Director	Category	No. of committee meetings	
		Held	Attended
Mr. S. K. Bhardwaj (Chairman)*	Independent	4	3
Mr. Atul Sud**	Independent	4	4
Mr. Vivek Talwar	Managing Director	4	4

\*Ceased to be a member with effect from 7th December, 2011

\*\* Ceased to be a member with effect from 26th June, 2012

The Audit Committee was re-constituted, owing to the resignation of Mr. S. K. Bhardwaj and Mr. Atul Sud as the members of the Committee. The new committee comprises of:

1. Mr. Vishal Malik (Chairman)
2. Mr. Pradeep Saxena and
3. Mr. Vivek Talwar

Audit Committee meetings are also attended by the Chief Executive Officer, Chief Financial Officer and the Statutory Auditors. The Company Secretary and Compliance Officer is the Secretary to the Committee.

Terms of reference of the Audit Committee, inter alia, are:

- (a) Authority to investigate any matter

pertaining to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board

- (b) Investigation of any activity within its terms of reference
- (c) Overseeing of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- (d) Reviewing of the annual financial statement with the management
- (e) Reviewing of the adequacy of internal control systems with the management and the external and internal auditors

(f) Reviewing of the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit

(g) Reviewing of the Company's financial and risk management policies

(h) Periodic discussion with the auditor about the internal control system, scope of audit including observations of auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

## 2. Shareholders'/Investors' Grievance Committee

The Company has constituted a Shareholders'/Investors' Grievance and Share Transfer Committee to look into various issues relating to shareholders including transfer and transmission of shares as well as non-receipt of

dividend, annual report and shares after transfers, delay in transfer of shares and other requests made by the shareholders. In addition, the Committee looks into other issues including status of dematerialisation/rematerialisation of shares as well as systems and

procedures followed to track investor complaints and suggest measures for improvement from time to time.

The composition and attendance of each member at the meetings held during the year ended 31st March, 2012, is as follows:

Name of Director	Category	No. of committee meetings	
		Held	Attended
Mr. S. K. Bhardwaj (Chairman)*	Independent	8	5
Mr. Atul Sud**	Independent	8	7
Mr. Vivek Talwar	Managing Director	8	8

\*ceased to be a member with effect from 7th December 2011

\*\* Ceased to be a member with effect from 26th June, 2012

The Committee was reconstituted at the Board Meeting held on 3rd May 2012, and Mr. Vishal Malik was appointed as a member of the Committee in place of Mr. Shivkumar Bhardwaj. The members elect a Chairman of the Committee from among themselves.

Mrs. Reena Rajee, Company Secretary has been appointed as the Compliance Officer.

The Company's shares are listed for trading on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. During the year, 53 investor complaints were received and resolved. There were no pending investor complaints as on 31st March 2012.

## 3. Remuneration Committee

The Board, on the recommendation of the Remuneration Committee, determines the remuneration payable to the Managing Director. The remuneration of the Non-Executive Directors is restricted only to sitting fees for attending the Board/Committee meetings. The members of the Remuneration Committee are all Independent Directors. They are as follows:

- Mr. Atul Sud\*\*, Member

- Mr. Gaurav Burman # Member

- Mr. S. K. Bhardwaj\* Member

# ceased to be a member with effect from 24th April 2012

\*ceased to be a member with effect from 7th December 2011

\*\* Ceased to be a member with effect from 26th June, 2012

The Committee was reconstituted at the Board Meeting held on 27th July 2012, and Mr. Vishal Malik and Mr. Pradeep Saxena were appointed as members of the Committee. The members elect a

Chairman of the Committee from among themselves.

Meetings of the Remuneration Committee are held as and when required, for appointments of Executive Directors. Time schedule for holding the meetings is finalised in consultation with the Committee members. During the year, no meeting of the Remuneration Committee was required to be held.

Details of remuneration paid to Directors during the financial year ended



31st March 2012 are as under:

Rs. in lakhs

Name of Directors	Category	Salary	Perquisites and other benefits	Commission	Sitting fees	Total
Mr. Pran Nath Talwar@	Chairman	-	-	-	-	-
Mr. Vivek Talwar	Managing Director	38.40	19.88	-	-	58.28
Ms. Poonam Talwar \$	Wholetime Director	16.80	3.49	-	-	20.29
Mr. S.K. Bhardwaj*	Independent Director	-	-	-	1.30	1.30
Mr. Atul Sud**	Independent Director	-	-	-	1.74	1.74
Mr. Gaurav Burman#	Independent Director	-	-	-	-	-

Notes: Notice period applicable to the Managing Director is three months.

# ceased to be a Director with effect from 24th April 2012

\*ceased to be a Director with effect from 7th December 2011

@ ceased to be a Director due to death on 2nd May 2012

\$ Ceased to be a Director with effect from 8th May, 2012

\*\* Ceased to be a Director with effect from 26th June, 2012.

Tenure of the Managing Director is three years from 1st April 2011

None of the Directors hold any instrument convertible to shares.

**Criteria for payment to Independent Directors:** At present, the Company pays sitting fees to Independent Directors for the Board/Committee meetings they attend.

### C. Details of shares of the Company held by Directors as on 31st March 2012 are as below:

Directors	No. of equity shares held
Mr. Pran Nath Talwar @	5,03,837
Mr. Vivek Talwar	63,23,669
Ms. Poonam Talwar \$	62,562
Mr. Atul Sud**	-
Mr. Gaurav Burman#	-
Mr. Rohan Talwar (w.e.f 3rd May 2012)	-
Mr. Pradeep Saxena (w.e.f 3rd May 2012)	-
Mr. Vishal Malik (w.e.f 3rd May 2012)	-

# ceased to be a Director with effect from 24th April 2012

@ Ceased to be a Director due to death on 2nd May, 2012

\$ Ceased to be a Director with effect from 8th May, 2012

\*\* Ceased to be a Director with effect from 26th June, 2012.

## D. General body meetings

The details of the last three Annual General Meetings held are as given below:

Year	Date	Time	Venue	Special Resolution passed
2010-11	28th September 2011	11.00 a.m.	Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400018	–
2009-10	15th September 2010	11.00 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	Reappointment of Mr. Vivek Talwar as the Managing Director of the Company for a period of three years with effect from 1st April 2011.
2008-09	17th September 2009	10.30 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	–

No Extraordinary General Meeting (EGM) was held during the last three years. During the year under review, the following court-convened meeting was held:

Calendar Year	Date	Time	Venue	Special Resolution passed
2011	1st April 2011	11.00 a.m.	M.C.Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001	Approval of the scheme of amalgamation of Particle Boards India Limited with Nitco Limited and their respective shareholders and creditors.

Postal ballot: No postal ballot was conducted during the year.

## E. Subsidiary companies

The Clause 49 of the Listing Agreement defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or networth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or networth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have any 'material non-listed Indian

subsidiary' during the year under review. The Audit Committee reviews the financial statements and the working of the unlisted subsidiary companies.

## F. Disclosures

a) Related-party transactions are disclosed in the Notes to Accounts in the financial statements as on 31st March 2012. However the Company did not have any related-party transactions, which may have potential conflict with the interests of the Company at large.

- b) The Company complied with all the provisions of the Listing Agreement entered into with the stock exchanges as well as SEBI regulations and guidelines, wherever applicable. No penalties have been imposed or strictures issued by SEBI, the stock exchanges or any statutory authority on matters relating to capital markets in the last three years.
- c) The Company complied with non-mandatory requirements relating to



the Remuneration Committee and that the financial statements of the Company are unqualified.

- d) A qualified Practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), total issued and listed capital. The secretarial audit report, provided quarterly, confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and number of dematerialised shares held with NSDL and CDSL.
- e) In compliance with the SEBI's regulations on prevention of insider trading, the Company has instituted a comprehensive Code of Conduct for the prevention of insider trading for its Directors, officers and designated employees. The Code lays down guidelines which advise them on the procedures to be followed and disclosures to be made, while dealing with the shares of the Company and cautioning them of the consequences of violations.

## G. Risk management

Your Company has a well-defined risk management framework in place. The

risk management framework adopted by the Company is discussed in detail in the management discussion and analysis chapter of this annual report. Your Company established procedures for minimising the risk and steps are taken by it for mitigating the risk.

## H. Means of communication

- The quarterly and half-yearly results of the Company are published within 48 hours in 'Business Standard' (English) and 'Sakal' (Marathi). The results, press releases and the shareholding pattern of the Company are displayed on the Company's website [www.nitco.in](http://www.nitco.in) from time to time. Presentations, if any, made to institutional investors and analysts after the declaration of quarterly, half-yearly and annual results are also displayed on the Company's website.
- The Company also informs, by way of intimation, to the stock exchanges all price-sensitive matters or such other matters which in its opinion are material and relevant to shareholders.
- All data/reports required to be filed with the stock exchanges have been regularly filed with them.
- Management discussion and analysis: A report on management discussion and analysis is appended and forms part of this annual report.

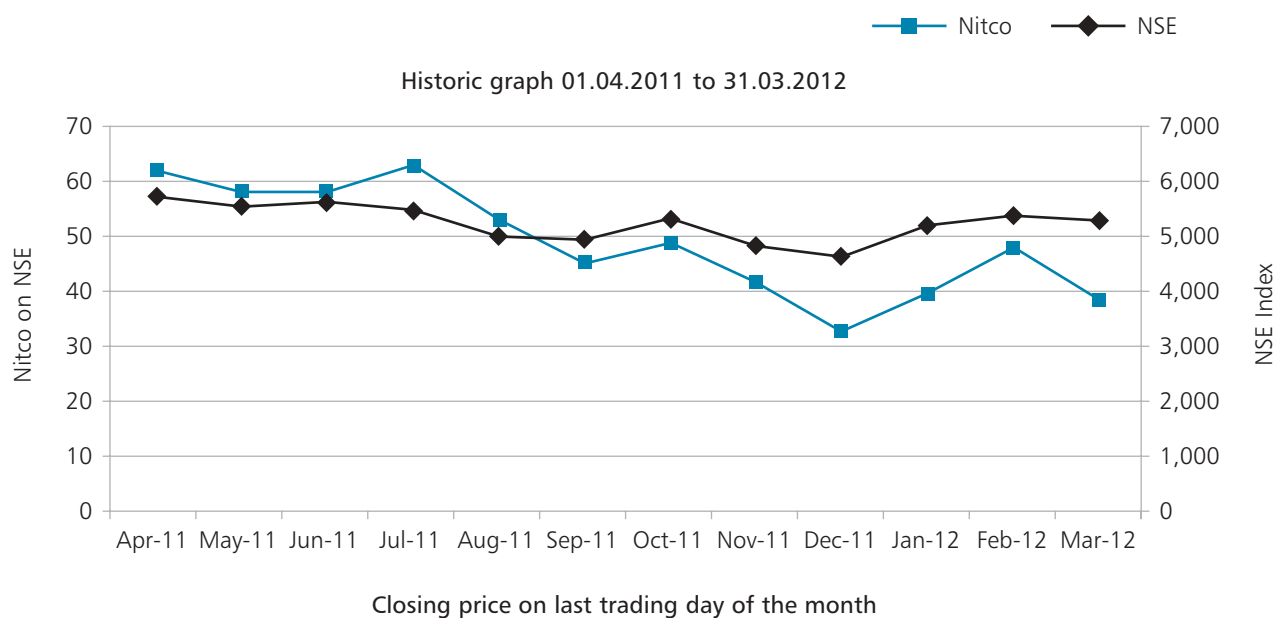
## I. Shareholders' information

- a) **The Annual General Meeting** is scheduled to be held on Saturday, the 22nd Day of September 2012 at 11.00 am at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.
- b) **Financial year:** The Company follows April-March as its financial year.
- c) **Date of book closure:** 15th September 2012 to 22nd September 2012 (both days inclusive).
- d) **Listing on stock exchanges:** The Company's equity shares are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid listing fees to the stock exchanges for the financial year 2012-13.
- e) **Stock code/ symbol:**
- |  |               |
|--|---------------|
| BSE -  | 532722        |
| NSE -  | NITCO         |
| Demat International Security Identification Number in NSDL and CDSL for equity shares – ISIN - | INE858F01012. |

f) **Market price data:** The monthly high and low price of shares traded on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. are as follows:

Month	BSE		NSE	
	High	Low	High	Low
April '11	67.20	60.50	68.00	60.50
May '11	71.30	56.00	71.30	56.15
June '11	65.00	54.00	65.40	54.20
July '11	69.00	58.00	69.10	53.50
August '11	66.15	45.20	66.35	46.00
September '11	54.50	42.75	54.75	42.65
October '11	50.00	43.10	50.00	42.60
November '11	49.85	35.65	49.85	35.45
December '11	42.50	31.55	43.15	31.55
January '12	42.20	31.95	42.50	31.80
February '12	53.20	39.65	53.00	39.60
March '12	49.50	35.80	47.70	35.50

g) Performance of the Company's stock price vis-à-vis NSE S&P CNX Nifty Index:





h) Shareholding pattern as on 31st March 2012:

Category	No. of shares held	Percentage of total
<b>Promoters' holding</b>		
Promoters	10405249	31.92
Promoters' group	5535851	16.98
<b>Sub-total</b>	<b>15941100</b>	<b>48.90</b>
<b>Public shareholding</b>		
Mutual funds	2159203	6.62
Financial institutions/banks	9713	0.03
FIs	3558167	10.91
Private corporate bodies	4275849	13.12
NRIs/OCBs	1420242	4.36
Other	5235858	16.06
<b>Sub-total</b>	<b>16659032</b>	<b>51.10</b>
<b>Grand total</b>	<b>32600132</b>	<b>100.00</b>

i) Distribution of shareholding as on 31st March 2012:

No. of equity shares	No. of share holders	Percentage of share holders	No. of shares held	Percentage of share holding
1 - 5000	11596	88.01	1491385	4.57
5001 - 10000	789	5.99	652348	2.00
10001 - 20000	375	2.85	573138	1.76
20001 - 30000	137	1.04	348004	1.07
30001 - 40000	55	0.42	198773	0.61
40001 - 50000	45	0.34	216110	0.66
50001 - 100000	74	0.56	540056	1.66
100001 and above	105	0.80	28580318	87.67
	13176	100.00	3,26,00,132	100.00

**j) Registered office:**

Nitco Limited, Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai - 400 030.

