





FORM A

FORMAT OF COVERING LETTER OF THE ANNUAL AUDIT REPORT TO BE FILED WITH THE STOCK EXCHANGES

1	Name of the Company	Murudeshwar Ceramics Limited
2	Annual Financial Statements for the year ended	31 st March 2014
3	Type of Audit observation	Unqualified Report
4	Frequency of observation	Nil
5	To be signed by:-	
	CEO/Managing Director	(Satish R Shetty) (DIN 00037526)
	CFO	 (N M Hegde)
	Auditor of the Company	  M A Narasimhan & Co (Firm Reg.No.0023475) M.A. ParthaNarayan-Partner (Membership No.028994)
	Audit Committee Chairman	 (K Sunder Naik) (DIN 00042986)

BOARD OF DIRECTORS

Dr. R N SHETTY
Chairman

Shri K. SUNDER NAIK

Dr. S.S. HIREMATH

Shri ANNAPPAYYA K

Shri SANKAPPA K SHETTY

Smt. SARVANI ALVA

Shri SUNIL R SHETTY

Shri NAVEEN R SHETTY

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

Company Secretary & Compliance Officer
Shri LAKSHMISHA BABU S

Vice President (Finance) & C.F.O.
Shri N M HEGDE

Auditors

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

Bankers

CANARA BANK

STATE BANK OF INDIA

BANK OF BARODA

THE LAKSHMI VILAS BANK LTD

AXIS BANK LTD

ORIENTAL BANK OF COMMERCE

I N D E X

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Registered Office

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

Plant

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

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

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

NOTICE

To,

The Members, Murudeshwar Ceramics Limited

NOTICE is hereby given that the Thirty First Annual General Meeting of the Members of the Company will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli 580 029 on Saturday 27th day of September, 2014 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet of the Company as at 31st day of March, 2014 and the Profit and Loss Account for the year ended on the said date together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Naveen Rama Shetty (DIN 00058779), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s. MA Narasimhan & Co., Chartered Accountants (ICAI Registration No.002347S) as statutory auditors of the Company from conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and fix their remuneration.

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**
"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 (Act) and the rules made thereunder read with Schedule IV of the Act **Shri Kudlu Sunder Naik** (DIN 00042986), Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice under Section 160 of the said Act, 2013 proposing his candidature for the Office of Directors, be and is hereby appointed as an Independent Director of the Company for a term of five consecutive years with immediate effect."
5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**
"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 (Act) and the rules made thereunder read with Schedule IV of the Act **Dr. Shivabasayya Siddaramayya Hiremath** (DIN 02272897), Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice under Section 160 of the said Act, 2013 proposing his candidature for the Office of Directors, be and is hereby appointed as an Independent Director of the Company for a term of five consecutive years with immediate effect."
6. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**
"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 (Act) and the rules made thereunder read with Schedule IV of the Act **Shri Annappayya Kundapur** (DIN 03558522), Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice under Section 160 of the said Act, 2013 proposing his candidature for the Office of Directors, be and is hereby appointed as an Independent Director of the Company for a term of five consecutive years with immediate effect."
7. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**
"RESOLVED THAT pursuant to the provisions of Section 149, 152 and any other applicable provisions of the Companies Act, 2013 (Act) and the rules made thereunder read with Schedule IV of the Act **Shri Sankappa Keremane Shetty** (DIN 00894366), Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice under Section 160 of the said Act, 2013 proposing his candidature for the Office of Directors, be and is hereby appointed as an Independent Director of the Company for a term of five consecutive years with immediate effect."
8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.**
"RESOLVED THAT, pursuant to Section 149, 152 and other applicable provisions of the Companies Act, 2013 (Act) and the Rules made thereunder, read with Schedule IV of the Act, **Smt Sarvani Alva** (DIN 06896403) who was appointed as an Additional Director of the Company by the Board of Directors with effect from July 31, 2014 and



NOTICE (Contd.)

who holds office until the date of the Annual General Meeting, in terms of Section 161 of the Companies Act, 2013, in respect of whom the Company has received a notice under Section 160 of the said Act proposing her candidature for the Office of the Directors be and is hereby appointed as an Independent Director of the Company for a term of five consecutive years with effect from July 31, 2014.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

“RESOLVED THAT, in suppression of the Ordinary Resolution adopted earlier under Section 293(1)(a) of the Companies Act, 1956 and in pursuant to Section 180 (1) (a) and any other applicable provisions of the Companies Act, 2013 (Act) and the Rules made thereunder, the consent of the Company be and is hereby accorded to the Board of Directors (hereinafter called “the Board” which term includes any sub-committee/s or any of the directors as may be authorized by the Board, from time to time), to hypothecate, mortgage, charge and/or in any other way encumber, all or any of the movable / current / fixed / immovable assets of the Company, both present and future, and/or whole or any part of undertaking(s) of the Company, together with powers to take over the management of the business and concern of the Company in certain events of default, in favour of any Lender(s), Agent(s) and/or Trustee/s, as the case may be, for the purpose of securing the borrowings of the Company availed/to be availed by way of loan(s), working capital assistance, issue of debentures / bonds / notes and/or any other debt instruments issued/to be issued by the Company, from time to time, together with interest, additional interest, compound interest, accumulated interest, liquidated damages, commitment charges, premium on prepayments, and all other incidentals and levies, as may applicable under respective agreements, deeds, writings, trust deeds or any other kind of documents as may be agreed to by and between the Board and the Lenders, their agents, trustees, as the case may be, in respect of the said loans/ borrowings/ debentures/bonds or other securities.

RESOLVED FURTHER that the approval of shareholders be and is hereby accorded to the Board of Directors or the Committee of Directors and/or any functional director/s, duly authorized by the Board, to consider and decide at their independent discretion the terms and conditions in respect of creating hypothecation, mortgage, charge and/or any other kind of encumbrance on all or any of the movable / current/ fixed / immovable assets of the Company to secure borrowings and/or issue of debentures / promissory notes / any other kind of debt instruments, pursuant to approval accorded as above under the said and to do and perform all such acts, deeds and things, inter-alia, to finalize, settle and execute such documents / deeds / debenture trust deeds / writings / papers / agreements / any other kind of debt instruments, as may be deemed necessary and required in the absolute discretion of the Board.”

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

“RESOLVED THAT, in suppression of the Ordinary Resolution adopted earlier under Section 293(1)(d) of the Companies Act, 1956 and in pursuant to Section 180 (1) (c) and any other applicable provisions of the Companies Act, 2013 (Act) and the Rules made thereunder, the consent of the Company be and is hereby accorded to the Board of Directors to borrow moneys in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/to be obtained from any Bank(s) or Financial Institution(s) or any other Institution(s), firm(s), body corporate(s) or other person(s) in the ordinary course of business shall not be in excess of ₹400 Crores (Rupees four hundred Crores only) over and above the aggregate of the paid up share capital and free reserves of the Company.”

“RESOLVED FURTHER that the approval of Shareholders be and is hereby accorded to the Board of Directors or the Committee of Directors and / or any functional Director/s, duly authorised by the Board, to consider and decide at their Independent discretion and the terms & conditions of such borrowings and / or issue of debenture / promissory notes / any other kind of debt instruments, pursuant to approval accorded as above and to do and perform all such acts, deeds and things, inter-alia, to finalise, settle and execute such documents / deeds / debenture trust deeds / writings / papers / agreements / any other kind of that instruments, as may be deemed necessary and required in the absolute discretion of the Board of Directors.”

Place : Bangalore
Date : July 31, 2014

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

NOTICE (Contd.)

NOTE:

- (1) Any Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on behalf of such member at such meeting and such a proxy need not be a member of the Company.
- (2) Any document / Proxy Form in connection with the Annual General Meeting of the Company signed by any person for and on behalf of any Institution, Bank, Body Corporate etc., will be valid, only if such document/proxy form is supported by a duly authenticated copy of the Resolution of the Board of Directors authorising such person to sign such document and/or to represent such Institution, Bank, Body Corporate etc., as the case may be.
- (3) Documents pertaining to items referred to in the Notice are available for inspection by any member/s at the Registered Office of the Company on any working day from 2 p.m. to 6 p.m. upto the date of Annual General Meeting.
- (4) Brief resume of directors proposed to be appointed/reappointed is furnished in the Corporate Governance Report forming part of this Annual Report.
- (5) Register of Members/Transfer books of the Company will be closed from September 20, 2014 to September 27, 2014 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2013-14 are requested to send their specific request addressed to the Company Secretary at the Registered Office of the Company atleast seven days before the Annual General Meeting.
- (7) Members are requested to bring their copies of Annual Reports to the meeting and also to handover their attendance slips signed by the members/valid proxies at the entrance of the meeting hall.
- (8) Please also refer "General Information to Shareholders" in the annexure to Corporate Governance Report forming part of this Annual Report.
- (9) In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all resolutions set forth in this Notice.

The instructions for e-voting are as under:

A. In case a Member receives an e-mail (for Members whose e-mail addresses are registered with the Company/ Depositories):

- (a) Open the e-mail and also open PDF file namely "MCL e-voting.pdf" with your Client ID or Folio No. as Password. The said PDF file contains your User ID and Password for e-voting. Please note that the password is an initial password.
- (b) Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
- (c) Click on Shareholder – Login.
- (d) If you are already registered with NSDL for e-voting then you can use your existing User ID and Password.
- (e) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
- (f) The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.



NOTICE (Contd.)

- (g) Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
- (h) Select "EVEN" (E-Voting Event Number) of Murudeshwar Ceramics Limited. Now you are ready for e-voting as Cast Vote page opens.
- (i) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (j) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (k) Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
- (l) Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to sunil_j_shah@yahoo.com and investor@naveentile.com with a copy marked to evoting@nsdl.co.in.
- (m) In case of any queries, you may refer the Frequently Asked Questions (FAQs) - Shareholders and e-voting user manual - Shareholders, available at the downloads section of www.evoting.nsdl.com.

B. In case a Member receives physical copy of the Notice of AGM (for Members whose e-mail addresses are not registered with the Company/Depositories):

- (a) Initial password is provided in the enclosed Annual Report and Notice: EVEN (E-Voting Event Number), user ID and password/Pin,
- (b) Please follow all steps from Sl. No. (b) to Sl. No. (m) above, to cast vote.