Tel: 022 6616 4555;

Fax: 022 6616 4657

**k) Corporate office:**

Nitco Limited, Plot No.3, Kanjur Village, Station Road, Kanjurmarg (East), Mumbai – 400042.

Tel No.: 022 6752 1555;

Fax No.: 022 6752 1500

Email: [investorgrievances@nitco.in](mailto:investorgrievances@nitco.in)

Website: [www.nitco.in](http://www.nitco.in)

**l) Plant locations:**

Our existing production facilities are located at Poynad (Alibaug) for ceramic/porcelain tiles. Our marble processing facilities are located at Kanjurmarg (Mumbai) and Silvassa.

**m) Registrars and Transfer Agents:**

Link Intime India Private Limited, C-13 Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078.

Tel: 022 2594 6970;

Fax: 022 2596 2691

E-mail: [rnt.helpdesk@linkintime.co.in](mailto:rnt.helpdesk@linkintime.co.in)

Website: [www.linkintime.co.in](http://www.linkintime.co.in)

**n) Share transfer system:**

Transfers of the dematerialised shares are done through depository participant where there is no involvement of the Company. The transfer of shares in physical form as and when received are normally processed within 15 days from the date of receipt subject to the documents being valid and complete in all respects.

**n) Dematerialisation of shares and liquidity:**

The Company's shares are compulsorily traded in dematerialised form and are

available for trading on both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Percentage of shares held in physical and dematerialised form as on 31st March 2012:

Physical Form : 1.95

Electronic Form with CDSL : 29.48

Electronic Form with NSDL : 68.57

We have no GDR/ADR or any convertible instrument.

**o) Equity shares in the suspense account:**

As per Clause 5A of the Listing Agreements with the Stock Exchanges, the Company reports the following details in respect of equity shares lying in the suspense account which were issued pursuant to the public issue of the Company:

Securities	As on April 1, 2011		Shareholders who approached the Registrars and shares transferred in their favour during the year		Balance as on March 31, 2012	
	No. of records	No. of shares	No. of records	No. of shares	No. of records	No. of shares
Equity shares	11	785	0	0	11	785

The voting rights shall remain frozen till the rightful owner of such shares claims the shares.

**p) Nomination facility:**

Shareholders holding shares in the physical form and desirous of making a nomination in respect of their holding in the Company, as permitted under

Section 109A of the Companies Act, 1956, are requested to submit to the Company the prescribed Form 2B for this purpose.

For and on behalf of the Board

Sd/-

Vivek Talwar

Managing Director

Date: 27th July 2012

Place: Mumbai





## Declaration

In accordance with Clause 49 of the Listing Agreement with the stock exchanges, I hereby confirm and declare that all the Board of Directors and the senior management personnel of the Company have affirmed compliance with the 'Code of Conduct for Board Members and Senior Management' laid down for them for the financial year ended 31st March 2012.

For Nitco Limited

Sd/-

Vivek Talwar

Managing Director

Place: Mumbai

Date: 3rd May, 2012

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## Auditor's certificate on Corporate Governance

To

The Members

**Nitco Limited**

We have examined the compliance of conditions of Corporate Governance procedures implemented by Nitco Limited for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges of India.

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

In our opinion and to the best of our information and according to the explanations given to us, we hereby certify that the Company has complied in all respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For A. Husein Noumanali & Co.

Chartered Accountants

Sd/-

A. Husein Noumanali

Proprietor

Membership No. 14757

Place: Mumbai

Date: 3rd May 2012

# Financial Section



# Auditor's Report

To  
The Members of **Nitco Limited**

We have audited the attached Balance Sheet of **M/s NITCO LIMITED** as on 31 March, 2012 and also the Profit & Loss Account of the Company for the year ended on that date, annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.

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

- 1) 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;
- 2) In our opinion proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of the books;
- 3) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- 4) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- 5) On the basis of written representations received from the directors of the Company, as on 31 March, 2012, and taken on record by the Board of Directors, we report that 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.
- 6) In our opinion and to the best of our information and according to the explanation given to us, the said accounts, read together with the notes to accounts and in particular note no. 27 give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
  - a) In the case of the Balance Sheet, of the state of affair of the Company as at 31 March, 2012 and
  - b) In the case of Profit & Loss account, of the Loss for the year ended on that date and
  - c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **A. Husein Noumanali & Co.**

*Chartered Accountants*

Firm Registration No. 107173W

**A. Husein Noumanali**

*Proprietor*

Membership No.: 14757

Place: Mumbai

Date: May 3, 2012

## ANNEXURE TO THE AUDITORS' REPORT

- 1 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased programme of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.
- (c) During the year, the Company has not disposed of any substantial / major part of fixed assets.
- 2 (a) The inventory has been physically verified at reasonable intervals during the year by the Management/ internal Auditors.
- (b) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management/ Internal Auditors are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories in so far as such records were examined by us and no material discrepancies were noticed on physical verification. However based on the verification of inventory the management has identified obsolete, slow moving and defective inventory of Rs. 3447.47 lacs and the same has been written off as exceptional items.
- 3 (a) The Company has granted unsecured loans to wholly owned subsidiary company. The maximum amount outstanding at any time during the year is Rs 15160.59 lacs and the year end balance is same.
- (b) The rate of interest on aforesaid loans and advances granted is reasonable. In our opinion rates of interest and other terms and condition of loans are not prejudicial to the interest of company. There is no repayment schedule and loans and advances are repayable on demand, therefore clause 4 (iii) (c) & (d) of the Companies (Audit Report) Order, 2003 are not applicable.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, provisions of clause 4(iii)(f) and (g) of the Companies (Audit Report) Order, 2003 are not applicable.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5 (a) In our opinion and according to the information and explanations given to us, transactions that need to be entered into the Register in pursuance of 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 exceeding Rupees Five Lakhs in respect of each party made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made there under. Hence; the Clause (vi) of the order is not applicable.
7. In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the company and the nature of its business.
8. According to the information and explanations furnished to us, the Central Government has not prescribed maintenance of cost records u/s 209(1)(d) of the Companies Act, 1956 to this company.
- 9 (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Employees' State Insurance, Income tax, Sales

tax, Wealth-tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding at 31 March, 2012 for a period more than six months from the date they became payable.

- (b) According to the records of the Company, the dues of sales tax, income-tax, customs, wealth-tax, excise duty, cess which have not been deposited on account of disputes and the forum where the dispute is pending are as under:-

Name of Statute	Nature of the dues	Amount (Rs./lakhs)	Forum
Central Excise Act	Duty demand/ penalty	25.10	Customs, Excise & Service Tax Appellate Tribunal, Mumbai
Central Excise Act	Duty demand/ penalty	658.87	Commissioner Central Excise (Appeals)
Customs Act	Duty demand/ penalty	390.00	Customs, Excise & Service Tax Appellate Tribunal, Mumbai

10. The Company has no accumulated losses as per books of accounts at the end of the financial year. It has incurred cash losses in the financial year under report and no cash losses in the immediately preceding financial year.
11. In our opinion and according to the information and explanation provided to us, there has been delay in repayment of loan which is outstanding as on March 31, 2012 due to a lender amounting to Rs. 1792.98 lacs which has not been paid till date.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual benefit Fund / Societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, 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 (Auditor's Report) Order, 2003 are not applicable to the Company.

15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
16. According to the information and explanations given to us, the term loans raised during the year have been applied for the purpose for which they were raised.
17. According to the information given to us and on an overall examination of balance sheet of the company, we report that no funds raised on short term basis have been used for long term Investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any secured debentures during the year. Hence, provisions of Clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
20. The company has not raised any money by public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing principles in India, and according to the information and explanation given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have been informed of such case by the management.

For **A. Husein Noumanali & Co.**  
Chartered Accountants  
Firm Registration No. 107173W

Place: Mumbai  
Date: May 3, 2012

**A. Husein Noumanali**  
Proprietor  
Membership No.: 14757

**BALANCE SHEET** as at 31st March 2012

Rupees in lakhs

Particulars	Note No.	31.03.2012	31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	1	3,260.01	3,212.36
Share capital Suspense	1	-	47.66
(b) Reserves and surplus	2	44,747.49	50,292.13
<b>Total Shareholders' Funds</b>		<b>48,007.50</b>	<b>53,552.15</b>
<b>2 Non-current liabilities</b>	3		
(a) Long-term borrowings		30,061.65	24,422.71
(b) Deferred tax liabilities (Net)		2,034.84	2,034.84
(c) Other Long term liabilities		1,360.66	5,820.35
<b>Total Non-Current Liabilities</b>		<b>33,457.15</b>	<b>32,277.90</b>
<b>3 Current liabilities</b>	4		
(a) Short-term borrowings		27,983.13	25,118.26
(b) Trade payables		49,307.18	24,308.79
(c) Other current liabilities		12,646.42	10,036.37
(d) Short-term provisions		-	189.44
<b>Total Current Liabilities</b>		<b>89,936.73</b>	<b>59,652.86</b>
<b>TOTAL - Equity &amp; Liabilities</b>		<b>171,401.38</b>	<b>145,482.91</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed Assets	5		
(i) Tangible assets		73,758.01	55,981.55
(ii) Capital work-in-progress		338.29	7,535.64
Total Fixed Assets		74,096.30	63,517.19
(b) Non-current investments	6	1,184.08	974.48
(c) Long-term loans and advances	7	15,655.46	10,980.56
(d) Other Non-Current Assets	8	2,308.79	278.53
<b>Total Non-Current Assets</b>		<b>93,244.63</b>	<b>75,750.76</b>
<b>2 Current Assets</b>			
(a) Current investments	9	10.00	10.00
(b) Inventories	10	38,936.51	31,141.78
(c) Inventories - Real Estate	11	19,290.75	19,762.61
(d) Trade receivables	12	7,224.36	10,919.29
(e) Cash and cash equivalents	13	3,868.84	2,393.70
(f) Short-term loans and advances	14	986.30	263.40
(g) Other current assets	15	7,839.99	5,241.37
<b>Total Current Assets</b>		<b>78,156.75</b>	<b>69,732.15</b>
<b>TOTAL - Assets</b>		<b>171,401.38</b>	<b>145,482.91</b>

As Per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

Mumbai,

May 3, 2012

**Vivek Talwar**  
Managing Director**Atul Sud**  
Director**Reena Raje**  
Company Secretary

**PROFIT AND LOSS STATEMENT** for the year ended 31st March 2012

Rupees in lakhs

Particulars	Note No.	31.03.2012	31.03.2011
<b>I. REVENUE FROM OPERATIONS</b>			
Sale of products		95,851.96	72,828.46
Less: Excise Duty		2,220.88	1,673.75
Less: Sales Tax		9,743.75	7,130.75
Other operating revenues		118.56	78.61
<b>Net Sales</b>		<b>84,005.89</b>	<b>64,102.57</b>
II. Other income		36.36	111.52
<b>III. Total Revenue (I + II)</b>		<b>84,042.25</b>	<b>64,214.09</b>
<b>IV. EXPENSES:</b>			
Cost of materials consumed	16	17,577.98	20,012.59
Purchases of Stock-in-Trade		46,899.14	25,101.48
Changes in inventories of finished goods work-in- progress and Stock-in-Trade	17	(9,622.35)	(4,032.90)
Employee benefits expense	18	4,665.09	3,536.49
Finance costs	19	7,511.39	2,809.11
Depreciation and amortization expense	5	3,265.87	2,271.28
Other expenses	20	15,842.29	11,680.82
<b>Total Expenses</b>		<b>86,139.41</b>	<b>61,378.87</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>(2,097.16)</b>	<b>2,835.22</b>
VI. Exceptional items (Refer Note No. 27 )		3,447.48	
<b>VII. Profit before extraordinary items and tax (V - VI)</b>		<b>(5,544.64)</b>	<b>2,835.22</b>
VIII. Extraordinary Items			
<b>IX. Profit before tax (VII-VIII)</b>		<b>(5,544.64)</b>	<b>2,835.22</b>
<b>X Tax expense:</b>			
(1) Current tax			
(2) Deferred tax			204.78
<b>XI Profit (Loss) for the period from continuing operations (VII-VIII)</b>		<b>(5,544.64)</b>	<b>2,630.44</b>
XII Profit/(loss) from discontinuing operations			
XIII Tax expense of discontinuing operations			
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)			
<b>XV Profit (Loss) for the period (XI + XIV)</b>		<b>(5,544.64)</b>	<b>2,630.44</b>
XVI Earnings per equity share:			
(1) Basic		(17.01)	8.19
(2) Diluted		(17.01)	8.07

As Per our report attached

For and on Behalf of the Board

 For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

Mumbai,

May 3, 2012

**Vivek Talwar**  
 Managing Director

**Atul Sud**  
 Director

**Reena Raje**  
 Company Secretary

## NOTES TO THE ACCOUNTS as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>I SHARE CAPITAL</b>		
<b>a Authorised</b>		
50,000,000 Equity shares of Rs. 10/- each	5,000.00	5,000.00
	<b>5,000.00</b>	<b>5,000.00</b>
<b>b Issued and Subscribed</b>		
32,600,132 Equity shares of Rs. 10 each fully paid up	3,260.01	3,212.36
(Previous year 32,123,552 Equity shares of Rs. 10/- each fully paid up.)		
	<b>3,260.01</b>	<b>3,212.36</b>

### Note:

Out of the above equity shares, 4,180,283 equity shares have been allotted pursuant to court approved schemes of amalgamation / merger for consideration other than cash.