C. Other Instructions:

- (a) The e-voting period commences on September 21, 2014 (9.00 a.m. IST) and ends on September 23, 2014 (6.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on August 22, 2014(Cutoff date{record date}) may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
- (b) The E-Voting is optional and members shall have the option to vote either through e-voting or in person at the general meeting. However, the members not casting their vote electronically may only cast their vote at the Annual General Meeting.
- (c) The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on August 22, 2014(Cutoff date {record date}).
- (d) Mr. Sunil J. Shah, Practicing Company Secretary (Membership No. ACS : 8717, COP No.3289), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (e) The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the thirtyfirst Annual General Meeting.
- (f) The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.naveentiles.co.in and on the website of NSDL www.evoting.nsdl.com within two days of the passing of the resolutions at the AGM of the Company on September 27, 2014 and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

NOTICE (Contd.)

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013.

Item Nos. 4 to 7:

The Company had appointed Shri Kudlu Sunder Naik, Dr. Shivabasayya Siddaramayya Hiremath, Shri Annappayya Kundapur and Shri Sankappa Keremane Shetty as Independent Directors at various times, in compliance with the requirements of the listing agreement entered with the stock exchanges. Pursuant to the provisions of section 149 of the Companies Act 2013, which came in to effect from April 1, 2014, every listed public company is required to have atleast one-third of the total number of directors as independent directors, who are not liable to retire by rotation. The Company, confirms that the said Directors meets the criteria of independence as provided under section 149(6) of the said Act. The Company has received a notice proposing their candidature pursuant to provisions of Section 160 of the said Act to the Office of Directors. In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the members for their approval. Brief resume of all the Independent Directors is furnished forming part of the Corporate Governance Report.

None of the directors, Key Managerial Personnel (KMP) or relatives of Directors and KMP except Shri Kudlu Sunder Naik, Dr. Shivabasayya Siddaramayya Hiremath, Shri Annappayya Kundapur and Shri Sankappa Keremane Shetty respectively, are concerned or interested in the resolutions of the accompanying notice relating to their own appointment.

Item No. 8:

Smt Sarvani Alva has been appointed as an Additional Director on the Board of Directors with effect from July 31, 2014. In terms of section 161 of The Companies Act, 2013, the appointment of such director shall be valid upto the date of the Annual General Meeting. Company has received a notice proposing her candidature pursuant to provisions of Section 160 of the said Act to office of Directors. In compliance with provisions of Section 149 read with Schedule IV of the said Act appointment of this Director as Independent Director is now placed before the members for approval. Brief resume of Smt Sarvani Alva is furnished forming part of the Corporate Governance Report.

None of the directors, Key Managerial Personnel (KMP) or relatives of Directors and KMP except Smt Sarvani Alva herself may be deemed as concerned or interested in the aforesaid appointment.

Item No. 9 :

On July 25 2008 members had given powers to the Board of Directors under Section 293 (1) (a) of the Companies Act, 1956. However, pursuant to Section 180 (1) (a) of the Companies Act, 2013 the Company's borrowings are required to be secured by creation of hypothecation / mortgage / charge in favour of the corresponding lenders by way of special resolution. Hence approval of members is requested, authorizing Board of Directors to hypothecate, mortgage, charge and/or in any other way encumber, all or any of the movable/current/ fixed/immovable assets of the Company, both present and future, as security for repayment of fresh borrowings as detailed in the resolution relating to this subject.

None of the directors, Key Managerial Personnel (KMP) or relatives of Directors and KMP is concerned or interested in the said resolution.

Item No. 10 :

On July 25, 2008 members have sanctioned borrowing limit of ₹400 Crores under Section 293(1)(d) of the Companies Act, 1956. However, Section 180 (1) (c) of the Companies Act, 2013 requires that the Board of Directors shall not borrow money in excess of the Company's paid up share capital and free reserves, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, except with the consent of the Company accorded by way of a special resolution.

It is therefore necessary for the members to pass a special resolution under section 180 (1) (c) and other applicable provisions of the Companies Act, 2013, to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow ₹400 Crores (Rupees four hundred Crores only) in excess of the aggregate of the paid up share capital and free reserves of the Company.

None of the directors, Key Managerial Personnel (KMP) or relatives of Directors and KMP is concerned or interested in the said resolution.

Place : Bangalore

Date : July 31, 2014

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



DIRECTORS' REPORT

To: **The Members,
Murudeshwar Ceramics Limited**

Your directors present the 31st Annual Report of the Company for the year ended on March 31, 2014 :

FINANCIAL RESULTS

Particulars	₹ In Lacs)	
	2014	2013
Sales income	14504.23	14413.55
Other Income	101.22	62.40
Total income	14605.45	14475.95
Operational Expenditure	10344.99	11629.81
Increase/(Decrease) in stock	1106.14	(301.16)
Interest	2099.70	2155.77
Depreciation	904.55	903.12
Total Expenditure	14455.38	14387.54
Profit/(Loss) for the year	150.07	88.41
Less Provision for tax	21.39	11.45
Less MAT Credit	(21.39)	(11.45)
Less Excess Provision written back	-	(1.06)
Add Deferred Tax Assets	33.27	5.76
Sub Total	33.27	4.70
Profit/(Loss) after tax	116.80	83.71
Profit available for appropriation	116.80	83.71

OPERATIONAL PERFORMANCE

During the year under report the Company has produced 24,94,237 Sq.mtrs., of Vitrified tiles and 12,999 Sq.mtrs., of Ceramic tiles. Whereas compared to previous year production of Vitrified tiles is reduced by 19.69% and production of Ceramic tile is reduced by 95.17%. The sales income from Vitrified tiles has reduced by 11.07% at ₹10,699.65 lakhs compared to ₹12,030.95 lakhs of the previous year. Sales income from Ceramic tile and Gujarat Wall Tiles segment has reduced by 38.42% at ₹941.60 lakhs compared to ₹1,528.98 lakhs of the previous year. The Granite division did not produce any slabs during the year due to non-availability of quality blocks.

In spite of the above hurdles the Company has managed to earn a profit of ₹116.80 (Previous year ₹83.71 lakhs) which leads to an increase of 39.52% as compare to previous year 2012-13. Since the Profits of the Company has started increasing slightly and the Directors intent to reduce the finance cost as early as possible. Hence your Directors have decided to skip the dividend for the year 2013-14. Your directors are working towards achieving higher results during the forth coming years.

PROSPECTS

New varieties formats, designs and shades are being introduced from time to time. Products used at Commercial complexes, forums, malls etc. are likely to boost the sales and increase the customer base. Maximum efforts are being made to expand our market in Southern India in order to save the cost of transportation. Since the market in rural India is increasing door to door sales promotion on leg work is also put in place. Various cost cutting measures very being implemented to increase profits. Consumer friendly lending policies of Banks and encouragement from the Government for the housing sector have been contributory factors for the sustained growth of the tiles industry. The new Digital tiles Technology which gives a very rich look is slowly capturing the market. The Vitrified tiles double and multi charge tiles are also moving fast in the market. The Karaikal unit is functioned with improved gas allocation. Gas allocation for Hubli Unit is expected to arrive on December 2014. The Company is expecting a better growth in the mere future.

DIRECTORS' REPORT (Contd.)

MARKETING STRATEGY

This Company continues with strategy of both project and retail market. Show room sales is yielding satisfactory return in major urban centers. In other places wherever show rooms are not feasible the company has closed down those show rooms and has been expanding dealership network. Depots opened at different parts of the Country are lending support for quick and sustained service to customers. The sales team has developed personal contact with Architects and Builders who influence the decision making. The rapport built shows the attitude and reaction of the Architect towards our product. Company's representatives are on door to door leg work to enhance sales. Hoarding, Table Calenders, Newspapers advertisements are in place in order to increase sales.

Your Directors are hopeful of achieving better results in the year 2014-15.

RESEARCH AND DEVELOPMENT

The R & D wing of the Company is successful in adaption of Feldspar Processing plant to remove the inbuilt iron contamination to enhance the brightness of Vitrified tile production. As usual R & D wing is continuously concentrating on reduction of power and fuel in the manufacturing process. The R & D wing is also concentrating on inventing new products, upgrade variety, body matrix, shades and designs to suit market sentiments.

INCREASE IN THE SHARE CAPITAL

During the year the Company had allotted 20,35,000 Equity Shares upon conversion of its second tranche of 20,35,000 Convertible Share Warrants into 20,35,000 Equity Shares to Murdeshwar Power Corporation Limited a promoter and promoter group Company, hence the Paid up Equity share capital of the Company increased to ₹4,082.17 lakhs.

DIRECTORS

Shri Kudlu Sunder Naik, Dr. Shivabasayya Siddaramayya Hiremath, Shri Annappayya Kundapur and Shri Sankappa Keremane Shetty was appointed as Independent Directors of the Company for a period of five consecutive years with immediate effect in order to comply with the provisions of the Section 149 and other applicable provisions/rules of the Companies Act 2013 read with Schedule IV of the said Act.

The Board has appointed Smt Sarvani Alva as Additional Director with effect from July 31, 2014 Pursuant to Section 161 of the Companies Act, 1956 the term of such additional director is valid upto the date of ensuing Annual General Meeting. Hence necessary resolution is placed before the members for approval of the said Director with immediate effect.

Shri Naveen Rama Shetty retires by rotation and being eligible offer himself for re-appointment.

Brief personal details of above said directors are furnished in the Corporate Governance Report which forms part of this Annual Report.

AUDITORS

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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



DIRECTORS' REPORT (Contd.)

COST COMPLIANCE REPORT

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

CORPORATE GOVERNANCE PROVISIONS

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

AUDIT COMMITTEE

During the year under report the Audit Committee consist of three non-executive directors namely, Dr. Rama Nagappa Shetty, Shri Kudlu Sunder Naik and Shri Annappayya Kundapur. Shri Kudlu Sunder Naik was the Chairman and Shri Lakshmisha Babu S, Company Secretary was the Secretary of the Committee.

DEPOSITS

As on 31.03.2014 the Company does not have any Public Deposits. The Company has repaid all the deposits and one unclaimed deposit of ₹25,000/- was deposited to IEPF on November 18, 2013.

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

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS RESPONSIBILITY STATEMENT

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

- 1) In preparation of the annual accounts for the year 2013-14, the Company has followed the applicable accounting standards prescribed under Section 211 (3C) of The Companies Act, 1956 and there is no material departure from the same ;
- 2) Your Directors have selected and consistently applied such of the accounting policies and made judgments and estimates thereon, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss of the Company for that period ;
- 3) Your Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the applicable provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- 4) The Company has prepared the annual accounts ongoing concern basis.

ACKNOWLEDGEMENTS

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

for and on behalf of the Board of Directors
Dr. RAMA NAGAPPA SHETTY
Chairman
(DIN 00038810)

Place : Bangalore
Date : July 31, 2014

ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION MEASURES TAKEN :

(a) Energy Conservation Measures Taken :

Feldspar processed material (feldspar cake) is used to reduce the Ball Mill grinding time and increase the output.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

Energy meters provided in production area department wise, and also provided VFD.

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;

Reduction power cost, better sales realization of sales values vitrified tiles

(d) Total energy consumption and energy consumption per unit of production:

Not Applicable

B. TECHNOLOGY ABSORPTION :

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans

: - Nil -

(b) Total Foreign Exchange used and earned

: - Nil -

Foreign Exchange Earnings

: - Nil -

Foreign Exchange Outgo

: ₹ 1.65 Lacs

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D was carried out by the Company

Raw materials (feldspar) processed to remove the inbuilt iron contamination to improve the tile brightness

2. Benefits derived as a result of the above R & D

(a) Better sales realization on the finished product

(b) Better utilization of plant and machinery

3. Future plan of action

(a) Double fired wall tile production in Hubli plant.

(b) Double charging feeder is proposed for production of value added Vitrified tile production in Karaikal plant.

(c) NANO coating of Vitrified polished tile for enhancing shine/ glossiness and to improve the quality.

4. Expenditure on R & D

(₹ in lacs)

Particulars	2013-2014	2012-2013
a) Capital	0.53	-
b) Recurring	-	1.01
c) Total	0.53	1.01
d) Total R & D expenditure as percentage of total turnover	0.003	0.007

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation.

Successful Adaption of Feldspar Processing plant to remove the inbuilt iron Contamination to enhance the brightness of Vitrified tile production

2. Benefits derived as a result of above efforts

Reduction in the power cost and improve the tile Brightness and Quality consistency

3. In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

a) Technology Imported : Not done during the year

b) Year of Import : N.A.

c) Has technology been fully absorbed : N.A.

d) If not absorbed, areas where this has not taken : N.A.
place, reasons and future plans of action.



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

INDUSTRY STRUCTURE AND DEVELOPMENT

The construction Industry is growing from year to year. All small cities and town is now filled with residential apartments, commercial complexes, malls and forums. Simultaneously elegant interiors and aesthetic floors and walls have been much sought after even among middle class of the society. As a result of these positive developments, more and more market players have being foraying into the tiles business. Simultaneously a situation of cut throat competition, margin squeezing to capture market caused serious setback to the business of tiles manufacturers in the organized section. Added to this many small and unorganized sector have taken up production of tiles and the number of such small units are increasing day by day. The tiles produced by large industries are superior in quality and endurance. In order to sustain the competition, medium to large scale units in the organized sector have been planning and implementing various cost cutting measures both on technical and non-technical administrative aspects.

Murudeshwar Ceramics Limited started commercial production on 01.05.1988 with an installed capacity of 12,500 tons per annum (TPA) of Ceramic tiles at Hubli in Northern Karnataka. The Company undertook a major product diversification into manufacture of Vitrified tiles in the year 1993. The Vitrified tiles project was completed in a very short time and the production commenced on 01.03.1994. On considerations of quality, value addition, aesthetic looks and endurance, the said Vitrified tiles under the Brand Name of “NAVEEN DIAMONTILE” became very popular in domestic markets in a very short time. Encouraged by the response for Vitrified tiles in the Indian market, the company has established one more Vitrified tile manufacturing unit in Karaikal with an initial capacity of 6,000 Sq.mtrs. per day which commenced its commercial production on 1st day of October 2003. Simultaneously the capacity expansion also was carried on side by side. On cost considerations the Company stopped production of Ceramic tiles in August 2002. But later on, as a support product, manufacturing of Ceramic tiles was once again started with an initial capacity of 8,000 sq.mtrs per day at Hubli unit. The new Ceramic tile manufacturing unit became operational from January 2006 and the expansion project was undertaken simultaneously. New varieties of tiles in aesthetic colours, shades, body matrix and in different dimensions are being constantly added on in the product mix. On cost considerations, the Kilns in Hubli unit were modified to be fueled by Coal gas. The Coal gasification was completed in the year 2009. As on 2012-13 the Hubli Plant is under conversion process from Coal Gas to Natural Gas. As at the end of the financial year the installed capacity of Ceramic and Vitrified tiles are as follows:

Annual Capacity	VITRIFIED TILES		CERAMIC TILES
	Hubli	Karaikal	Hubli
Installed Capacity (in Sq. Mtrs.) per annum	6,00,000	42,00,000	12,00,000

OPPORTUNITIES

The Ceramic and Vitrified industry has lot of opportunities to grow because of the new housing policy introduced by financial Institution and Banks with lower interest rates in order to boom the housing loans. Moreover Government also has taken lot of initiative in housing sectors. As the prevailing trend nuclear families are increasing day by day. IT sector is booming day by day which in turn make its employees to invest in housing project. Youth population in India is more for which they invest on housing projects. All this opportunities increase the tile market in India.

Improved technology in manufacturing and availability of Ceramic and Vitrified tiles in various shapes and sizes is providing variety of choices to the customers. Taking advantage of the situation, we endeavour our best to achieve optimum production in our Karaikal plant, mainly concentrating on high value items and tiles of bigger size.

THREATS

Indian tile industry has a major threat of reliable power supply coupled by high fuel cost and Non-availability of standard and uniform quality raw materials in domestic market. Ceramic tiles industry in India is suffering from low margin and profitability. Non availability of skilled labour and increased rate of interest on borrowing is also major threat to the industries. Tile industry is also facing limited facilities for technical education in ceramics. The demand for tiles has resulted in large number of smaller to medium size new industries mushrooming in various parts of the Country. Due to lots of small units unhealthy competition in the market cannot be ruled out. Additionally, foreign tiles, which cost less, adversely affect the balance in pricing. The Domestic Vitrified tiles industry has been able to sustain the unhealthy trends created by cheaper foreign tiles to some extent on account of Anti-Dumping duty on Vitrified tiles. Frequent increase in cost of power and fuel not only accounts for increase in direct cost but also result in increase of indirect costs like transportation and cost of other inputs.

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

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

The Segment-wise performance for the year ended on 31.03.2014 is furnished hereunder:

SEGMENT	PRODUCTION (in Sq. Mtrs.)	SALES	
		Volume (Sq.Mtrs.)	Value (₹ in lacs)
Vitrified Tiles	24,94,237 (31,05,861)	28,59,823 (33,08,602)	10,699.65 (12,030.95)
Ceramic Tiles	12,999 (2,68,968)	3,19,906 (5,48,654)	941.60 (1,528.98)
Earth Work (Sales receipts)	- (-)	- (-)	3,673.06 (1,862.02)

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

As may be seen from the above statement, production of Ceramic tiles has been reduced by 95.17% and Vitrified tiles production by 19.69% and Granite Division has not produced any slabs during the year. The sales revenue of the Ceramic and Gujarat Wall Tiles has been reduced by 38.42% and Vitrified division by 11.07%. Overall sales revenue has reduced by 0.70% which is ₹15,314.31 lakhs for the year under report. With the result the Company has incurred a profit of ₹116.80 lakhs for the year under report compared to profit of ₹83.71 lakhs for the previous year.

OUT-LOOK

The Company has realized that profits are more in value added products and is concentrating on bigger size tiles such as 800 mm x 800 mm. The Company is also manufacturing Nano series Vitrified tiles of 600 mm x 600 mm. The Company is also very keen on Glazed Vitrified Tiles and Digital Vitrified Tiles of 600 mm and 800 mm. The Company has also outsources manufacturing of tiles in the Company's brand name. These new varieties are well accepted by the market. The R & D team is work hard to invent new product range, designs and sophisticated colors.

RISKS AND CONCERNS

Major risks to the tile industry are Terracotta tiles and PVC floorings are acting as substitute to Ceramic and Vitrified tiles which are capturing the markets in some areas. Overall quality standards are not up to the international level. Regular dumping of cheap imports are the major concern. The Company is producing quality Vitrified tiles of higher quality, but the low cost tiles either imported or from small scale units, will impair the balance of pricing on consideration of price factor. Cost of power and fuel is a major concern. Every raise in cost of LPG or Diesel will have its both direct and indirect influence on the costing. Further the cost of borrowing is also increasing day by day, this in turn will increase the cost of borrowing. New design and sizes have to introduced to stay stable in the market wherein the Company has to spend lots of amount of research and development. The major concern of the Company is delay by the Government in installation of Natural Gas at Hubli Unit. However the Company is expecting installation by December 2014.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

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

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

As at the end of the year the Company had 437 employees on the rolls. The Company continued to engage services of senior level personnel even at branches level to ensure better control and coordination. Management also continues to give due importance for Manpower training and motivation. Customer care and Customer satisfaction are being ensured with meticulous care. The understanding between the Management and workers continues to be cordial.

CAUTION

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

for and on behalf of the Board of Directors
Dr. RAMA NAGAPPA SHETTY
Chairman
(DIN 00038810)

Place : Bangalore
Date : July 31, 2014



CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY AND CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

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

2.1 Non-Executive Directors

- | | |
|---|-------------------------|
| 1) Dr Rama Nagappa Shetty | : Promoter and Chairman |
| 2) Shri Kudlu Sunder Naik | : Independent Director |
| 3) Dr. Shivabasayya Siddaramayya Hiremath | : Independent Director |
| 4) Shri Annappayya Kundapur | : Independent Director |
| 5) Shri Sankappa Keremane Shetty | : Independent Director |
| 6) Smt. Sarvani Alva | : Independent Director |
| 7) Shri Sunil Rama Shetty | : Director |
| 8) Shri Naveen Rama Shetty | : Director |

2.2 Executive Director

- 9) Shri Satish Rama Shetty : Managing Director

The Board has eight Non-Executive directors of whom five are independent directors. Dr Rama Nagappa Shetty is the Non-Executive Chairman. The said composition is in conformity with the requirements of Clause 49 of the Listing Agreement. Executive Director has been appointed for a term of five years effective from respective date of his appointment.