### c) Details of shareholders holding more than 5% of issued share capital of the company.

Rupees in lakhs

Sr. No.	Name of the shareholder	As on 31.03.2012		As on 31.03.2011	
		No. of Shares held	Shares as a percentage of total number of issued share capital	No. of Shares held	Shares as a percentage of total number of issued share capital
1	Vivek Prannath Talwar	6,323,669	19.40	6,323,669	19.40
2	Aurella Estates And Investments Private Ltd	3,577,743	10.97	3,577,743	10.97
3	Reliance Capital Trustee Co Ltd-Reliance Longterm Equity Fund	2,159,203	6.62	2,159,203	6.62
4	Cim Asset Management Ltd A/C Tusk Investments Fund 2	1,937,747	5.94		
5	Prasam Trading And Finance Pvt Ltd	1,740,042	5.34	2,140,042	6.56
6	Promethean Investments Llp A/C Tusk Investments Fund 2			1,937,747	5.94
	<b>Total</b>	<b>15,738,404</b>		<b>16,138,404</b>	

d Share Capital Suspense represented 476,580 Equity shares of Rs. 10/- each to be issued to shareholders of Particle Boards India Pvt. Ltd. pursuant to scheme of amalgamation sanctioned by the Honourable Mumbai High Court. The allotment of the said shares was done on August 12, 2011.

e The reconciliation of number of shares outstanding is as below:

Particulars	31.03.2012	31.03.2011
Equity shares at the beginning of the year	32,123,552	32,123,552
Add: Shares issued on account of Merger	476,580	-
Equity shares at the end of the year	32,600,132	32,123,552



## NOTES TO THE ACCOUNTS as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>2 RESERVES AND SURPLUS</b>		
<b>a Capital Reserve</b>		
Opening Balance	125.68	125.68
<b>Closing Balance</b>	<b>125.68</b>	<b>125.68</b>
<b>b Capital Redemption Reserve</b>		
Opening Balance	965.00	965.00
<b>Closing Balance</b>	<b>965.00</b>	<b>965.00</b>
<b>c Securities Premium Account</b>		
Opening Balance	32,112.39	32,112.39
<b>Closing Balance</b>	<b>32,112.39</b>	<b>32,112.39</b>
<b>d General Reserve</b>		
Opening Balance	4,356.63	3,356.63
(+) Current Year Transfer		1,000.00
<b>Closing Balance</b>	<b>4,356.63</b>	<b>4,356.63</b>
<b>e Surplus</b>		
Opening balance	12,732.43	11,291.43
(+) Net Profit/(Net Loss) For the current year	(5,544.64)	2,630.44
(-) Proposed Dividends		189.44
(-) Transfer to Reserves		1,000.00
<b>Closing Balance</b>	<b>7,187.79</b>	<b>12,732.43</b>
	<b>44,747.49</b>	<b>50,292.13</b>

### 3 NON-CURRENT LIABILITIES

<b>(a) Long-Term Borrowings</b>		
Term Loans - from banks	26,267.72	22,590.42
Term Loans - from Financial Institutions	833.33	1,666.67
Term Loans - from other parties	2,792.03	
Long Term Maturities of Finance Lease Obligations	168.57	165.62
	<b>30,061.65</b>	<b>24,422.71</b>
<b>(c) Other Long Term Liabilities</b>		
Other Liabilities	1,360.66	5,820.35
	<b>1,360.66</b>	<b>5,820.35</b>

**NOTES TO THE ACCOUNTS** as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>4 CURRENT LIABILITIES</b>		
<b>(a) Short-Term Borrowings</b>		
Loans repayable on demand - from banks	25,716.20	25,118.26
Loans repayable on demand - from other parties	2,266.93	
	<b>27,983.13</b>	<b>25,118.26</b>
<b>(b) Trade Payables</b>		
Trade Payables	49,307.18	24,308.79
	<b>49,307.18</b>	<b>24,308.79</b>
<b>(c) Other Current Liabilities</b>		
Current Maturity of Long Term Debt	9,857.73	7,693.17
Deposits	820.07	684.88
Interest accrued but not due on borrowings	119.33	136.23
Unpaid Dividends	30.54	27.32
Other Payables	1,818.75	1,494.77
	<b>12,646.42</b>	<b>10,036.37</b>
<b>(d) Short-Term Provisions</b>		
Proposed Dividend		189.44
	-	<b>189.44</b>

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at	Additions	Deductions	As at	As at	For the Period	Deductions	As at	As at	As at	
	1.04.2011			31.03.2012	1.04.2011			31.03.2012	31.03.2012	31.03.2011	
Freehold Land	4,218.95	1,619.34	-	5,838.29	-	-	-	-	5,838.29	4,218.95	
Leasehold Land	145.66	-	-	145.66	-	-	-	-	145.66	145.66	
Buildings	14,713.20	4,687.04	-	19,400.23	1,796.03	433.42	-	2,229.45	17,170.78	12,917.17	
Office Equipment	1,524.91	301.46	1.11	1,825.25	676.07	172.08	0.52	847.63	977.63	848.86	
Plant & Machinery	39,067.15	14,192.20	14.57	53,244.78	7,306.91	2,168.37	3.83	9,471.45	43,773.33	31,760.24	
Electrical Installations	1,036.51	62.05	-	1,098.55	305.82	49.33	-	355.15	743.41	730.69	
Furniture & Fixtures	2,693.96	139.50	-	2,833.46	517.69	171.92	-	689.61	2,143.85	2,176.27	
Motor Vehicles	841.01	102.85	97.68	846.18	333.83	76.43	46.92	363.33	482.85	507.18	
Windmill	3,680.54	-	-	3,680.54	1,003.99	194.33	-	1,198.33	2,482.21	2,676.53	
<b>Total</b>	<b>67,921.89</b>	<b>21,104.43</b>	<b>113.36</b>	<b>88,912.95</b>	<b>11,940.34</b>	<b>3,265.87</b>	<b>51.27</b>	<b>15,154.94</b>	<b>73,758.01</b>	<b>55,981.55</b>	
Previous Year	46,690.14	21,704.49	472.74	67,921.89	9,684.46	2,272.23	16.35	11,940.34	55,981.55		

## NOTES TO THE ACCOUNTS as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>6 NON-CURRENT INVESTMENTS</b>		
Investments in Equity Instruments	1,183.62	974.13
Investments in Government or Trust Securities	0.10	0.10
Other Non Current Investments	0.36	0.25
	<b>1,184.08</b>	<b>974.48</b>
<b>7 LONG-TERM LOANS AND ADVANCES</b>		
Security Deposits	205.03	197.87
Capital Advances	227.07	246.99
Loans & Advances to related parties	15,160.59	10,486.31
Other Loans & Advances	62.77	49.39
	<b>15,655.46</b>	<b>10,980.56</b>
<b>8 OTHER NON CURRENT ASSETS</b>		
Trade and Other Receivables	2,308.79	278.53
	<b>2,308.79</b>	<b>278.53</b>
<b>9 CURRENT INVESTMENTS</b>		
Investments in Mutual Funds	10.00	10.00
	<b>10.00</b>	<b>10.00</b>
<b>10 INVENTORIES</b>		
Raw Materials	2,662.38	3,370.29
Work in Progress	211.13	617.82
Stores & Spares	1,055.20	976.78
Finished Goods	13,057.31	13,766.70
Stock in Trade	21,929.74	12,344.33
Goods In Transit	20.75	65.86
	<b>38,936.51</b>	<b>31,141.78</b>
<b>11 INVENTORIES - REAL ESTATE</b>		
Land at Kanjurmarg	15,000.00	15,000.00
Biz Park at Thane	4,290.75	4,762.61
	<b>19,290.75</b>	<b>19,762.61</b>
<b>12 TRADE RECEIVABLES</b>		
Trade receivables	7,315.13	11,081.94
Provision for doubtful debts	(90.77)	(162.65)
	<b>7,224.36</b>	<b>10,919.29</b>

**NOTES TO THE ACCOUNTS** as at 31st March 2012

Rupees in lakhs

	31.03.2012	31.03.2011
<b>13 CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	36.92	35.29
Balances with Banks	1,490.13	714.49
Balances with Banks - Held as Margin Money	2,341.79	1,643.92
	<b>3,868.84</b>	<b>2,393.70</b>

<b>14 SHORT-TERM LOANS AND ADVANCES</b>		
Others	986.30	263.40
	<b>986.30</b>	<b>263.40</b>

<b>15 OTHER CURRENT ASSETS</b>		
Security Deposits	2,331.40	1,674.03
Income Tax Payment (Net)	873.99	751.38
Balance with Excise & Service Tax	2,344.38	1,774.63
Other Current Assets	2,290.22	1,041.33
	<b>7,839.99</b>	<b>5,241.37</b>

<b>16 COST OF MATERIALS CONSUMED</b>		
Inventory at the beginning of the year	3,370.29	3,347.15
Add: Purchases	15,218.24	18,949.22
	18,588.53	22,296.37
Less: Inventory at the end of the year	2,662.38	3,370.29
<b>Cost of Raw Material Consumed</b>	<b>15,926.15</b>	<b>18,926.08</b>
Packing Material	1,651.83	1,086.51
Purchases of Stock-in-Trade	46,899.14	25,101.48

<b>17 CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
Stock in Trade - Opening	12,344.33	7,340.27
Stock in Trade - Closing	22,980.30	12,344.33
	<b>(10,635.97)</b>	<b>(5,004.06)</b>
Work in Progress - Opening	617.82	647.03
Work in Progress - Closing	313.58	617.82
	<b>304.24</b>	<b>29.21</b>
Finished Goods - Opening	13,766.70	14,708.65
Finished Goods - Closing	13,057.32	13,766.70
	<b>709.38</b>	<b>941.95</b>
<b>Total Change in Inventories</b>	<b>(9,622.35)</b>	<b>(4,032.90)</b>

**NOTES TO THE ACCOUNTS** as at 31st March 2012

Rupees in lakhs

	31.03.2012	31.03.2011
<b>18 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and incentives	3,930.84	2,901.38
Contributions to Provident & Other Funds	402.94	333.49
Staff Welfare Expenses	331.31	301.62
	<b>4,665.09</b>	<b>3,536.49</b>
<b>19 FINANCE COSTS</b>		
Interest expense (Refer Note No. 28)	5,478.74	2,349.70
Other borrowing costs	206.50	170.09
Other financial charges	816.44	652.58
Applicable net gain/loss on foreign currency transactions and translation	1,009.71	(363.26)
	<b>7,511.39</b>	<b>2,809.11</b>
<b>20 OTHER EXPENSES</b>		
Power and fuel.	3,825.18	2,636.14
Consumption of stores and spare parts.	827.19	559.79
Rent Rates and Taxes	1,320.03	639.73
Electricity Charges Office & Depot	111.08	71.68
Processing Charges Mosaico/Marble	220.81	171.20
Water Charges	52.07	58.57
Postage and Telephone	266.76	235.58
Printing and Stationery	71.97	50.52
Insurance	230.23	79.31
Legal and Professional Fees	56.67	132.94
Travelling & Conveyance Expenses	811.12	498.18
Audit Fees	26.00	22.92
Hire Charges	219.32	219.89
Security Charges	71.29	67.16
Repairs and Maintenance		
Buildings	24.18	10.70
Machinery	87.50	12.33
Others Repairs & Maintenance	175.58	115.21
Advertisement & Sales Promotion Expenses	907.75	972.59
Freight Forwarding & Distribution Expenses	4,832.04	3,790.34
C&F Charges	1,491.42	1,133.65
Provision for Doubtful Debts	-	25.93
Bad Debts	24.26	22.78
Miscellaneous Expenses	189.84	153.68
	<b>15,842.29</b>	<b>11,680.82</b>

## NOTES TO THE ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS

#### 21. SIGNIFICANT ACCOUNTING POLICIES

##### I. Significant Accounting Policies

###### A. Basis of Preparation of Financial Statements

- i) The financial statements are prepared under the Historical Cost convention in accordance with generally accepted accounting principles and relevant provisions of the Companies Act, 1956, as adopted consistently by the Company. The same are prepared on a going concern basis.
- ii) The Company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

###### B. Fixed Assets and Depreciation

- i) Fixed assets are net of cenvat and stated at cost / professional valuation less accumulated depreciation and impairment loss, if any. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets.
- ii) Depreciation on fixed assets is provided in the books of accounts on straight line method in accordance with and at the rates prescribed in the Companies Act, 1956.