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

2.3 Brief Particulars of Directors appointed / re-appointed

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

- 2.3(a) **Shri Kudlu Sunder Naik** aged about 88 years is basically a Civil Engineer. His academic career includes graduation in Civil Engineering from University of Madras and Training in Pre-stressed Concrete in France. His professional career started directly as Assistant Engineer (Now Asst.Executive Engineer) in the year 1946 under the then Madras Government. On reorganization of states in the year 1956 he was assigned the responsible office of Asst.Executive Engineer, PWD under the then Government of Mysore (Now Karnataka). He held various important positions as Executive Engineer, Superintending Engineer, Chief Engineer etc., in various departments and was instrumental in executing various projects like highways, bridges, major buildings etc. Before his retirement from Government Service in the year 1979 he was Administrator (Engineer-in-Chief), Upper Krishna Project, Command Area Development Authority. After his retirement he is associated with Civil Engineering Consultancy works and Infrastructure projects and also a Practicing Arbitrator and Valuer. Shri Kudlu Sunder Naik is not a shareholder of the Company.

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

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

CORPORATE GOVERNANCE REPORT (Contd.)

2.3(b) **Dr. Shivabasayya Siddaramayya Hiremath**, aged about 77 years is a Doctor by profession. He has been providing active service to the people of Hubli for over 47 years and has good knowledge about the topography, local residents and the local business at Hubli. He has knowledge of stage by stage development achieved this Company ever since its inception in 1983. The Doctor has established two health institutions namely Dr.S.S.Hiremath Nursing Home in 1976 and Shivaleela Hospital in 1992. As a Professor in Obstetrics and Gynecology in KMC Hospital he was also a guiding force for many medical students. He is a member of various professional bodies. His services have been recognized by various institutions and also the Government of Karnataka. He has been honoured with various awards including the Karnataka Rajyotsava Day Award – HDMC 1992. He is holding 2,300 Equity Shares in the Company. Other Companies on the Boards of which Dr. Shivabasayya Siddaramayya Hiremath is associated as a Non Executive Director is Naveen Hotels Limited and Murdeshwar Power Corporation Ltd.,

2.3(c). **Shri Annappayya Kundapur** aged around 68 years is retired Canara Bank employee. He did his B.Com with Distinction and CAIIB. He joined Canara Bank as officer in 1969 and serve in various parts of the country. He has exposure in all facts of Banking including Merchant Banking and International Banking. He received extensive training in critical areas of Banking and Finance in BTC RBI Mumbai, NIBM Pune, IIM Ahmedabad, Irving Trust Co at Sydney and Tokyo. He was Nominee Director in Canfin Homes Limited a subsidiary of Canara Bank for two years. He retired as General Manager in the year 2006 after 37 years of blemishless service in Canara Bank. He is not holding any shares in the Company. Shri Annappayya Kundapur is also a Non-Executive Independent Director on the Board of RNS Motors Limited.

2.3(d). **Shri Sankappa Keremane Shetty** aged around 67 years is an Civil Engineering Graduate from Karnataka Regional Engineer College Surathkal (presently NITK) and started his carrer in the Koyna Hydro Electric – Stage-III underground Power House Construction in the year 1966. After serving there for six years he joined Karnataka Power Corporation Limited(KPCL) in the year 1973. He retired from KPCL in the year 2001 as Executive Director. He had an illustrious carrer in the State Power Generation Company spanning over 27 years holding responsible positions and associations/incharge of execution of civil works of major projects like Kalinadi Hydrel Project Stage-I and II, Sharavathy Stage-II-Gerasoppa Project, Hydrel Dam Power House and RTPS Thermal Project Unit-III. After his retirement, he was appointed by Government of Karnataka as Director and Board member of KPCL till 2007.

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

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

2.3(e). **Smt Sarvani Alva** aged around 73 years is an Arts Graduate. Smt. Sarvani Alva is highly ethical and has devolved from a well cultured family background. Smt. Alva was good performer in studies and other co-curricular activities. Smt. Alva was providing advising and consultancy services to various firms and Sanghas.

Smt. Sarvani Alva is also a Non - Executive Independent Director on the Board of RNS Motors Limited.

2.4 Meetings, Attendance and Membership of Committees

During the year under report five (5) Board Meetings were held on 30.05.2013, 30.07.2013, 28.09.2013, 26.10.2013 and 31.01.2014 the gap between any two consecutive Board Meetings has not exceeded four months.

The following are the particulars of attendance of directors at the Board/General Meetings of the Company and memberships of Committees and number of other directorships, of each director during the year 2013-14.

Sl. No.	Name of Director	BOARD MEETINGS		Whether attended last AGM	COMMITTEES		Other director -ships held
		Held	Attended		Memberships	Chairman	
1	Dr. Rama Nagappa Shetty	5	4	No	4	-	13
2	Shri.Kudlu Sunder Naik	5	4	No	1	2	1
3	Dr Shivabasayya Siddaramayya Hiremath	5	4	Yes	1	-	2
4	Shri Annappayya Kundapur	5	5	Yes	1	2	1
5	Shri Sankappa Keremane Shetty	5	4	Yes	1	1	3
6	Shri Satish Rama Shetty	5	5	Yes	-	-	13
7	Shri Sunil Rama Shetty	5	2	No	1	-	13
8	Shri. Naveen Rama Shetty	5	5	No	-	-	11



CORPORATE GOVERNANCE REPORT (Contd.)

3. CODE OF CONDUCT

The Board of Directors has laid down Code of Conduct for all Board Members and Senior Management Personnel of the Company. In the above context, Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct for the year ended 31.03.2014 and necessary declaration from CEO is annexed forming part of this report.

4. AUDIT COMMITTEE

During the year under report four (4) Audit Committee Meetings were held on 30.05.2013, 30.07.2013, 26.10.2013 and 31.01.2014. The meeting held on 30.05.2013 was for the purpose of considering audited accounts for the year ended on 31.03.2013 and the members were

1. Dr. Rama Nagappa Shetty - Member
2. Shri Kudlu Sunder Naik - Chairman
3. Shri Annappayya Kundapur - Member

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

For the financial year 2013-14 the Audit Committee functions with reference to matters contained in Secn.292A of The Companies Act, 1956 read with Clause 49 of the Listing Agreement, inter-alia, monitoring, reviewing and reporting on (a) Accounting Policies, practices and procedures (b) Compliance with Accounting Standards (c) Related party transactions (d) Compliance with all applicable provisions of law (e) Internal Control procedures (f) Review of periodical accounts etc.

5. REMUNERATION COMMITTEE

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

1. Shri Annappayya Kundapur - Chairman
2. Dr Shivabasayya Siddaramayya Hiremath - Member
3. Shri Kudlu Sunder Naik - Member

During the year the Remuneration Committee met once on 30.05.2013 and all three Directors attended the meeting. All the three members including the Chairman of the Committee are non-executive and independent directors, Shri Lakshmisha Babu S, Company Secretary is the Secretary. The terms of reference include scrutinizing and recommending from time to time all aspects of remuneration and/or any other payments/allowances to Executive Director. The committee was renamed as Remuneration and Nomination Committee on 29.05.2014 pursuant to provisions of section 178(1) of the Companies Act 2013.

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

5.3(a). **Details of Remuneration paid/accrued to Executive Director for the year ended 31.03.2014**

Name of Executive Director	Salary (₹)	Perquisites & Amenities (₹)	TOTAL (₹)
Shri Satish R Shetty, Managing Director	24,00,000	4,89,360	28,89,360
Total	24,00,000	4,89,360	28,89,360

NOTE :

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

CORPORATE GOVERNANCE REPORT (Contd.)

5.3(b). Pecuniary Relationship/transaction of Non-Executive Directors

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

5.3(c). Remuneration Package of Non-Executive Directors

During the year under report. The remuneration package to Non-Executive Directors of the Company is within the limits prescribed under Secn.198 and 309 of the Companies Act, 1956 read with Schedule XIII thereunder. The Remuneration Committee shall examine and review payments to Executive and Non-Executive Directors. As and when such recommendations are made by the Audit / Remuneration Committee, Board shall examine and adopt suitable remuneration package subject to compliance with applicable provisions of law and the Listing Agreement. The remuneration package for Non-Executive Directors is furnished in paragraph 5.3(b) above.

5.3(d). Share holding of Directors as on March 31, 2014.

Name of Director	Nature of office of Director	Shares held	Percentage to Eq. Cap.
Dr Rama Nagappa Shetty	Non-Executive	26,808	0.06
Shri Satish Rama Shetty	Executive	11,10,402	2.72
Shri Sunil Rama Shetty	Non-Executive	11,11,102	2.72
Shri Naveen Rama Shetty	Non-Executive	11,10,502	2.72
Shri Annappayya Kundapur	Non-Executive	Nil	0.00
Shri Kudlu Sunder Naik	Non-Executive	Nil	0.00
Dr Shivabasayya Siddaramayya Hiremath	Non-Executive	2,300	0.01

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

6. SHAREHOLDERS GRIEVANCE COMMITTEE

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

1. Dr. Rama Nagappa Shetty - Member
2. Shri. Annappayya Kundapur - Chairman
3. Shri. Kudlu Sunder Naik - Member

Shri. Annappayya Kundapur, the Non-Executive Director was the Chairman of the Committee. Shri. Lakshmisha Babu S, Company Secretary is the Secretary of the Committee. The committee was renamed as Stake Holders Grievance Committee on 29.05.2014 pursuant to provisions of section 178(5) of the Companies Act 2013.

6.2 STATUS OF INVESTORS COMPLAINTS

During the year under report the Company has not received any valid Investor complaints. Investor grievances were attended on top priority. As on 31.03.2014 there were no complaints pending redressal. Share transfers were attended within the prescribed time limits.

7. OTHER COMMITTEES

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

- 1) Dr. Rama Nagappa Shetty, Chairman
- 2) Shri Satish Rama Shetty
- 3) Shri Sunil Rama Shetty
- 4) Shri Naveen Rama Shetty
- 5) Shri Kudlu Sunder Naik

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



CORPORATE GOVERNANCE REPORT (Contd.)

8. DISCLOSURES

- 8.1 **Materially significant related party transactions :** Related party transactions has been furnished in the annexure forming part of Schedule 21 in the statement of accounts. None of the transactions stated therein may be considered to have potential conflict with the interests of the Company and all transactions are in the usual course of business of the Company. The related party transactions, in the ordinary course of business are subject to periodical review by the audit committee.
- 8.2 **Board Disclosures and Risk Management :** The Company has regular procedure of reporting to the Board on quarterly basis about all significant transactions, developments, policies etc., concerning the Industry in general and the Company in particular. The Board reviews the same and also uses the same as tool of risk assessment, planning and control.
- 8.3 The Company has been regular in making timely disclosures prescribed under the Listing Agreement and by SEBI. The Company has not been subjected to any penalties or strictures either by SEBI or by Stock Exchanges in the last three years.

9. GENERAL BODY MEETINGS

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

Year Ended	Date of Meeting	Time
2012 - 2013	28.09.2013	4 p.m.
2011 - 2012	22.09.2012	4 p.m.
2010 - 2011	30.09.2011	4 p.m.

10. MEANS OF COMMUNICATION

- 10.1 Financial Results prescribed under Clause 41 of the Listing Agreement were published in Financial Express in English Version and Udayavani in Vernacular text.
- 10.2 The Presentations made to Institutional Investors were mainly on case-to-case basis and purely related to matters concerning the Company and corresponding Lenders. No analysts were involved during the year.
- 10.3 The Company's website www.naveentiles.co.in contained a separate dedicated section "Investor Relations" where shareholders information is available. The Company's Annual Report is also uploaded on the website in a user friendly and downloadable form.
- 10.4 All periodical compliances filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on NEAPS and BSE Listing Centre maintained by National Stock Exchange of India Limited and Bombay Stock Exchange Limited respectively.
- 10.5 The investor complaints are processed in a centralized web based complaints redress system of SEBI Complaints Redress System (SCORES). The salient features of this system are Centralized database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.
- 10.6 The Management Discussion and Analysis report is separately annexed forming part of the Directors' Report.

11. GENERAL INFORMATION TO SHARE HOLDERS

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

12. OTHER PROVISIONS

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

for and on behalf of the Board of Directors
Dr. RAMA NAGAPPA SHETTY
Chairman
(DIN 00038810)

Place : Bangalore
Date : July 31, 2014

ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

11. GENERAL INFORMATION TO SHAREHOLDERS

11.1 Annual General Meeting

- (a) Date and time : September 27, 2014 at 4 p.m.
(b) Venue : Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli - 580 029.

11.2 Financial Year

: 1st day of April to 31st day of March of succeeding year.

11.3 Books Closure

: September 20, 2014 to September 27, 2014 (both days inclusive)

11.4 Stock Exch. on which listed and Stock Code

- a) Bombay Stock Exchange Ltd., (Stock Code 515037)
b) National Stock Exchange of India Ltd., (Symbol MURUDCERA, Series EQ)

11.5 Market Price Data

Month	BSE		NSE	
	Highest ₹	Lowest ₹	Highest ₹	Lowest ₹
April 2013	18.15	16.00	18.45	16.00
May 2013	17.75	16.00	18.80	16.00
June 2013	17.30	15.00	16.95	15.00
July 2013	18.00	15.00	18.00	15.00
August 2013	17.20	13.00	-	-
September 2013	15.00	12.64	-	-
October 2013	13.70	13.00	-	-
November 2013	15.65	13.00	-	-
December 2013	15.00	13.30	-	-
January 2014	15.20	13.00	14.65	13.00
February 2014	14.12	13.00	14.20	13.00
March 2014	14.90	12.63	14.95	12.50

11.6 Share Transfer System and Dematerialisation

As at the end of March 31, 2014 the Company had 11,229 shareholders holding 4,08,13,922 equity shares of the Company. Out of the above 9,599 members (85.48%) held 3,99,19,672 shares (97.81%) in dematerialized form. The Balance of 1,630 members (14.52%) held 8,94,250 equity shares (2.19%) in physical form.

From the records it is clear that 1,630 (14.52%) of the total number of members holding in all 8,94,250 (2.19%) in physical form have still not taken action to dematerialize their shares, in spite of appeal by the Company in the interest of such members. Since the trading of shares of this Company is allowed by Stock Exchanges only in dematerialized form, members holding shares in physical form will lose the advantage of easy liquidity for their shares unless their share holding is dematerialized. Such members are requested to dematerialize their shares in their own interest. Members may please contact their Depository Participants or may contact the Company Secretary for guidance.

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

11.7(a) Distribution of Shareholding as on 31.03.2014

Nominal Value of Shares	No. of Holders	Share Amount	
		in ₹	% to Paid-up Capital
Upto 5,000	9,078	1,36,03,160	3.33
5,001 - 10,000	966	78,10,080	1.91
10,001 - 20,000	568	86,84,090	2.13
20,001 - 30,000	194	49,63,420	1.22
30,001 - 40,000	100	35,84,500	0.88
40,001 - 50,000	69	33,04,950	0.81
50,001 - 1,00,000	128	93,17,180	2.28
1,00,001 - & Above	126	35,68,71,840	87.44
TOTAL	11,229	40,81,39,220	100.00

11.7(b) Shareholding Pattern as on 31.03.2014

Sl. No.	Category of Shareholder	No. of Shares	Percentage to Eq. Cap.
1	Financial Institutions Govt. Sponsored	2,11,087	0.52
2	Mutual Funds	700	0.00
3	Nationalised Banks	400	0.00
4	Other Bodies Corporate	43,32,942	10.62
5	Non - resident Indians	41,29,651	10.11
6	Foreign Institutional Investors	900	0.00
7	SFC's	2200	0.01
8	Promoter Directors & their Relatives	64,20,144	15.73
9	Associated Companies / Trusts	1,86,13,142	45.60
10	Resident Individuals	65,82,105	16.13
11	Hindu Undivided Family	5,20,651	1.28
	TOTAL	4,08,13,922	100.00



ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

11.8 Compliance with non-mandatory requirements under Corporate Governance Provisions

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

- a) The Chairman is Non-Executive Director and is entitled to reimbursement of expenses incurred for the Business purposes of the Company. But the Chairman has waived his entitlement to remuneration for attending Board / Committee Meetings.
- b) Audit qualification : The Company is in the regime of unqualified financial statements.
- c) Reporting of Internal Auditor : The Internal Auditor of the Company reports directly to the Audit Committee.
- d) Remuneration Committee : The Company has Constituted a "Nomination and Remuneration Committee" meeting the requirements of Clause 49 of the Listing Agreement and the Companies Act, 2013.
- e) Training of Board Members : All new Non-Executive Directors inducted to the Board are introduced to the Company culture with appropriate orientation sessions. The Board members are provided with necessary documents / brochures, reports and internal policies to enable them to familiarize with the Company's procedures and practices. Periodic presentations are made at the Board and Board Committee Meetings on business and performance updates of the Company, global business environment, business strategy and risks involved.
- f) The Board Whistle Blower Policy in July 2014. The Company has established a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of the Company's Code of Conduct. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism, and allows direct access to the Chairman of the Audit Committee in exceptional cases. The existence of the policy / mechanism is communicated through appropriate manuals within the organization.
- g) Risk Management : The Monitoring Committee of the Board reviews the Company's risk management practices and activities periodically. This includes comprehensive review of various risks attached to the company's business for achieving key objectives and actions taken to mitigate them. The committee review and advises on risk management aspects inter alia in the areas of leadership development, information security, project management and execution risks, contracts management risks, financial risks, forex risks and geopolitical risks.

11.9 General

- a) Members of the Company may nominate a person to whom share(s) held by such Member/s shall vest in the event of the death of such member/s. Such Nomination should be in Form No.SH-13 prescribed under The Companies Act, 2013.
- b) Members holding shares in physical form may please furnish their change of address, if any, and Bank Account details to the Company from time to time to enable the Company to update such particulars in the corresponding ledger folios for prompt delivery of any communication from the Company.
- c) It is noticed that some of the members holding shares in dematerialized form have not updated address, e-mail, phone numbers and Bank account details with their Depositories through their DPs. Some members holding dematerialized shares request the Company for updating the particulars. Members may please note that the Company has no access to their Demat accounts and all such corrections have to be got updated by the members in their Demat accounts through their respective DPs.

11.10 Address for Communication :

- a) Members may contact Company Secretary at the Registered Office of the Company at Murudeshwar Bhavan, Gokul Road, Hubli – 580 030 [Phone: 0836 – 2331615 (upto 18)], Fax: 0836 – 4252583 or at 7th Floor, Naveen Complex, 14, M G Road, Bangalore-560 001 (Phone-080-25584181. Fax : 080-25584017) for clarifications or grievances if any.
- b) In respect of members holding shares in physical form, all correspondences relating to share transfers, transmissions, issue of certificates on split-up/consolidation/ replacement, change of address and dematerialisation requests may be addressed to the Share Transfer Agents – **Canbank Computer Services Limited at its Office at No.218, "J.P.ROYALE", 1st Floor, 2nd Main, Sampige Road, Near 14th Cross, Malleswaram, Bangalore 560 003.** Phone : 080-23469661-62, Fax : 080 – 23469667 - 68.
- c) In pursuance of the provisions of Clause 49 of the Listing Agreement the Company has designated a separate E-mail Id – investor@naveentile.com for the benefit of members to report their grievances, if any, regarding their shareholding, transfers/transmissions and dividends.

for and on behalf of the Board of Directors
Dr. RAMA NAGAPPA SHETTY

Chairman
(DIN 00038810)

Place : Bangalore

Date : July 31, 2014

AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE PROVISIONS

To,

**The Members,
Murudeshwar Ceramics Limited**

We have reviewed the compliance of conditions of Corporate Governance by **Murudeshwar Ceramics Limited** for the year ended 31st March 2014 as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

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

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

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

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

Place : Bangalore

Date : July 31, 2014

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



AUDITORS' REPORT

To,

**The Members
MURUDESHWAR CERAMICS LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **Murudeshwar Ceramics Limited** ('the Company') which comprise the Balance Sheet as at **31 March, 2014**, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2014.
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date.
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956
 - e. On the basis of written representations received from the directors as on 31 March, 2014, and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For M.A.NARASIMHAN & CO.,

Chartered Accountants

ICAI FIRM REG NO : 002347S

(M.A. PARTHANARAYAN)

Partner

Membership No:028994

Place : Bangalore

Date : 29-05-2014

ANNEXURE TO THE AUDITORS REPORT

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

- I. (a) The company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.