###### C. Inventories

- i) Stores and spare parts are stated at or below cost.
- ii) Inventories other than stores and spare parts are valued "At cost or Net Realizable Value, whichever is lower". Cost is generally determined on weighted average cost basis and inclusive of appropriate overheads as applicable. Net Realizable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.
- iii) Cost of raw materials, stores, spare parts and consumables is net of applicable Cenvat credit wherever applicable.
- iv) Inventories of real estate are valued at cost or net realizable value, whichever is lower. Interest and other borrowing costs attributable to real estate inventories during the construction period are allocated as a part of cost of construction.

###### D. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal / external factors. An impairment loss will be recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognized impairment loss is further provided or reversed depending on change in circumstances.

###### E. Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred, including trial production expenses and attributable interest and financing costs, prior to commencement of commercial production are capitalized.

###### F. Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary. Current investments are stated at cost or fair value whichever is lower. Cost is determined on a weighted average basis.

###### G. Customs & Excise Duty

Customs Duty and Excise Duty have been accounted on the basis of both payments made in respect of goods cleared and also provision made for goods lying in bonded warehouses.

###### H. Sales

Gross sales are inclusive of excise duty and sales tax as applicable. Net sales are exclusive of excise duty and sales tax.

Revenue from sale of finished properties / buildings is recognised on transfer of property and once significant risk and rewards of ownership have been transferred to the buyer.

Income from providing facilities / lease of premises is accrued over the period mentioned in the facility / lease and license agreement.

**OTHER NOTES TO THE ACCOUNTS (Contd.)**

**I. Foreign Currency Transactions**

- i) All loans repayable in foreign currency and outstanding at the close of the year are expressed in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. The difference between the rate prevailing on the date of the transaction and on the date of the settlement is recognised as income or expense as the case may be.
- ii) Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the year, are converted in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet.
- iii) All other incomes or expenditure in foreign currency, are recorded at the rates of exchange prevailing on the date of the transaction. The difference between the rate prevailing on the date of the transaction and on the date of the settlement is recognised as income or expense as the case may be.
- iv) In respect of forward exchange contracts the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the period of the contract.

**J. Employment / Retirement Benefits**

- i) Company's contribution to Provident Fund, Superannuation Fund and other Funds for the year is accounted for on accrual basis and charged to the Profit & Loss Account of the year.
- ii) Liability for Leave encashment benefits has been provided on accrual basis as per actuarial valuation.
- iii) The Company has taken a Group Gratuity cum Life Insurance Policy with the Life Insurance Corporation of India for all eligible employees. The liability is actuarially assessed by LIC and accounted for on accrual basis.

**K. Taxation**

**Current Tax**

Current tax is provided on the basis of tax payable on estimated taxable income computed in accordance with the applicable provisions of Income tax Act, 1961 after considering the benefits available under the said Act.

**Deferred Taxes**

In accordance with Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing difference between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date.

No Deferred Tax Assets is recognised in respect of carried forward losses under Income Tax Act, 1961, considering the principle of prudence. However, the position will be reviewed every year.

**22. SECURED LOANS**

- A. Term Loans from Banks / Institutions have been secured by a first charge on pari passu basis on all movable and immovable fixed assets at Alibaug, Silvassa or Thane as the case may be. It has been additionally secured by an irrevocable and unconditional personal guarantee from Mr. Vivek Talwar, Managing Director of the Company.
- B. Cash Credit from banks has been secured by hypothecation of the whole of the current assets of the Company including inventories, book debts, consumable stores & spares (not relating to Plant & Machinery), bills receivable and all other movables, both present and future wheresoever situated. It is further secured by a second charge on the Fixed Assets of the ceramic tiles division at Alibaug and is also guaranteed by Mr. Vivek Talwar, Managing Director of the Company.
- C. Hire Purchases have been secured by hypothecation of specific assets.

**23.** Excise Duty of Rs.422.06 Lacs (Previous year Rs.421.35 Lacs) and custom duty of Rs. 212.98 Lacs (Previous year Nil) has been provided on goods held in bond and consequently included in the valuation of inventories.

**24.** Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, and Deposits are subject to confirmation and reconciliation. In the opinion of the Board, the Current Assets, Loans and Advances are of the value stated as realisable in the ordinary course of the business. Accounts receivable is net of advances. The provisions for depreciation and all the known liabilities are not in excess of the amount reasonably necessary.

## NOTES TO THE ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

#### 25. PROVISION FOR TAXATION

##### a) Current year charge:

No provision for Income tax has been made on account of losses during the year.

##### b) Deferred Tax:

The Company has been recognising in the financial statements the deferred tax assets / liabilities, in accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. No provision for deferred tax has been made on account of losses during the year.

#### 26. SUNDRY CREDITORS IN SCHEDULE VI TO THE ACCOUNTS INCLUDES: -

a) Rs. 448.10 Lacs (Previous year Rs. 162.95 Lacs) due to Small Scale Industrial Undertakings.

b) Rs. 48859.08 Lacs (Previous year Rs. 24145.84 Lacs) due to other creditors.

The disclosure is based on the information available with the Company regarding the status of suppliers under the Industries Development & Regulation Act, 1951. Names of small scale industrial undertakings to whom an amount was outstanding for more than 30 days is as follows:-

Rupees in lakhs

Sr No.	Vendors Name	Rs. lakhs
1	Ekta Cargo Movers Pvt. Ltd.	1.25
2	Industrial Packing Products	23.45
3	JTJ Associates	47.16
4	Khetan Welpack Pvt.Ltd.	112.98
5	Maharashtra Gujrat Transport Co	40.53
6	Maxwell Industries	104.42
7	Om Roadways	0.44
8	PK.Roadlinks	100.35
9	Praveen Pulverizers	16.75
10	Surjit Road Lines	0.79
		<b>448.10</b>

27. The management has identified obsolete, slow moving and defective inventory of Rs. 3447.47 Lacs (previous period – NIL) and the same has been written off as exceptional items.

28. Interest Expense is net of Rs. 2520.38 Lacs (previous year Rs. 2559.67 Lacs) being the interest capitalised pertaining to qualifying assets.

29. Previous year's figures have been regrouped / restated / reclassified / rearranged wherever necessary to make them comparable with those of the current year.

#### 30 Purchases

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
Vitrified Tiles	41,339.92	23,495.22
Wall Tiles	5,559.22	1,606.26
<b>Total</b>	<b>46,899.14</b>	<b>25,101.48</b>

#### 31 Turnover

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
Ceramic Tiles	27,628.14	22,274.81
Vitrified Tiles	52,818.45	30,875.56
Marble	14,365.72	17,601.09
<b>Tiles and related products</b>	<b>94,812.31</b>	<b>70,751.46</b>
Real Estate	1,039.65	2,077.00
<b>Total</b>	<b>95,851.96</b>	<b>72,828.46</b>



## NOTES TO THE ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

32 Raw Materials Consumed:		Rupees in lakhs	
Particulars	31.03.2012	31.03.2011	
Body Material	3,238.19	2,751.56	
Glaze Material	2,518.82	1,963.68	
Rough marble Blocks / Slabs	9,476.09	12,650.52	
Packing Material	1,651.83	1,026.89	
Others (Real Estate)	693.05	1,619.94	
<b>Total</b>	<b>17,577.98</b>	<b>20,012.59</b>	

33 Value of Raw Materials, Spares Components consumed during the year		31.03.2012		31.03.2011	
	Rs. Lakhs	%	Rs. Lakhs	%	
<b>Raw Materials</b>					
Imported	4,393.54	24.99%	4,783.59	23.90%	
Indigenous	13,184.44	75.01%	15,229.00	76.10%	
<b>Total</b>	<b>17,577.98</b>	<b>100.00%</b>	<b>20,012.59</b>	<b>100.00%</b>	
<b>Spares &amp; Components</b>					
Imported	281.96	34.09%	255.28	45.60%	
Indigenous	545.23	65.91%	304.51	54.40%	
<b>Total</b>	<b>827.19</b>	<b>100.00%</b>	<b>559.79</b>	<b>100.00%</b>	

34 Earnings in Foreign Exchange (Exports)		Rupees in lakhs	
Particulars	31.03.2012	31.03.2011	
FOB Value of Exports	835.27	911.50	
Revenue from Carbon Credits	13.29	39.79	
<b>Total</b>	<b>848.56</b>	<b>951.29</b>	

35 Value of imports calculated on CIF basis:		Rupees in lakhs	
Particulars	31.03.2012	31.03.2011	
Goods for Resale	33,200.54	16,640.51	
Raw Material	2,340.28	2,362.25	
Capital Goods	28.33	2,047.53	
Spare Parts & Components	441.49	540.87	
<b>Total</b>	<b>36,010.64</b>	<b>21,591.16</b>	

36 Expenditure in Foreign Currency		Rupees in lakhs	
Particulars	31.03.2012	31.03.2011	
Interest	507.11	542.84	
Travel & Lodging	258.05	71.52	
	<b>765.16</b>	<b>614.36</b>	

37 Payments to Auditor		Rupees in lakhs	
Particulars	31.03.2012	31.03.2011	
As Auditor	26.00	22.92	
	<b>26.00</b>	<b>22.92</b>	

## NOTES TO THE ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

#### 38 Earnings per share - (EPS)

	31.03.2012	31.03.2011
i. Profit computation for Basic Earnings Per Share of Rs. 10 each	(5,544.64)	2,630.44
ii. Number of equity shares for Earnings Per Share		
- Basic	32,600,132	32,123,552
- Diluted	32,600,132	32,600,132
iii. Earnings Per Share		
- Basic	(17.01)	8.19
- Diluted	(17.01)	8.07
iv. Face Value per Share (Rs.)	10.00	10.00

#### 39 Contingent Liabilities

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
Guarantees / Counter Guarantees given by the company / by banks on behalf of company	5,206.48	5,187.61
Letter of credits opened for which the company is contingently liable	6,903.88	14,138.68
Export Bills discounted / purchased with the banks	165.34	219.07
Estimated amount of contracts remaining to be executed on capital account and not provided for ( net of advances )	711.65	452.50
Demands against the company not acknowledged as debts and not provided for against which the company is in appeal		
Excise Duty	675.67	27.37
Custom Duty	398.30	742.00

#### 40. Information on related party transactions as required by Accounting Standard - 18 for the year ended 31.03.2012

Relationship	Name of the Related Party
<b>Holding Company</b>	Nitco Limited
<b>Subsidiaries</b>	Nitco Realities Private Limited Nitco Holdings HK Company Limited Foshan Nitco Trading Company Limited Keskinkaya Mermer - Turkey
<b>Fellow Subsidiaries</b>	Maxwealth Properties Private Limited Meghdoot Properties Private Limited Roaring - Lion Properties Private Limited Feel Better Housing Private Limited Quick-Solution Properties Private Limited Silver-Sky Real Estates Private Limited Opera Properties Private Limited Ferocity Properties Private Limited Glamorous Properties Private Limited Nitco IT Parks Private Limited Nitco Aviation Private Limited
<b>Key Managerial Personnel</b>	Mr. Vivek Talwar Ms. Poonam Talwar