(b) As explained to us physical verification of major portion of fixed assets as at 31st March 2014 was conducted by the Management during the year. In our opinion, the frequency of physical verification is reasonable. Having regard to the size of the operations of the company and on the basis of explanations received, in our opinion, the net difference found on physical verification were not significant.

(c) During the year the Company has not disposed off any major part of plant and machinery.
- II. (a) The inventories except for clay, owing to its nature, have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
- III. The company has not granted any loans to any company, firm or other parties covered in the register maintained under Section 301 of the Act.
- IV. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to the purchases of inventory fixed assets and with regard to sale of goods. During the course of audit, we have not observed any continuing failure to correct major weakness in internal controls.
- V. (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupee Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- VI. In our opinion according to the information and explanations given to us, the company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptances of deposits) Rules, 1975, with regard to the deposits accepted from the public. No order has been passed by the Company Law Board in this regard.
- VII. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- VIII. We have broadly reviewed the cost records maintained by the company pursuant to Companies (Cost Accounting Records) Rules, 2011 prescribed by the central government under Section 209(1)(d), of the companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- IX. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, there are no dues outstanding as at the year end for a period or more than six months from the date they became payable in respect of Income tax, Wealth tax, Sales tax, Customs duty, Excise duty and cess.



ANNEXURE TO THE AUDITORS REPORT (Contd.)

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

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

Place : Bangalore
Date : 29-05-2014

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

To

The Members of Murudeshwar Ceramics Ltd.

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

This is also to confirm that the members of the Board of Directors and senior management personnel within the meaning of the said Code of Conduct have affirmed compliance with the said Code of Conduct applicable to them for the year ended 31.03.2014.

Place : Bangalore
Date : July 31, 2014

SATISH R SHETTY
Managing Director & CEO
(DIN 00037526)

BALANCE SHEET AS AT 31st MARCH 2014

Particulars		Note No.	As at 31-03-2014	As at 31-03-2013
			₹ in lacs	₹ in lacs
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	3	4,082.17	3,878.67
	(b) Reserves and surplus	4	26,702.53	26,443.28
	(c) Money received against share warrants		-	86.49
			30,784.70	30,408.44
2	Non-current liabilities			
	(a) Long-term borrowings	5	4,612.42	5,488.75
	(b) Deferred tax liabilities (net)		628.50	595.23
			5,240.92	6,083.98
3	Current liabilities			
	(a) Short-term borrowings	6	7,825.97	7,844.71
	(b) Trade payables	7	1,568.35	2,511.12
	(c) Other current liabilities	8	872.43	1,017.42
	(d) Short-term provisions	9	12.18	13.58
			10,278.93	11,386.83
	TOTAL		46,304.55	47,879.25
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	13	27,980.07	27,698.11
	(ii) Capital work-in-progress		198.67	210.31
			28,178.74	27,908.42
	(b) Non-current investments	10	365.73	365.73
	(c) Long-term loans and advances	11	88.62	81.93
	(d) Other non-current assets		-	-
			454.35	447.66
2	Current assets			
	(a) Inventories	12	11,784.75	13,624.07
	(b) Trade receivables	15	3,699.84	3,831.14
	(c) Cash and cash equivalents	16	597.73	515.62
	(d) Short-term loans and advances	17	1,526.98	1,499.42
	(e) Other current assets	18	62.16	52.92
			17,671.46	19,523.17
	TOTAL		46,304.55	47,879.25
	See accompanying notes forming part of the financial statements			

In terms of our report attached
For M.A.NARASIMHAN & CO.,
Chartered Accountants
ICAI FIRM REG NO:002347S
M.A. PARTHANARAYAN
Partner
Membership No:028994
Place : Bangalore
Date : 29-05-2014

For and on behalf of the Board of Directors
MURUDESHWAR CERAMICS LIMITED
R.N.SHETTY
Chairman
(DIN 00039810)
K.SUNDER NAIK
Director
(DIN 00042986)
LAKSHMISHA BABU S.
Company Secretary

SATISH R. SHETTY
Managing Director & CEO
(DIN 00037526)
S.S. HIREMATH
Director
(DIN 02272897)

SUNIL R. SHETTY
Director
(DIN 00037572)
ANNAPPAYYA K.
Director
(DIN 03558522)

NAVEEN R. SHETTY
Director
(DIN 00058779)
SANKAPPA K. SHETTY
Director
(DIN 00894366)
N.M. HEGDE
Vice President (Finance) & CFO



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2014

Particulars		Note No.	For the year ended 31st March 2014	For the year ended 31st March 2013
A	CONTINUING OPERATIONS		₹ in lacs	₹ in lacs
1	Revenue from operations (gross)	19	15,314.31	15,437.39
	Less: Excise duty		810.08	1,023.84
	Revenue from operations (net)		14,504.23	14,413.55
2	Expenses			
	(a) Cost of materials consumed	20	2,288.83	2,707.85
	(b) Purchases of stock-in-trade	21	1,685.77	1,431.72
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	1,106.14	(301.16)
	(d) Employee benefits expense	23	1,325.03	1,435.88
	(e) Other expenses	24	5,045.36	6,054.36
	TOTAL		11,451.13	11,328.65
3	Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortisation (EBITDA) (1-2)		3,053.10	3,084.90
4	Finance cost	25	2,099.70	2,155.77
5	Depreciation and amortisation expense	14	904.55	903.12
6	Other Income	26	101.22	62.40
7	Profit / (Loss) before exceptional and extra-ordinary items and tax (3-4-5+6)		150.07	88.41
8	Exceptional items		-	-
9	Profit / (Loss) before extraordinary items and tax (7-8)		150.07	88.41
10	Extraordinary items		-	-
11	Profit / (Loss) before tax (9-10)		150.07	88.41
12	Tax expense:			
	(a) Current tax expense for current year		21.39	11.45
	(b) (Less): MAT credit entitlement		(21.39)	(11.45)
	(c) Current tax expense relating to prior years		-	(1.06)
	(d) Net current tax expense		-	(1.06)
	(e) Deferred tax Liability		33.27	5.76
	TOTAL		33.27	4.70
13	Profit/(Loss) from continuing operations (11-12)		116.80	83.71
14	Profit/(Loss) for the year		116.80	83.71
15	Earnings per share (of ₹10/- each) :		₹ in lacs	₹ in Lacs
	(a) Basic			
	(i) Continuing operations	28.4 a	0.29	0.22
	(ii) Total operations		0.29	0.22
	See accompanying notes forming part of the financial statements			

In terms of our report attached
For M.A.NARASIMHAN & CO.,
Chartered Accountants
ICAI FIRM REG NO:002347S
M.A. PARTHANARAYAN
Partner
Membership No:028994
Place : Bangalore
Date : 29-05-2014

For and on behalf of the Board of Directors
MURUDESHWAR CERAMICS LIMITED
R.N.SHETTY
Chairman
(DIN 00038810)
K.SUNDER NAIK
Director
(DIN 00042986)
LAKSHMISHA BABU S.
Company Secretary

SATISH R. SHETTY
Managing Director & CEO
(DIN 00037526)
S.S. HIREMATH
Director
(DIN 02272897)

SUNIL R. SHETTY
Director
(DIN 00037572)
ANNAPPAYYA K.
Director
(DIN 03558522)

NAVEEN R. SHETTY
Director
(DIN 00058779)
SANKAPPA K. SHETTY
Director
(DIN 00894366)
N.M. HEGDE
Vice President (Finance) & CFO

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

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

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

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

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

2. Income :

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

3. Expenses :

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

4. Fixed Assets :

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

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

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

5. Inventories :

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

6. Investments :

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

7. Gratuity :

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

8. Bonus :

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

9. Leave Encashment :

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

10. Deferred Income Tax :

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



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 3 Share Capital

Particulars	As at 31-03-2014		As at 31-03-2013	
	No. of Shares	₹ in lacs	No. of Shares	₹ in lacs
(a) Authorised :				
Equity Shares of ₹ 10/- each with voting rights	5,56,20,000	5,562.00	5,56,20,000	5,562.00
Redeemable Preference Shares of ₹100/- each	16,00,000	1,600.00	16,00,000	1,600.00
	5,72,20,000	7,162.00	5,72,20,000	7,162.00
(b) Issued :				
Equity Shares of ₹ 10/- each with voting rights	4,08,38,779	4,083.88	3,88,03,779	3,880.38
	4,08,38,779	4,083.88	3,88,03,779	3,880.38
(c) Subscribed and fully paid up :				
Equity Shares of ₹ 10/- each with voting rights	4,08,38,779	4,083.88	3,88,03,779	3,880.38
	4,08,38,779	4,083.88	3,88,03,779	3,880.38
(d) Subscribed but not fully paid up :				
Less : Equity Shares of ₹ 10/- each with voting rights not paid up forfeited	24,857	2.49	24,857	2.49
Add : Amount received against forfeited shares	24,857	0.78	24,857	0.78
	24,857	1.71	24,857	1.71
TOTAL	4,08,13,922	4,082.17	3,87,78,922	3,878.67

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

Particulars	Opening Balance	Fresh Issue	Bonus	ESOP	Conversion	Buy Back	Other Changes (give details)	Closing Balance
Equity shares with voting rights								
Year ended 31-03-2014								
- Number of shares	3,87,78,922	-	-	-	20,35,000	-	-	4,08,13,922
- Amount (₹ in Lacs)	3,878.67	-	-	-	203.50	-	-	4,082.17
Year ended 31-03-2013								
- Number of shares	3,68,43,922	-	-	-	19,35,000	-	-	3,87,78,922
- Amount (₹ in Lacs)	3,685.17	-	-	-	193.50	-	-	3,878.67

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)
Note 3 Share Capital (Contd.)

Note : (ii) Details of Shares held by each Shareholder holding more than 5% Shares :

Class of Shares	As at 31-03-2014		As at 31-03-2013	
	No. of Shares held	% holding in that Class	No. of Shares held	% holding in that Class
Equity Shares with voting rights				
RNS Infrastructure Limited	1,21,40,466	29.75	1,21,40,466	31.31
Murdeswar Power Corporation Ltd.	58,10,000	14.24	37,75,000	9.73
IL & FS Trust Co.Ltd.,	27,28,053	6.68	24,39,074	6.29
Details of calls unpaid				
Particulars	No. of Shares	(₹ in Lacs)	No. of Shares	(₹ in Lacs)
Equity Shares with voting rights				
Aggregate of calls unpaid				
- by others	24,857	2.49	24,857	2.49
Details of forfeited shares				
Class of Shares	No. of Shares	Amount Originally (₹ in Lacs)	No. of Shares	Amount Originally (₹ in Lacs)
Equity Shares with voting rights	24,857	2.49	24,857	2.49
Amount received partly against forfeited shares	24,857	0.78	24,857	0.78

Note 4 Reserves and Surplus

Particulars	31st March 2014	31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Capital reserve		
Opening balance	15.02	15.02
Add : Additions during the year (give details)	-	-
Less : Utilised / transferred during the year (give details)	-	-
Closing balance	15.02	15.02
(b) Capital redemption reserve		
Opening balance	1,600.00	1,600.00
Add : Additions during the year	-	-
Less : Utilised during the year (give details)	-	-
Closing balance	1,600.00	1,600.00
(c) Securities premium account		
Opening balance	11,042.08	10,906.63
Add : Premium on shares issued during the year	142.45	135.45
Less : Utilised during the year	-	-
Closing balance	11,184.53	11,042.08
(d) General reserve		
Opening balance	12,795.85	12,795.85
Add : Transferred from surplus in Statement of Profit & Loss	-	-
Less : Utilised / transferred during the year for :		
Issuing bonus shares	-	-
Others (give details)	-	-
Closing balance	12,795.85	12,795.85
(e) Profit & Loss Account		
Opening balance	990.33	906.62
Add : Profit / (Loss) for the year	116.80	83.71
Closing balance	1,107.13	990.33
TOTAL	26,702.53	26,443.28



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 5 Long-term borrowings

Particulars	31st March 2014	31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Term loans		
From banks		
Secured	4,134.03	5,100.00
	4,134.03	5,100.00
From other parties		
Secured	1.22	34.43
Unsecured	477.17	340.92
	478.39	375.35
(b) Deposits		
Unsecured	-	13.40
	-	13.40
TOTAL	4,612.42	5,488.75

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

Particulars	Terms of repayment and Security	As at 31-03-2014		As at 31-03-2013	
		Secured	Unsecured	Secured	Unsecured
Term loans from Banks:					
Canara Bank	The Term Loans from Banks are repayable in quarterly instalments. Interest is payable on monthly basis. The Term Loans from Banks, namely Canara Bank, State Bank of India, Bank of Baroda, Indian Bank & The Lakshmi Vilas Bank Ltd., are secured by first charge created on the immovable/Fixed Assets of the Company and by charges on the other movables including machinery, spares, tools, accessories and movable plant and machinery both present and future, save and except book debts and other Deferred Payment Guarantee equipments, assets hypothecated to concerned institutions / bankers against specific finance for the same. The said charge on the movable properties of the Company in favour of these Bankers is subject to prior charges created in favour of Company's Bankers for working capital requirements. Loans from ICICI Bank Ltd, Tata Finance Ltd, Sundaram Finance Ltd, HDFC Bank Ltd for specific assets are secure against hypothecation of specific items of assets financed for. Loan from LIC of India is against pledge of Key-Man policy. All the secured and unsecured loans other than public deposits have been further secured by way of Personal Guarantees of two Promoter Directors of the Company to the extent applicable.	1,940.02	-	2,453.55	-
State Bank of India		1,118.01	-	1,620.58	-
Bank of Baroda		369.61	-	602.76	-
Indian Bank		306.89	-	371.51	-
The Lakshmi Vilas Bank Ltd		-	-	51.60	-
Dhanlaxmi Bank Ltd.,		399.50	-	-	-
TOTAL-Term loans from Banks		4,134.03	-	5,100.00	-

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 5 Long-term borrowings (Contd.)

Particulars	Terms of repayment and Security	As at 31-03-2014		As at 31-03-2013	
		Secured	Unsecured	Secured	Unsecured
Term loans from other parties:					
ICICI Ltd	Against Keyman Policy	-	100.72	-	104.88
Sundaram Finance Ltd.		1.07	-	32.80	-
H D F C Bank		0.15	-	1.63	-
L I C of India		-	376.45	-	236.04
Total-Term loans from other parties		1.22	477.17	34.43	340.92
Deposits :					
Public deposits		-	-	-	13.40
TOTAL - Deposits		-	-	-	13.40
TOTAL		4.135.25	477.17	5.134.43	354.32

Note 6 Short-term borrowings

Particulars	31st March 2014	31st March 2013
(a) Loans repayable on demand	(₹ in Lacs)	(₹ in Lacs)
From Banks		
Secured	7,825.97	7,844.71
	7,825.97	7,844.71

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

Particulars	Nature of Security	As at 31-03-2014	As at 31-03-2013
		(₹ in Lacs)	(₹ in Lacs)
Loans repayable on demand from Banks:			
Canara Bank	The Cash Credit and other working capital facilities from the consortium of Bankers namely, Canara Bank, State Bank of India, Bank of Baroda, Axis Bank Ltd., Oriental Bank of Commerce & The Lakshmi Vilas Bank Ltd, are secured by way of hypothecation of Raw materials, Stock in Process, Finished Goods, Book Debts and Goods meant for export on pari-passu basis and further secured by way of second & subsequent charge on the whole of the immovable / Fixed Assets of the Company. These borrowings are further secured by way of Personal Guarantees of two Promoter Directors of the Company to the extent applicable.	2,032.45	2,022.17
State Bank of India		1,426.16	1,463.94
Bank of Baroda		1,061.40	1,065.01
Axis Bank Ltd.,		2,475.57	2,454.41
Oriental Bank of Commerce		606.98	609.94
The Lakshmi Vilas Bank Ltd		223.41	229.24
TOTAL - from Banks		7,825.97	7,844.71



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 7 Trade Payables

Particulars	As at 31-03-2014	As at 31-03-2013
	(₹ in Lacs)	(₹ in Lacs)
Trade Payables :		
Other than Acceptances	1,568.35	2,511.12
TOTAL	1,568.35	2,511.12

Note 8 Other Current Liabilities

Particulars	As at 31-03-2014	As at 31-03-2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Interest accrued but not due on borrowings	4.48	4.48
(b) Unpaid dividends	15.05	20.41
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax etc.)	141.25	168.51
(ii) Contractually reimbursable expenses	5.54	3.77
(iii) Trade / security deposits received	84.22	82.82
(iv) Advances from customers	245.79	322.10
(v) Salary & Wages payable	116.23	137.73
(vi) Outstanding Liabilities for Expenses	259.87	276.56
(vii) Gratuity Payable	-	1.04
TOTAL	872.43	1,017.42

Note 9 Short - term Provisions

Particulars	As at 31-03-2014	As at 31-03-2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Provision for employee benefits :		
(i) Provision for bonus	12.18	13.58
	12.18	13.58
(b) Provision - Others :		
(i) Provision for tax (net of advance tax ₹ Nil (As at 31st March, 2013 ₹ Nil Lacs)	-	-
	-	-
TOTAL	12.18	13.58

Note 10 Non-Current Investments

(₹ in Lacs)

Particulars	31st March 2014			31st March 2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	₹	₹	₹	₹	₹	₹
(a) Investment in equity instruments						
(i) of associates						
14,89,400 (As at 31st March, 2013: 14,89,400) shares of ₹10/- each fully paid up in Murdeshwar Power Corporation Ltd.,	-	297.88	297.88	-	297.88	297.88
52,082 (As on 31st March, 2013: 3,600) shares of which 3,600 shares of ₹10/- each fully paid up and 48,482 shares at a premium of ₹95/- per share in RNS Power Ltd.,	-	51.27	51.27	-	0.36	0.36

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)
Note 10 Non-Current Investments

(₹ in Lacs)

Particulars	31st March 2014			31st March 2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	₹	₹	₹	₹	₹	₹
(ii) of other entities 20,000 (As at 31st March, 2013: 20,000) shares of ₹10/- each fully paid up in Murudeshwar Décor Ltd.,	-	2.00	2.00	-	2.00	2.00
(b) Other non-current investments - National Savings Certificate	-	351.15	351.15	-	300.24	300.24
(c) Share Application money pending Allotment in RNS Power Ltd.,	-	0.49	0.49	-	0.49	0.49
	-	14.09	14.09	-	65.00	65.00
TOTAL	-	365.73	365.73	-	365.73	365.73
Less : Provision for diminution in value of investments			-			-
TOTAL			365.73			365.73
Aggregate value of listed but not quoted investments			365.73	-	-	365.73

Note 11 Long-term Loans and Advances

Particulars	As at 31.03.2014	As at 31.03.2013
	(₹ in lacs)	(₹ in lacs)
(a) MAT credit entitlement - Unsecured, considered good Opening Balance	67.23	55.78
Add : Recognised during the year	21.39	11.45
Closing Balance	88.62	67.23
(b) Other loans and advances Unsecured, considered good	-	14.70
	88.62	81.93
TOTAL	88.62	81.93

Note 12 INVENTORIES

(At lower of cost and net realisable value)

Particulars	As at 31.03.2014	As at 31.03.2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Raw materials	2,899.76	3,358.87
(b) Work-in-progress (Refer Note below)	2,829.24	3,158.84
(c) Finished goods (other than those acquired for trading)	4,536.08	5,377.48
(d) Stock-in-trade (acquired for trading)	142.55	77.69
(e) Stores and spares	1,370.03	1,644.15
(f) Loose tools	7.09	7.04
TOTAL	11,784.75	13,624.07
Note : Details of inventory of work-in-progress		
Ceramic Tiles	152.74	139.63
Vitrified Tiles	2,522.64	2,865.34
Natural Granite	153.86	153.86
	2,829.24	3,158.83