## NOTES TO THE ACCOUNTS as at 31st March 2012

### XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

Relationship	Name of the Related Party
Enterprises over which Key Managerial Personnel are able to exercise significant influence	Delicious Properties Pvt.Ltd.
	Eden Garden Builders Pvt.Ltd.
	Enjoy Builders Pvt.Ltd.
	Prakalp Properties Pvt.Ltd.
	Rangmandir Builders Pvt.Ltd.
	Lavender Properties Pvt.Ltd.
	Ushakiran Builders Pvt.Ltd.
	Strength Properties Pvt.Ltd.
	Nitco Paints Pvt.Ltd.
	Norita Investments Pvt.Ltd.
	Aurella Estates and Investments Pvt. Ltd.
	Nitco Tiles & Marble Industries (Andhra) Pvt.Ltd.
	Nitco Terrazzo Tiles Pvt.Ltd.
	Orchid Realtors Pvt.Ltd.
	Rhythm Real Estates Pvt.Ltd.
	Anandshree Bombay (Holding) Pvt.Ltd.
	Merino Realtors Pvt.Ltd.
	Cosmos Realtors Pvt.Ltd.
	Alpine Agro and Dairy Farms Pvt. Ltd.
	Rejoice Realty Private Limited
	Melisma Finance and Trading Pvt. Ltd.
	Aqua-marine Properties Pvt. Ltd.
	Wellwin Properties Pvt. Ltd.
	Nitco Consultants & Exports Pvt.Ltd.
	Brighton Properties Pvt. Ltd.
	Kshamta Properties Pvt. Ltd.
	Ekalinga Properties Pvt. Ltd.
	Hunar Developers Pvt. Ltd.
	Kavivarya Properties Pvt. Ltd.
	Tanvish Properties Pvt. Ltd.
	Aileen Properties Pvt. Ltd.
	Maryland Realtors Pvt. Ltd.
	Strongbase Properties Pvt. Ltd.
	Firstlife Properties Pvt. Ltd.
	Blue-Whale Properties Pvt. Ltd.
	Nitco Tiles
Nitco Tiles Sales Corporation (Bombay)	
The Northern India Tiles Corporation (Delhi)	
Northern India Tiles (Sales) Corporation	
Maharashtra Marble Co.	
Nitco Exports	
Nitco Construction Materials Pvt. Ltd.	
Nitco Sales Corporation (Delhi)	
Vivek Talwar (HUF)	

#### Related Party Transactions for FY 2011-12

Rupees in lakhs

	Key Managerial Personnel	Subsidiaries/ Fellow Subsidiaries /Others
Purchase of Goods		280.42
Sale of Goods		0.04
Rent Paid		25.55
Remuneration / Sitting Fees	81.61	
Interest on loans Received/Receivable		1,814.89
Rent Deposit		1,000.00
Advances made as on 31.03.2012		15,469.17

## NOTES TO THE ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

#### Disclosure in respect of material related party transactions during the year.

- 1) Purchase of goods include Foshan Nitco Trading Company Ltd. Rs. 274.77 Lacs (previous year Rs. 221.98 Lacs) and Nitco Terazzo Tiles Pvt. Ltd. Rs. 5.64 Lacs (previous year - Nil )
- 2) Sale of goods include Nitco Realities Pvt. Ltd. Rs. 0.04 Lacs (previous year - Nil )
- 3) Rent paid include Eden Garden Builders Pvt. Ltd. Rs. 3.18 Lacs (previous year Rs. 3.18 lacs), Enjoy Builders Pvt. Ltd. Rs. 4.37 Lacs (previous year Rs. 4.37 Lacs), Lavender Properties Pvt. Ltd. Rs. 3.16 Lacs (previous year Rs. 3.16 Lacs), Nitco Tiles and Marble Industries Pvt. Ltd. Rs. 4.49 Lacs (previous year Rs. 17.80 Lacs), Prakalp Properties Pvt. Ltd. Rs. 3.02 Lacs (previous year Rs. 3.02 lacs), Rang Mandir Builders Pvt. Ltd. Rs. 4.18 Lacs (previous year Rs. 4.18 Lacs) and Usha Kiran Builders Pvt. Ltd. Rs. 3.16 Lacs (previous year Rs. 3.16 lacs ).
- 4) Interest on Loans received / receivable is from wholly owned subsidiary Nitco Realities Pvt. Ltd. Rs. 1814.89 Lacs (previous year Rs. 1998.79 Lacs)
- 5) Rent Deposit includes Eden Garden Builders Pvt. Ltd. Rs. 150 Lacs (previous year Rs. 150 Lacs), Enjoy Builders Pvt. Ltd. Rs. 205 lacs (previous year Rs. 205 lacs), Prakalp Properties Pvt. Ltd. Rs. 145 Lacs (previous year Rs. 145 Lacs), Rang Mandir Builders Pvt. Ltd. Rs. 200 lacs (previous year Rs. 200 Lacs), Usha Kiran Builders Pvt. Ltd. Rs. 150 Lacs (previous year Rs. 150 lacs) and Lavender Properties Pvt. Ltd. Rs. 150 Lacs (previous year Rs. 150 lacs).
- 6) Advances include Nitco Realities Pvt. Ltd. Rs. 15160.58 Lacs (previous year Rs. 10243.08 Lacs), Kesinkaya Mermer - Turkey Rs. 308.36 lacs (previous year Rs. 217.53 Lacs) and Nitco Holdings HK company Ltd. Rs. 0.24 Lacs (previous year Rs. 0.24 lacs). The maximum balance during the year was the same as closing balance.
- 7) Remuneration / sitting fees include remuneration to Mr. Vivek Talwar Rs. 58.28 lacs (previous year Rs. 87.65 Lacs), remuneration to Ms. Poonam Talwar Rs. 20.29 Lacs (previous year Rs. 20.18 lacs), sitting fees to Mr. S.K. Bhardwaj Rs. 1.30 Lacs (previous year Rs. 1.73 Lacs) and sitting fees to Mr. Atul Sud Rs. 1.74 Lacs (previous year Rs. 0.89 lacs).

#### 41 Remittance in foreign currency on account of dividend

The company has paid dividend in respect of shares held by Non Residents on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non Resident External Account (NRE A/C). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given below:

Final Dividend	31.03.2012	31.03.2011
a) Number of Non Resident Shareholders	1	1
b) Number of Equity Shares held by them	825,281	825,281
c) (i) Amount of Dividend paid ( Gross ) ( Rs. In Lacs )	4.13	NIL
(ii) Year to which dividend relates	2010-11	2009-10

As Per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

Mumbai,

May 3, 2012

**Vivek Talwar**

Managing Director

**Atul Sud**

Director

**Reena Raje**

Company Secretary

**CASH FLOW STATEMENT** for the year ended 31st March 2012

Rupees in lakhs

	31.03.2012	31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit as restated before Tax	(5,544.64)	2,835.22
Adjusted for:		
Depreciation	3265.87	2271.28
Provision for Bad and Doubtful Debts	-	25.93
(Profit)/Loss on sale of assets (net)	36.92	(59.04)
Interest and Financial Charges (Net)	7,511.39	2,809.11
<b>Operating Profit before Working Capital Changes</b>	<b>5269.54</b>	<b>7882.50</b>
Adjusted for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	1664.67	(1973.77)
(Increase)/Decrease in Inventories	(7322.87)	(20087.33)
(Increase)/Decrease in Other Receivables	(3321.52)	7132.60
Change in Current Liabilities	21188.14	11712.45
<b>Cash Generated from Operations</b>	<b>17477.96</b>	<b>4666.45</b>
Income Taxes Paid	(203.95)	(470.15)
<b>Net Cash from / (Used in) Operating Activities</b>	<b>17274.01</b>	<b>4196.30</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(13907.07)	(18335.40)
Sale of Fixed Assets	25.17	353.44
Sale/(purchase) of Investments ( Net )	(209.60)	(68.33)
<b>Net Cash from / (used in) Investing Activities</b>	<b>(14091.50)</b>	<b>(18050.29)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance to Subsidiary Companies	(4674.90)	5241.01
Proceeds from / (Repayment) of Long Term / Short Term Borrowings (Net)	10668.37	11684.41
Issue of shares - PBIL Merger	-	47.66
Interest Paid	(7,511.39)	(2,809.11)
Capital Reserve generated on Merger of PBIL	-	125.10
Pyt. Of Proposed Dividend & CDT	(189.44)	-
<b>Net Cash from / (used in) Financing Activities</b>	<b>(1707.36)</b>	<b>14289.07</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>1475.15</b>	<b>435.08</b>
Opening Balance of Cash and Cash Equivalents	2393.70	1958.62
Closing Balance of Cash and Cash Equivalents	3868.84	2393.70

1 The cashflow statement has been prepared under the indirect method as set out in Accounting Standard - 3 (AS-3) on Cash Flow statements issued by the Institute of Chartered Accountants of India.

2 Cash and Cash Equivalents consists of Cash on hand Rs. 36.92 lacs (previous year Rs. 35.29 lacs), Balances with Banks Rs. 1490.13 Lacs (previous year Rs. 714.49 lacs) and Balance in Margin Money Rs. 2341.79 lacs (previous year Rs. 1643.92 lacs).

As Per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

**Vivek Talwar**

Managing Director

**Atul Sud**

Director

**Reena Raje**

Company Secretary

Mumbai,

May 3, 2012

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Name of Subsidiary Company	Nitco Holdings HK Co. Ltd.	Foshan Nitco Trading Co. Ltd.	Keskinmaya Mermer-Turkey	Nitco Realities Pvc. Ltd.	Glamorous Properties Pvc. Ltd.	Opera Properties Pvc. Ltd.	Nitco IT Parks Pvc. Ltd.	Feel Better Housing Pvc. Ltd.	Maxwealth Properties Pvc. Ltd.	Nitco Aviation Pvc. Ltd.	Quick Solution Properties Pvc. Ltd.	Roaring-Lion Properties Pvc. Ltd.	Meghdoot Properties Pvc. Ltd.	Silver Sky Real Estate Pvc. Ltd.	Ferrocity Property Pvc. Ltd.
1 Financial year of the subsidiary ended on	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012	31/03/2012
2 Shares of the subsidiary held by the Company directly or through its subsidiary companies on March 31,2012	10000	NA	NA	200000	1250000	5000	10000	10000	10000	100000	10000	10000	10000	10000	10000
a. Number and face value of Equity Shares	Ordinary Shares of HK\$ 1.00			Equity Shares of Re.1	Equity Shares of Rs.10	Equity Shares of Rs.100	Equity Shares of Rs.10/-	Equity Shares of Rs.10/-	Equity Shares of Rs.10/-	Equity Shares of Rs.100/-	Equity Shares of Rs.10/-	Equity Shares of Rs.10/-	Equity Shares of Rs.10/-	Equity Shares of Rs.10/-	Equity Shares of Rs.10/-
b. Extent of holding (%)	each fully paid up	100.00	100.00	each fully paid-up	each fully paid-up	each fully paid-up	each fully paid up	each fully paid up	each fully paid up	each fully paid up	each fully paid up	each fully paid up	each fully paid up	each fully paid up	each fully paid up
3 Net aggregate amount of profit / (loss) of the subsidiary for the financial year of the subsidiary so far as they concern members of the Company															
a. Dealt with in the accounts of the Company for the year ended March 31,2012	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Not dealt with in the accounts of the Company for the year ended March 31, 2012	(1.42)	(131.62)	NIL	NIL	(5.69)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
4 Net aggregate amount of profits / (Losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company.															
a. Dealt with in the accounts of the Company for the year ended March 31, 2012	NIL	NA	NA	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Not dealt with in the accounts of the Company for the year ended March 31, 2012	2645	(202.18)	NA	1.51	(8.28)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

## INFORMATION OF SUBSIDIARY COMPANIES for the year ended 31st March 2012

Name of Subsidiary Company	Nitco Holdings HK Co. Ltd.	Foshan Nitco Trading Co. Ltd.	Keskinmaya Mermer-Turkey	Nitco Realities Pvc. Ltd.	Glamorous Properties Pvc. Ltd.	Opera Properties Pvc. Ltd.	Nitco IT Parks Pvc. Ltd.	Feel Better Housing Pvc. Ltd.	Maxwealth Properties Pvc. Ltd.	Nitco Aviation Pvc. Ltd.	Quick Solution Properties Pvc. Ltd.	Roaring-Lion Properties Pvc. Ltd.	Meghdoot Properties Pvc. Ltd.	Silver Sky Real Estate Pvc. Ltd.	Ferrocity Property Pvc. Ltd.
Paid up Capital	0.66	445.37	2.85	2.00	125.00	5.00	1.00	1.00	1.00	100.00	1.00	1.00	1.00	1.00	1.00
Reserves	29.21	(417.64)	-	697.30	250.25	(0.25)	(0.57)	(0.27)	(0.25)	(0.20)	(0.25)	(0.25)	(0.25)	-	(0.07)
Total Assets	59.13	127.39	295.89	16,707.40	438.51	392.05	50.47	448.85	334.12	103.33	243.78	113.93	594.08	436.26	394.35
Total Liabilities	29.26	99.66	293.04	16,008.09	63.26	387.30	50.03	448.13	333.37	3.53	243.03	113.18	593.33	435.26	393.43
Investments (except investment in subsidiary companies )	NIL	NIL	NIL	1.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00	0.00	501.65	0.00	0.00
Turnover	3.37	274.77	NIL	NIL	185.29	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Profit before taxation	2.19	(131.62)	NIL	NIL	(7.58)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Provision for taxation	3.60	0.00	NIL	NIL	-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Profit after taxation	(1.42)	(131.62)	NIL	NIL	(7.58)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Proposed dividend	0.00	0.00	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Rupees in lakhs

## AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To

The Board of Directors **Nitco Limited**

We have audited the attached Consolidated Balance Sheet of Nitco Limited and its Subsidiaries as at 31st March, 2012, and also the Consolidated Profit & loss Account and Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. We did not audit the financial statements of the subsidiary companies whose financial statements reflect total assets of Rs. 20,257.14 Lacs as at 31st March, 2012, and total turnover of Rs. 185.29 Lacs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on report of other auditors.
2. We have relied on the unaudited financial statements of subsidiaries registered in Hong Kong, Turkey and China whose financial statements reflect total assets of Rs. 482.41 Lacs and turnover of Rs. 278.14 Lacs as at 31st March, 2012. These unaudited financial statements have been furnished to us by the management and our report in so far as it relates to the amounts included in respect of the said subsidiaries, is based solely on such unaudited financial statements.

3. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirement of Accounting standard (AS) 21, "Consolidated Financial Statements" and Accounting Standard (AS) 23, "Accounting for Investment in Associates in Consolidated Financial Statements", as notified by the Companies (Accounting Standards) Rules, 2006.
4. Based on audit as aforesaid, and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the component and accounts approved by the Board of Directors and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Consolidated Balance Sheet, of the state of affair of the Group as at 31st March, 2012 ;
  - b) In the case of the Consolidated Profit and loss Account, of the Loss of the Group for the year ended on that date; and
  - c) In the case of the Consolidated Cash Flow statement, of the state of the Cash Flows of the Group for the year ended on that date.

For **A. Husein Noumanali & Co.**  
*Chartered Accountants*  
Firm Registration No. 107173W

**A. Husein Noumanali**  
*Proprietor*  
Membership No.: 14757

Place: Mumbai  
Date: May 3, 2012

**CONSOLIDATED BALANCE SHEET** as at 31st March 2012

Rupees in lakhs

Particulars	Note No.	31.03.2012	31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
(a) Share capital	1	3,260.01	3,212.36
Share capital Suspense	1		47.66
(b) Reserves and surplus	2	44,585.03	50,309.67
<b>Total Shareholders' Funds</b>		<b>47,845.04</b>	<b>53,569.69</b>
<b>Minority Interest</b>		<b>-</b>	<b>95.79</b>
<b>2 Non-current liabilities</b>	3		
(a) Long-term borrowings		31,069.32	24,422.71
(b) Deferred tax liabilities (Net)		2,034.84	2,034.84
(c) Other Long term liabilities		1,360.66	5,820.35
<b>Total Non-Current Liabilities</b>		<b>34,464.82</b>	<b>32,277.90</b>
<b>3 Current liabilities</b>	4		
(a) Short-term borrowings		27,983.13	28,361.41
(b) Trade payables		49,757.73	24,342.95
(c) Other current liabilities		12,737.44	10,167.64
(d) Short-term provisions		44.25	202.27
<b>Total Current Liabilities</b>		<b>90,522.55</b>	<b>63,074.27</b>
<b>TOTAL - Equity &amp; Liabilities</b>		<b>172,832.41</b>	<b>149,017.65</b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Fixed Assets	5		
(i) Tangible assets		73,822.39	56,017.23
(ii) Intangible Assets		323.05	323.01
(iii) Capital work-in-progress		631.48	7,763.85
<b>Total Fixed Assets</b>		<b>74,776.92</b>	<b>64,104.09</b>
(b) Non-current investments	6	528.11	526.45
(c) Long-term loans and advances	7	5,107.57	4,673.60
(d) Other Non-Current Assets	8	2,308.79	278.53
<b>Total Non-Current Assets</b>		<b>82,721.39</b>	<b>69,582.67</b>
<b>2 Current Assets</b>			
(a) Current investments	9	10.00	10.00
(b) Inventories	10	38,936.51	31,141.78
(c) Inventories - Real Estate	11	30,590.76	28,694.34
(d) Trade receivables	12	7,245.19	10,939.99
(e) Cash and cash equivalents	13	3,982.47	2,640.48
(f) Short-term loans and advances	14	1,383.04	648.32
(g) Other current assets	15	7,963.05	5,360.07
<b>Total Current Assets</b>		<b>90,111.02</b>	<b>79,434.98</b>
<b>TOTAL - Assets</b>		<b>172,832.41</b>	<b>149,017.65</b>

As Per our report attached

For and on Behalf of the Board

 For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

Mumbai,

May 3, 2012

**Vivek Talwar**  
 Managing Director

**Atul Sud**  
 Director

**Reena Rajee**  
 Company Secretary



**CONSOLIDATED PROFIT AND LOSS STATEMENT** for the year ended 31st March 2012

Rupees in lakhs

Particulars	Note No.	31.03.2012	31.03.2011
<b>I. REVENUE FROM OPERATIONS</b>			
Sale of products		96,036.37	72,996.64
Less: Excise Duty		2,220.88	1,673.75
Less: Sales Tax		9,743.75	7,130.75
Other operating revenues		121.93	78.61
<b>Net Sales</b>		<b>84,193.67</b>	<b>64,270.75</b>
II. Other income		37.25	115.75
<b>III. Total Revenue (I + II)</b>		<b>84,230.92</b>	<b>64,386.50</b>
<b>IV. EXPENSES:</b>			
Cost of materials consumed	16	17,717.07	20,124.77
Purchases of Stock-in-Trade		46,845.97	25,062.16
Changes in inventories of finished goods work-in- progress and Stock-in-Trade	17	(9,622.35)	(4,032.90)
Employee benefits expense	18	4,830.33	3,655.40
Finance costs	19	7,513.16	2,812.60
Depreciation and amortization expense	5	3,269.89	2,292.92
Other expenses	20	15,911.03	11,785.44
<b>Total Expenses</b>		<b>86,465.10</b>	<b>61,700.39</b>
<b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>		<b>(2,234.18)</b>	<b>2,686.11</b>
VI. Exceptional items		3,447.48	
<b>VII. Profit before extraordinary items and tax (V - VI)</b>		<b>(5,681.66)</b>	<b>2,686.11</b>
VIII. Extraordinary Items			
<b>IX. Profit before tax (VII- VIII)</b>		<b>(5,681.66)</b>	<b>2,686.11</b>
<b>X. Tax expense:</b>			
(1) Current tax		3.60	3.58
(2) Deferred tax			204.78
<b>XI. Profit (Loss) for the period from continuing operations (VII-VIII)</b>		<b>(5,685.26)</b>	<b>2,477.75</b>
XII. Profit/(loss) from discontinuing operations			
XIII. Tax expense of discontinuing operations			
XIV. Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)			
<b>XV. Profit (Loss) for the period (before adjustment for minority interest) (XI + XIV)</b>		<b>(5,685.26)</b>	<b>2,477.75</b>
XVI. Less: Share of Loss transferred to Minority Interest			(0.31)
<b>XVI. Profit (Loss) for the period (after adjustment for minority interest) (XV - XVI)</b>		<b>(5,685.26)</b>	<b>2,478.06</b>
XVIII. Earnings per equity share:			
(1) Basic		(17.44)	7.71
(2) Diluted		(17.44)	7.60

As Per our report attached

For and on Behalf of the Board

 For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

Mumbai,

May 3, 2012

**Vivek Talwar**  
 Managing Director

**Atul Sud**  
 Director

**Reena Raje**  
 Company Secretary

## NOTES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>I SHARE CAPITAL</b>		
<b>a Authorised</b>		
50,000,000 Equity shares of Rs. 10/- each	5,000.00	5,000.00
	<b>5,000.00</b>	<b>5,000.00</b>
<b>b Issued and Subscribed</b>		
32,600,132 Equity shares of Rs. 10 each fully paid up (Previous year 32,123,552 Equity shares of Rs. 10/- each fully paid up.)	3,260.01	3,212.36
	<b>3,260.01</b>	<b>3,212.36</b>

### Note:

Out of the above equity shares, 4,180,283 equity shares have been allotted pursuant to court approved schemes of amalgamation / merger for consideration other than cash.

- c. Share Capital Suspense represented 476,580 Equity shares of Rs. 10/- each to be issued to shareholders of Particle Boards India Pvt. Ltd. pursuant to scheme of amalgamation sanctioned by the Honourable Mumbai High Court. The allotment of the said shares was done on August 12, 2011.

## 2 RESERVES AND SURPLUS

<b>a Capital Reserve</b>		
Opening Balance	125.68	125.67
(+) Current Year Transfer		
(+) Created due to consolidation	37.77	0.52
(-) Written Back in Current Year		
<b>Closing Balance</b>	<b>163.45</b>	<b>126.19</b>
<b>b Capital Redemption Reserve</b>		
Opening Balance	966.00	966.00
<b>Closing Balance</b>	<b>966.00</b>	<b>966.00</b>
<b>c Securities Premium Account</b>		
Opening Balance	32,315.73	32,381.14
(+) Securities premium credited on Share issue		
(-) Current Year Transfer		67.19
<b>Closing Balance</b>	<b>32,315.73</b>	<b>32,313.95</b>
<b>d General Reserve</b>		
Opening Balance	4,356.63	3,355.63
(+) Current Year Transfer		1,000.00
<b>Closing Balance</b>	<b>4,356.63</b>	<b>4,355.63</b>
<b>e Surplus</b>		
Opening balance	12,549.93	11,261.31
(+) Net Profit/(Net Loss) For the current year	(5,685.26)	2,478.06
(-) Proposed Dividends		189.44
(-) Transfer to Reserves	-	1,000.00
<b>Closing Balance</b>	<b>6,864.67</b>	<b>12,549.93</b>
<b>f Foreign Currency Transaction Reserve</b>	<b>(81.45)</b>	<b>(2.03)</b>
	<b>44,585.03</b>	<b>50,309.67</b>

**NOTES TO THE CONSOLIDATED ACCOUNTS** as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>3 NON-CURRENT LIABILITIES</b>		
<b>(a) Long-Term Borrowings</b>		
Term Loans - from banks	26,267.72	22,590.42
Term Loans - from Financial Institutions	833.33	1,666.67
Term Loans - from other parties	3,799.70	-
Long Term Maturities of Finance Lease Obligations	168.57	165.62
	<b>31,069.32</b>	<b>24,422.71</b>
<b>(b) Other Long Term Liabilities</b>		
Other Liabilities	1,360.66	5,820.35
	<b>1,360.66</b>	<b>5,820.35</b>
<b>4 CURRENT LIABILITIES</b>		
<b>(a) Short-Term Borrowings</b>		
Loans repayable on demand - from banks	25,716.20	25,118.26
Loans repayable on demand - from other parties	2,266.93	3,243.15
	<b>27,983.13</b>	<b>28,361.41</b>
<b>(b) Trade Payables</b>		
Trade Payables	49,757.73	24,342.95
	<b>49,757.73</b>	<b>24,342.95</b>
<b>(c) Other Current Liabilities</b>		
Current Maturity of Long Term Debt	9,857.73	7,693.17
Deposits	831.28	696.54
Interest accrued but not due on borrowings	119.33	136.23
Unpaid Dividends	30.54	27.32
Other Payables	1,898.56	1,614.38
	<b>12,737.44</b>	<b>10,167.64</b>
<b>(d) Short-Term Provisions</b>		
Provision for Employees Benefits	36.36	9.28
Provision for Taxation	7.89	3.55
Proposed Dividend	-	189.44
	<b>44.25</b>	<b>202.27</b>

<b>5 FIXED ASSETS</b>										
Rupees in lakhs										
Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2011	Additions	Deductions	As at 31.03.2012	As at 1.04.2011	For the Period	Deductions	As at 31.03.2012	As at 31.03.2012	As at 31.03.2011
Goodwill	323.01	0.04	-	323.05	-	-	-	-	323.05	323.01
Freehold Land	4,218.94	1,619.34	-	5,838.28	-	-	-	-	5,838.28	4,218.94
Leasehold Land	145.66	-	-	145.66	-	-	-	-	145.66	145.66
Buildings	14,752.46	4,687.04	-	19,439.50	1,835.28	433.42	-	2,268.70	17,170.80	12,917.18
Office Equipment	1,533.93	303.14	1.32	1,835.75	679.44	173.69	0.78	852.35	983.40	854.49
Plant & Machinery	39,067.14	14,192.20	14.57	53,244.77	7,306.91	2,168.37	3.83	9,471.46	43,773.32	31,760.23
Electrical Installations	1,036.51	62.05	-	1,098.56	305.82	49.33	-	355.15	743.41	730.69
Furniture & Fixtures	2,719.67	139.50	-	2,859.17	525.75	176.46	-	702.21	2,156.96	2,193.92
Motor Vehicles	841.40	102.85	97.68	846.57	333.94	76.46	46.92	363.48	483.09	507.46
Windmill	3,680.54	-	-	3,680.54	1,003.99	194.33	-	1,198.32	2,482.22	2,676.54
Livestock	12.12	33.13	-	45.25	-	-	-	-	45.25	12.12
<b>Total</b>	<b>68,331.38</b>	<b>21,139.28</b>	<b>113.56</b>	<b>89,357.10</b>	<b>11,991.14</b>	<b>3,272.06</b>	<b>51.53</b>	<b>15,211.66</b>	<b>74,145.44</b>	<b>56,340.24</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>6 NON-CURRENT INVESTMENTS</b>		
Investment in Property	501.65	500.10
Investments in Equity Instruments		
Soumya Buildcon Pvt Ltd	1.00	1.00
Aero Ports & Infrastructure Projects Pvt. Ltd.	5.00	5.00
J M Township & Real Estate Pvt. Ltd.	20.00	20.00
Investments in Government or Trust Securities	0.10	0.10
Other Non Current Investments	0.36	0.25
	<b>528.11</b>	<b>526.45</b>
<b>7 LONG-TERM LOANS AND ADVANCES</b>		
Security Deposits	205.39	198.23
Capital Advances	227.07	246.99
Loans & Advances to related parties	2,512.53	2,079.71
Acquisition of Land/Rights in Land/Development Rights	2,051.58	2,051.26
Other Loans & Advances	111.00	97.41
	<b>5,107.57</b>	<b>4,673.60</b>
<b>8 OTHER NON CURRENT ASSETS</b>		
Trade and Other Receivables	2,308.79	278.53
	<b>2,308.79</b>	<b>278.53</b>
<b>9 CURRENT INVESTMENTS</b>		
Investments in Mutual Funds	10.00	10.00
	<b>10.00</b>	<b>10.00</b>
<b>10 INVENTORIES</b>		
Raw Materials	2,662.38	3,370.29
Work in Progress	211.13	617.82
Stores & Spares	1,055.20	976.78
Finished Goods	13,057.31	13,766.70
Stock in Trade	21,929.74	12,344.33
Goods In Transit	20.75	65.86
	<b>38,936.51</b>	<b>31,141.78</b>
<b>11 INVENTORIES - REAL ESTATE</b>		
Land at Kanjurmarg	15,000.00	15,000.00
Other Land	11,159.52	8,791.34
Biz Park at Thane	4,290.75	4,762.61
Work-in-Progress (Valued at Cost)	140.49	140.39
	<b>30,590.76</b>	<b>28,694.34</b>

**NOTES TO THE CONSOLIDATED ACCOUNTS** as at 31st March 2012

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
<b>12 TRADE RECEIVABLES</b>		
Trade receivables	7,335.96	11,102.64
Provision for doubtful debts	(90.77)	(162.65)
	<b>7,245.19</b>	<b>10,939.99</b>
<b>13 CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	44.83	36.86
Balances with Banks	1,595.85	959.70
Balances with Banks - Held as Margin Money	2,341.79	1,643.92
	<b>3,982.47</b>	<b>2,640.48</b>
<b>14 SHORT-TERM LOANS AND ADVANCES</b>		
Others	1,383.04	648.32
	<b>1,383.04</b>	<b>648.32</b>
<b>15 OTHER CURRENT ASSETS</b>		
Security Deposits	2,331.40	1,674.03
Income Tax Payment (Net)	997.06	870.08
Balance with Excise & Service Tax	2,344.38	1,774.63
Other Current Assets	2,290.21	1,041.33
	<b>7,963.05</b>	<b>5,360.07</b>
<b>16 COST OF MATERIALS CONSUMED</b>		
Inventory at the beginning of the year	3,370.29	3,347.15
Add: Purchases	15,357.33	19,061.40
	<b>18,727.62</b>	<b>22,408.55</b>
Less: Inventory at the end of the year	2,662.38	3,370.29
<b>Cost of Material Consumed</b>	<b>16,065.24</b>	<b>19,038.26</b>
Packing Material	1,651.83	1,086.51
Other materials (purchased intermediates and components)	-	
Purchases of Stock-in-Trade	46,845.97	25,062.16
<b>17 CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
Stock in Trade - Opening	12,344.33	7,340.27
Stock in Trade - Closing	22,980.30	12,344.33
	<b>(10,635.97)</b>	<b>(5,004.06)</b>
Work in Progress - Opening	617.82	647.03
Work in Progress - Closing	313.58	617.82
	<b>304.24</b>	<b>29.21</b>
Finished Goods - Opening	13,766.70	14,708.65
Finished Goods - Closing	13,057.32	13,766.70
	<b>709.38</b>	<b>941.95</b>
<b>Total Change in Inventories</b>	<b>(9,622.35)</b>	<b>(4,032.90)</b>

**NOTES TO THE CONSOLIDATED ACCOUNTS** as at 31st March 2012

Rupees in lakhs

	31.03.2012	31.03.2011
<b>18 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and incentives	4,079.60	3,010.97
Contributions to Provident & Other Funds	402.94	333.49
Staff Welfare Expenses	347.79	310.94
	<b>4,830.33</b>	<b>3,655.40</b>
<b>19 FINANCE COSTS</b>		
Interest expense	5,478.74	2,349.70
Other borrowing costs	206.50	170.09
Other financial charges	818.21	656.07
Applicable net gain/loss on foreign currency transactions and translation	1,009.71	(363.26)
	<b>7,513.16</b>	<b>2,812.60</b>
<b>20 OTHER EXPENSES</b>		
Power and fuel.	3,825.18	2,636.14
Consumption of stores and spare parts.	827.19	559.79
Rent Rates and Taxes	1,334.43	653.84
Electricity Charges Office & Depot	113.49	73.79
Processing Charges Mosaico/Marble	220.81	171.20
Water Charges	52.07	59.95
Postage and Telephone	270.89	237.92
Printing and Stationery	73.26	51.38
Insurance	233.56	81.67
Legal and Professional Fees	60.39	141.58
Travelling & Conveyance Expenses	853.52	512.36
Audit Fees	26.35	23.57
Hire Charges	219.32	219.89
Security Charges	71.56	67.21
Repairs and Maintenance		
Buildings	24.18	10.70
Machinery	87.50	12.33
Others Repairs & Maintenance	177.05	115.65
Advertisement & Sales Promotion Expenses	907.75	985.15
Freight Forwarding & Distribution Expenses	4,814.18	3,825.03
C&F Charges	1,491.42	1,133.65
Provision for Doubtful Debts	-	25.93
Bad Debts	24.26	22.78
Aarey Monthly Charges	8.80	7.51
Miscellaneous Expenses	193.87	156.42
	<b>15,911.03</b>	<b>11,785.44</b>

## NOTES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS

#### 21. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

##### l) Principles of Consolidation

The consolidated financial statements relate to Nitco Limited ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) In case of foreign Subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the Foreign Currency Translation Reserve.
- c) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- d) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- e) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- f) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiary	Country of Incorporation	Nature of Business	Relationship	Shareholding as at March 31, 2012
Nitco Holdings HK Company Ltd.	Hong Kong	Dealing in Building products	Subsidiary	100%
Foshan Nitco Trading Company Ltd.	China	Dealing in Building products	Subsidiary	100%
Nitco Realities Pvt Ltd.	India	Real Estate Development	Subsidiary	100%
Kesinkaya Mermer - Turkey	Turkey	Dealing in Marble	Subsidiary	100%
Glamorous Properties Pvt Ltd.	India	Real Estate Development	Subsidiary	100%
Opera Properties Pvt Ltd	India	Real Estate Development	Subsidiary	100%
Nitco IT Parks Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Feel Better Housing Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Maxwealth Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Nitco Aviation Pvt. Ltd.	India	Providing Aviation Services	Subsidiary	100%
Quick Solution Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Roaring Lion Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Meghdoot Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Silver Sky Real Estate Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Ferocity Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%

For the purpose of consolidation, jointly owned entities, where Nitco Ltd. or its subsidiaries own directly or indirectly more than 50 percent of voting right of a company's share capital, have been accounted for as subsidiaries.

## NOTES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

#### II) Valuation of Inventories:

- i) Stores and spare parts are stated at or below cost.
- ii) Inventories other than stores and spare parts are valued "At cost or Net Realizable Value, whichever is lower". Cost is generally determined on weighted average cost basis and inclusive of appropriate overheads as applicable. Net Realizable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.
- iii) Cost of raw materials, stores, spare parts and consumables is net of applicable Modvat credit wherever applicable.
- iv) In case of subsidiaries, the inventories are in form of Land and Real estate projects in progress. Inventories of real estate are valued at cost or net realizable value, whichever is lower. Interest and other borrowing costs attributable to real estate inventories during the construction period are allocated as a part of cost of construction

#### III) Other Significant Accounting Policies

These are set out under "Significant Accounting Policies" as given under standalone Financial Statement of Nitco Limited.

22. Previous year's figures have been regrouped / restated / reclassified / rearranged wherever necessary to make them comparable with those of the current year:

#### 23 Earnings per share - (EPS)

	31.03.2012	31.03.2011
i. Profit computation for Basic Earnings Per Share of Rs. 10 each	(5,685.26)	2478.06
ii. Number of equity shares for Earnings Per Share		
- Basic	32,600,132	32,123,552
- Diluted	32,600,132	32,600,132*
iii. Earnings Per Share (Basic & Diluted) Rs.		
- Basic	(17.44)	7.71
- Diluted	(17.44)	7.60
iv. Face Value per Share (Rs.)	10.00	10.00

\*Adjusted for issue of Equity Shares due to scheme of amalgamation

#### 24 Contingent Liabilities

Rupees in lakhs

Particulars	31.03.2012	31.03.2011
Guarantees / Counter Guarantees given by the company / by banks on behalf of company	5,206.48	5,187.61
Letter of credits opened for which the company is contingently liable	6,903.88	14,138.68
Export Bills discounted / purchased with the banks	165.34	219.07
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	711.65	452.50
Demands against the company not acknowledged as debts and not provided for against which the company is in appeal		
Excise Duty	675.67	27.37
Custom Duty	398.30	742.00



## NOTES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

#### 25. Information on related party transactions as required by Accounting Standard - 18 for the year ended 31.03.2012

Key Managerial Personnel	Mr.Vivek Talwar
	Ms. Poonam Talwar
Enterprises over which Key Managerial Personnel are able to exercise significant influence	Aileen Properties Pvt. Ltd.
	Alpine Agro and Dairy Farms Pvt. Ltd.
	Anandshree Bombay (Holding) Pvt.Ltd.
	Aqua-marine Properties Pvt. Ltd.
	Aurella Estates and Investments Pvt. Ltd.
	Blue-Whale Properties Pvt. Ltd.
	Brighton Properties Pvt. Ltd.
	Cosmos Realtors Pvt.Ltd.
	Delicious Properties Pvt.Ltd.
	Eden Garden Builders Pvt.Ltd.
	Ekalinga Properties Pvt. Ltd.
	Enjoy Builders Pvt.Ltd.
	Firstlife Properties Pvt. Ltd.
	Hunar Developers Pvt. Ltd.
	Kavivarya Properties Pvt. Ltd.
	Kshamta Properties Pvt. Ltd.
	Lavender Properties Pvt.Ltd.
	Maharashtra Marble Co.
	Maryland Realtors Pvt. Ltd.
	Melisma Finance and Trading Pvt. Ltd.
	Merino Realtors Pvt.Ltd.
	Nitco Construction Materials Pvt.Ltd.
	Nitco Consultants & Exports Pvt.Ltd.
	Nitco Exports
	Nitco Paints Pvt.Ltd
	Nitco Sales Corporation (Delhi)
	Nitco Terrazzo Tiles Pvt.Ltd
	Nitco Tiles
	Nitco Tiles & Marble Industries (Andhra) Pvt.Ltd.
	Nitco Tiles Sales Corporation (Bombay)
	Norita Investments Pvt.Ltd.
	Northern India Tiles (Sales) Corporation
	Orchid Realtors Pvt.Ltd.
	Prakalp Properties Pvt.Ltd.
	Rangmandir Builders Pvt.Ltd.
	Rejoice Realty Private Limited
	Rhythm Real Estates Pvt.Ltd
	Strength Properties Pvt.Ltd.
	Strongbase Properties Pvt. Ltd.
	Tanvish Properties Pvt. Ltd.
	The Northern India Tiles Corporation (Delhi)
	Ushakiran Builders Pvt.Ltd.
	Vivek Talwar (HUF)
	Wellwin Properties Pvt. Ltd.

## NOTES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2012

### OTHER NOTES TO THE ACCOUNTS (Contd.)

Related Party Transactions for FY 2011-12 Rupees in lakhs

	Key Managerial Personnel	Others
Rent Paid		25.55
Remuneration / Sitting Fees	81.61	
Rent Deposit		1,000.00

- 1) Rent paid include Eden Garden Builders Pvt. Ltd. Rs. 3.18 Lacs (previous year Rs. 3.18 lacs), Enjoy Builders Pvt. Ltd. Rs. 4.37 Lacs (previous year Rs. 4.37 Lacs), Lavender Properties Pvt. Ltd. Rs. 3.16 Lacs (previous year Rs. 3.16 Lacs), Nitco Tiles and Marble Industries Pvt. Ltd. Rs. 4.49 Lacs (previous year Rs. 17.80 Lacs), Prakalp Properties Pvt. Ltd. Rs. 3.02 Lacs (previous year Rs. 3.02 lacs), Rang Mandir Builders Pvt. Ltd. Rs. 4.18 Lacs (previous year Rs. 4.18 Lacs) and Usha Kiran Builders Pvt. Ltd. Rs. 3.16 Lacs (previous year Rs. 3.16 lacs).
- 2) Rent Deposit includes Eden Garden Builders Pvt. Ltd. Rs. 150 Lacs (previous year Rs. 150 Lacs), Enjoy Builders Pvt. Ltd. Rs. 205 lacs (previous year Rs. 205 lacs), Prakalp Properties Pvt. Ltd. Rs. 145 Lacs (previous year Rs. 145 Lacs), Rang Mandir Builders Pvt. Ltd. Rs. 200 lacs (previous year Rs. 200 Lacs), Usha Kiran Builders Pvt. Ltd. Rs. 150 Lacs (previous year Rs. 150 lacs) and Lavender Properties Pvt. Ltd. Rs. 150 Lacs (previous year Rs. 150 lacs).
- 3) Remuneration / sitting fees include remuneration to Mr. Vivek Talwar Rs. 58.28 lacs (previous year Rs. 87.65 Lacs), remuneration to Ms. Poonam Talwar Rs. 20.29 Lacs (previous year Rs. 20.18 lacs), sitting fees to Mr. S.K. Bhardwaj Rs. 1.30 Lacs (previous year Rs. 1.73 Lacs) and sitting fees to Mr. Atul Sud Rs. 1.74 Lacs (previous year Rs. 0.89 lacs).

### 26. Segment Reporting for the year ended March 31, 2012.

Rupees in lakhs

Sr. No.	Particulars	Year ended	
		31.03.2012	31.03.2011
<b>1</b>	<b>Net Sales / Income from Operations</b>	<b>(Audited)</b>	<b>(Audited)</b>
	- Tiles & Other related products	82,925.97	62,257.45
	- Real Estate	1,304.95	2,129.05
	<b>Total Revenue</b>	<b>84,230.92</b>	<b>64,386.50</b>
<b>2</b>	<b>Segment Results</b>		
	- Tiles & Other related products	1,579.15	5,049.81
	- Real Estate	252.35	448.90
	<b>Total Segment Profit before Interest &amp; Tax</b>	<b>1,831.50</b>	<b>5,498.71</b>
	Less : Interest & Other financial charges	6,503.45	3,175.86
	Foreign Exchange Loss/(Gain)	1,009.71	(363.26)
	<b>Profit Before Tax</b>	<b>(5,681.66)</b>	<b>2,686.11</b>
<b>3</b>	<b>Capital Employed</b>		
	(Segment assets - Segment liabilities)		
	- Tiles & Other related products	81,151.78	82,490.50
	- Real Estate	35,665.02	33,224.24
	- Unallocated/ Corporate	1,973.27	571.52
	<b>Total Capital Employed</b>	<b>118,790.07</b>	<b>116,286.26</b>

As Per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**  
Proprietor  
Membership No. 14757

**Vivek Talwar**  
Managing Director

**Atul Sud**  
Director

**Reena Rajee**  
Company Secretary

Mumbai,  
May 3, 2012

**CONSOLIDATED CASH FLOW STATEMENT** for the year ended 31st March 2012

Rupees in lakhs

	31.03.2012	31.03.2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit as restated before Tax	(5,681.66)	2,686.42
Adjusted for:		
Depreciation	3269.89	2292.92
Provision for Bad and Doubtful Debts	-	25.93
(Profit)/Loss on sale of assets	36.92	(59.04)
Interest and Financial Charges (Net)	7,513.16	2,812.60
<b>Operating Profit before Working Capital Changes</b>	<b>5138.31</b>	<b>7758.83</b>
Adjusted for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	1664.54	(2190.85)
(Increase)/Decrease in Inventories	(9691.14)	(22385.36)
(Increase)/Decrease in Other Receivables	(3771.68)	11820.85
Change in Current Liabilities	21592.11	14824.07
<b>Cash Generated from Operations</b>	<b>14932.14</b>	<b>9827.54</b>
Income Taxes Paid	(203.96)	(378.81)
<b>Net Cash from / (used in) Operating activities</b>	<b>14728.18</b>	<b>9448.73</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITY</b>		
Purchase of Fixed Assets	(14005.01)	(18417.51)
Sale of Fixed Assets	25.37	353.44
Sale/(purchase) of Investments ( Net )	(1.66)	10.08
<b>Net Cash from / (used in) Investing Activity</b>	<b>(13981.30)</b>	<b>(18053.99)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase / (Decrease) in Minority Interest	(95.79)	(12.38)
Proceeds from / (Repayment) of Long Term / Short Term Borrowings, net	8432.89	11684.41
Increase / (Decrease) in Reserve on Consolidation	(39.39)	-
Issue of shares - PBIL Merger	-	47.66
Interest Paid	(7,513.16)	(2,812.60)
Due to amalgamation of PBIL	-	(50.18)
Capital Reserve generated on amalgamation of Particle Boards India Ltd.(PBIL)	-	125.10
Pyt. Of Proposed Dividend & CDT	(189.44)	-
<b>Net Cash from / (used in) Financing Activities</b>	<b>595.11</b>	<b>8982.01</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>1341.99</b>	<b>376.75</b>
Opening Balance of Cash and Cash Equivalents	2640.48	2263.73
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>3982.47</b>	<b>2640.48</b>

- The cashflow statement has been prepared under the indirect method as set out in Accounting Standard - 3 (AS-3) on Cash Flow statements issued by the Institute of Chartered Accountants of India.
- Cash and Cash Equivalents consists of Cash on hand Rs. 44.83 lacs (previous year Rs. 36.86 lacs), Balances with Banks Rs. 1595.85 Lacs (previous year Rs. 959.10 lacs) and Balance in Margin Money Rs. 2341.79 lacs (previous year Rs. 1643.92 lacs).

As Per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173W

**A. Husein Noumanali**

Proprietor

Membership No. 14757

**Vivek Talwar**  
Managing Director**Atul Sud**  
Director**Reena Rajee**  
Company SecretaryMumbai,  
May 3, 2012



Innovation for a better life

Regd. Office: Nitco House, Recondo Compound, Inside Municipal Asphalt Compound,  
S. K. Ahire Marg, Worli, Mumbai – 400030.

## NOTICE

Notice is hereby given that the **46th Annual General Meeting** of the Members of Nitco Limited will be held on Saturday the 22nd day of September, 2012 at 11.00 a.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018 to transact, with or without modifications, as may be permissible, the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors of the Company thereon;
2. To re-appoint M/s. A. Husein Noumanali & Co., Chartered Accountants, the retiring Auditors, as a Statutory Auditor of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to authorize the Board to fix their remuneration.

### SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:  
“RESOLVED THAT Mr. Pradeep Saxena who was appointed as an Additional Director of the Company pursuant to the Articles of Association of the Company and Section 260 of the Companies Act, 1956, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of Director, under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

4. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:  
“RESOLVED THAT Mr. Vishal Malik who was appointed as an Additional Director of the Company pursuant to the Articles of Association of the Company and Section 260 of the Companies Act, 1956, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of Director, under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”
5. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary resolution:  
“RESOLVED THAT Mr. Rohan Talwar who was appointed as an Additional Director of the Company pursuant to the Articles of Association of the Company and Section 260 of the Companies Act, 1956, and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of Director, under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

By Order of the Board of Directors  
For NITCO LIMITED

Sd/-

27th July, 2012  
Mumbai

Reena Rajee  
Company Secretary

### NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting.
2. The Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of special business as set out above is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, the 15th day of September, 2012 to Saturday, the 22nd day of September, 2012 (both days inclusive).
4. Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write to the Company at least one week before the Meeting, so that the information could be made available at the Meeting.
5. Members are requested to notify any change in their address and bank account details to the Depository Participant where

they maintain their Demat account.

6. Members are advised to get their shares demated by sending Dematerialization Request Form (DRF) alongwith Share Certificates through their Depository Participant (DP) to Company's Registrar Link Intime India Private Limited (Link Intime).
7. Particulars of Directors seeking appointment: Relevant particulars of Mr. Pradeep Saxena, Mr. Vishal Malik and Mr. Rohan Talwar are given in the report on Corporate Governance.
8. Members wishing to claim dividends, which remain unclaimed, are requested to approach the Company Secretary at its registered office address and/or Link Intime. Members are

requested to note that the Dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.

9. Corporate Members intending to send their authorised representatives are requested to send a certified copy of the Board Resolution/Power of Attorney authorizing their representatives to attend and vote on their behalf at the Meeting.
10. As a measure of economy, members are requested to bring copy of the Annual Report to the Meeting. Member / proxy holders shall hand over the attendance slips, duly filled in all respect, at the entrance for attending the Meeting.

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

### Item No. 3

Mr. Pradeep Saxena was co-opted as an Additional Director of the Company at the Board meeting held on 3rd May, 2012 and holds office upto the date of this Annual General Meeting. As required by the provisions of section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose the appointment of Mr. Saxena as a Director of the Company, along with the prescribed deposit of Rs.500/-. His profile and other relevant details have been mentioned in the "Report on Corporate Governance".

Considering the wide range of experience of Mr. Pradeep Saxena, in equity and finance field, his appointment on the Board will be beneficial to the Company.

The Board recommends the resolution set out in Item No.3 of the Notice for approval of the Members.

None of the directors of the company other than Mr. Saxena is in any way concerned or interested in this resolution.

### Item No. 4

Mr. Vishal Malik was co-opted as an Additional Director of the Company at the Board meeting held on 3rd May, 2012 and holds office upto the date of this Annual General Meeting. As required by the provisions of section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose the appointment of Mr. Malik as a Director of the Company, along with the prescribed deposit of Rs.500/-. His profile and other relevant details have been mentioned in the "Report on Corporate Governance".

Considering the wide range of experience of Mr. Vishal Malik, in investment banking, his appointment on the Board will be beneficial to the Company.

The Board recommends the resolution set out in Item No.4 of the Notice for approval of the Members.

None of the directors of the company other than Mr. Malik is in any way concerned or interested in this resolution.

### Item No. 5

Mr. Rohan Talwar son of Mr. Vivek Talwar, Managing Director, was co-opted as an Additional Director of the Company at the Board meeting held on 3rd May, 2012 and holds office upto the date of this Annual General Meeting. As required by the provisions of section 257 of the Companies Act, 1956, a notice has been received from a member signifying his intention to propose the appointment of Mr. Rohan Talwar as a Director of the Company, along with the prescribed deposit of Rs.500/-. His profile and other relevant details have been mentioned in the "Report on Corporate Governance". Mr. Rohan Talwar has experience in the hospitality sector.

The Board recommends the resolution set out in Item No.5 of the Notice for approval of the Members.

None of the directors of the company other than Mr. Vivek Talwar and Mr. Rohan Talwar are in any way concerned or interested in this resolution.

By Order of the Board of Directors  
For NITCO LIMITED

Sd/-

Reena Raje

Company Secretary

27th July, 2012  
Mumbai



Innovation for a better life

Regd. Office: Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai – 400030

## PROXY FORM

DP & Client ID no.: .....

No. of Shares:.....

Regd. Folio No.: .....

I / We..... of..... in the district of..... being a Member / Members of the above named company hereby appoint..... of..... in the district of..... or failing him / her..... of..... in the district of..... as my/our Proxy to vote for me / us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday September 22, 2012 at 11.00 a.m. and at any adjournment thereof.

Signed this ..... day of ..... 2012.



Signature of Member

1. The Instrument of proxy duly stamped, signed and completed, must be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Proxy need not be a member of the Company



Innovation for a better life

Regd. Office: Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai – 400030

## ATTENDANCE SLIP

DP & Client ID no.: .....

No. of Shares:.....

Regd. Folio No.: .....

Full Name of the Member: .....

Full Name of the Proxy : .....

I hereby record my presence at the Annual General Meeting of the Company being held on Saturday September 22, 2012 at 11.00 a.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400018.

.....  
Signature of Member/ Authorized Representative

.....  
Signature of Proxy

Notes: A Member / Proxy attending the meeting must complete this Attendance slip in legible writing and hand it over at the entrance. Sign at appropriate place as applicable to you.

# CORPORATE INFORMATION

## Board of Directors

Mr. Vivek Talwar, *Managing Director*  
Mr. Pradeep Saxena, *Additional Director*  
Mr. Vishal Malik, *Additional Director*  
Mr. Rohan Talwar, *Additional Director*

## Chief Executive Officer

Mr. Alok Goel

## Chief Finance Officer

Mr. B.G. Borkar

## Company Secretary and Compliance Officer

Mrs. Reena Raje

## Auditors

A. Husein Noumanali & Co.,  
*Chartered Accountant*

## Corporate Office

Nitco Marble Land,  
Plot no. 3, Kanjur village Road  
Kanjur Marg (East),  
Mumbai 400 078, Maharashtra  
Tel: 91 22 67521555  
Fax : 91 22 67521500

## Registered office

Nitco House  
Recondo Compound  
SK Ahire Marg, Worli  
Mumbai 400 030  
Tel: 91 22 66164555  
Fax : 91 22 66164657

## Bankers

Punjab National Bank,  
State Bank of India  
Syndicate Bank

## Works

### Ceramic tile division

Village Shrigaon, Taluka Alibaug,  
Post Poynad,  
District Raigad, Maharashtra

### Marble division (Mumbai)

Nitco Marble Land,  
Plot no. 3, Kanjur village Road  
Kanjur Marg (East),  
Mumbai 400 078, Maharashtra

### Marble division (Silvassa)

Survey No. 176, Village Silli,  
Silvassa 330 396



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