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)											
Note 13 Fixed Assets											
A.	TANGIBLE ASSETS	GROSS BLOCK									
		Balance as at 1 April 2013 (₹ in Lacs)	Additions (₹ in Lacs)	Disposals (₹ in Lacs)	Acquisitions through Business Combinations (₹ in Lacs)	Reclassified as held for Sale (₹ in Lacs)	Revaluation Increase (₹ in Lacs)	Effect of Foreign Currency Exchange difference (₹ in Lacs)	Borrowing Cost Capitalised (₹ in Lacs)	Other Adjustments (₹ in Lacs)	Balance as at 31 March 2014 (₹ in Lacs)
	(a) Land										
	Freehold	257.65	249.16	-	-	-	-	-	-	-	506.81
	Leasehold	9.61	-	-	-	-	-	-	-	-	9.61
	(b) Buildings										
	Own use	9,751.17	403.77	-	-	-	-	-	-	-	10,154.94
	(c) Plant and Equipment										
	Owned	42,105.00	445.29	28.77	-	-	-	-	-	-	42,521.52
	(d) Furniture and Fixtures										
	Owned	735.77	71.53	-	-	-	-	-	-	-	807.30
	(e) Vehicles										
	Owned	434.88	1.17	10.82	-	-	-	-	-	-	425.23
	(f) Office equipment										
	Owned	111.14	2.21	-	-	-	-	-	-	-	113.35
	(g) Computers										
	Owned	244.98	16.62	-	-	-	-	-	-	-	261.60
	TOTAL	53,650.20	1,189.75	39.59	-	-	-	-	-	-	54,800.36
	Previous year	53,591.73	741.19	682.72	-	-	-	-	-	-	53,650.20



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 15 Trade receivables

Particulars	As at 31.03.2014 (₹ in Lacs)	As at 31.03.2013 (₹ in Lacs)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment Unsecured, considered good	629.02	1,259.50
Other Trade receivables Unsecured, considered good	3,070.82	2,571.64
TOTAL	3,699.84	3,831.14
Note: Trade receivables include debts due from :		
Private companies in which any director is a director or member		
- RNS Infrastructure Limited	1,173.07	1,352.45
- Murdeshwar Power Corporation Ltd.,	867.14	163.65
- Naveen Hotels Ltd.,	67.69	49.26
	2,107.90	1,565.36

Note 16 Cash and Cash Equivalent

Particulars	As at 31.03.2014 (₹ in Lacs)	As at 31.03.2013 (₹ in Lacs)
(a) Cash on hand	22.36	33.70
(b) Balances with Banks		
(i) In current accounts	230.55	136.13
(ii) In deposit accounts	9.21	7.85
(iii) In earmarked accounts		
- Unpaid dividend accounts	15.10	20.49
- Balances held as margin money or security against borrowings, guarantees and other commitments	320.51	317.45
TOTAL	597.73	515.62

Note : (i) Balances with banks include deposits amounting to ₹ 9.21 Lacs (As at 31 March, 2013 ₹ 7.85 Lacs) which have an original maturity of more than 12 months.

Note 17 Short Term Loans and Advances

Particulars	As at 31.03.2014 (₹ in Lacs)	As at 31.03.2013 (₹ in Lacs)
(a) Security deposits Unsecured, considered good	641.12	566.62
	641.12	566.62
(b) Loans and advances to employees Unsecured, considered good	210.31	225.04
	210.31	225.04
(c) Prepaid expenses - Unsecured, considered good	54.28	52.33
(d) Balances with Government authorities Unsecured, considered good		
(i) CENVAT credit receivable	106.84	83.90
(ii) VAT credit receivable	20.70	25.31
(iii) Service Tax credit receivable	147.62	144.83
(iv) Income Tax Refund Receivable	52.33	6.28
	327.49	260.32

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)
Note 17 Short Term Loans and Advances (Contd.)

Particulars	As at 31.03.2014 (₹ in Lacs)	As at 31.03.2013 (₹ in Lacs)
(e) Others - Advances		
Unsecured, considered good		
For supply of goods and rendering services	219.22	329.20
Advance Payment of Income Tax	74.56	65.91
	293.78	395.11
TOTAL	1,526.98	1,499.42

Note 18 Other Current Assets

(a) Unamortised expenses		
(i) Miscellaneous Expenses	11.37	22.73
(b) Accruals		
(ii) Interest accrued on deposits	44.18	30.19
(c) Others		
(iii) Contractually reimbursable expenses	6.61	-
TOTAL	62.16	52.92

Note 19 Revenue from Operations

	Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
		(₹ in Lacs)	(₹ in Lacs)
(a)	Sale of products	11,615.82	13,559.93
(b)	Sale of services	3,673.06	1,862.02
(c)	Other operating revenues	25.43	15.44
		15,314.31	15,437.39
	Less:		
(d)	Excise duty	810.08	1,023.84
	TOTAL	14,504.23	14,413.55
Note	(i) Sale of products comprises		
	MANUFACTURED GOODS		
	Ceramic Tiles	316.94	765.08
	Vitrified Tiles	9,114.67	10,893.56
	TOTAL - Sale of manufactured goods	9,431.61	11,658.64
	TRADED GOODS		
	Vitrified Tiles	1,567.92	1,137.39
	Ceramic Wall Tiles	616.29	763.90
	TOTAL - Sale of traded goods	2,184.21	1,901.29
	TOTAL - Sale of products	11,615.82	13,559.93
	(ii) Sale of services comprises		
	Service - Earth Work	2,393.04	453.66
	Service - Road Work	1,280.02	1,408.36
	TOTAL - Sale of services	3,673.06	1,862.02
	(iii) Other operating revenues comprise :		
	Sale of Scraps	25.43	15.13
	Transportation, Loading & Unloading	-	0.31
	TOTAL - Other operating revenues	25.43	15.44



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 20 Cost of Materials Consumed

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
Opening stock	3,358.87	3,670.78
Add : Purchases	1,829.72	2,395.94
	5,188.59	6,066.72
Less : Closing stock	2,899.76	3,358.87
Cost of material consumed	2,288.83	2,707.85
Material consumed comprises :		
Clay	2,055.19	1,975.88
Glaze & Pigments	12.26	442.81
Packing Material	219.14	284.76
Other items	2.24	4.40
TOTAL	2,288.83	2,707.85

Note 21 Purchase of traded goods

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
Traded goods - Vitrified Tiles	1,202.30	827.70
Traded goods - Ceramic Wall Tiles	483.47	604.02
TOTAL	1,685.77	1,431.72

Note 22 Changes in inventories of finished goods, work-in-progress & stock-in-trade

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
INVENTORIES AT THE END OF THE YEAR :		
Finished Goods	4,536.08	5,377.48
Work-in-progress	2,829.24	3,158.84
Stock-in-trade	142.55	77.69
	7,507.87	8,614.01
INVENTORIES AT THE BEGINNING OF THE YEAR :		
Finished Goods	5,377.48	4,910.49
Work-in-progress	3,158.84	3,203.85
Stock-in-trade	77.69	198.51
	8,614.01	8,312.85
Net (Increase) / decrease	1,106.14	(301.16)

Note 23 Employee Benefits Expense

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
Salaries and Wages	869.38	909.48
Contributions to provident fund and other funds	76.82	95.95
Staff welfare expenses	378.83	430.45
TOTAL	1,325.03	1,435.88

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)
Note 24 Other Expenses

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
Consumption of stores and spare parts	648.20	938.37
Consumption of loose tools	-	0.25
Increase / (decrease) of excise duty on Inventory	32.25	16.18
Subcontracting	364.21	599.09
Power and Fuel	2,191.73	2,403.01
Rent including lease rentals	198.11	192.15
Repairs and maintenance - Buildings	23.72	26.84
Repairs and maintenance - Machinery	21.69	33.69
Repairs and maintenance - Others	147.00	165.61
Insurance	131.33	144.66
Rates and taxes	70.41	76.29
Communication	38.54	45.93
Travelling and conveyance	275.03	302.18
Printing and stationery	22.54	24.30
Freight and forwarding	651.08	788.97
Sales commission	19.49	43.18
Sales discount	38.49	45.07
Business promotion	0.88	1.53
Donations and contributions	0.72	0.49
Legal and professional	25.67	44.71
Payments to auditors	5.00	5.00
Directors Sitting Fees	1.50	1.70
Advertisement & Publicity	6.24	4.77
Sales Promotion Expenses	2.47	1.65
Selling & Distribution expenses-Others	32.22	38.13
Security charges	13.73	12.49
Amortisation of share issue expenses and discount on shares	11.37	11.37
Loss on fixed assets sold / scrapped	0.20	35.57
Miscellaneous expenses	71.54	51.18
TOTAL	5,045.36	6,054.36
Notes		
(i) Payments to the Auditors comprises		
As auditors - statutory audit	2.50	2.50
For taxation matters	0.50	0.50
For management services	0.50	0.50
Reimbursement of expenses	1.50	1.50
TOTAL	5.00	5.00



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 25 Finance Cost

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Interest expenses on :		
(i) Borrowings	1,762.63	1,889.81
(ii) Trade payables	168.21	131.33
(iii) Others		
- Security deposits	4.94	5.19
(b) Other borrowing costs	163.92	129.44
TOTAL	2,099.70	2,155.77

Note 26 Other Income

Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
	(₹ in Lacs)	(₹ in Lacs)
(a) Interest income	42.24	27.43
(b) Dividend income : associates	44.68	29.79
(c) Other non-operating income (net of expenses directly attributable to such income)	14.30	5.18
TOTAL	101.22	62.40

Note	Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
		(₹ in Lacs)	(₹ in Lacs)
(i)	Interest income comprises : Interest from banks on : deposits	42.24	27.43
	TOTAL - Interest income	42.24	27.43
(ii)	Other non-operating income comprises : Insurance Claim received	4.03	3.39
	Profit on sale of fixed assets (net of expenses directly attributable)	10.01	0.85
	Miscellaneous income (net of expenses directly attributable)	0.26	0.94
	TOTAL - Other non-operating income	14.30	5.18

Note 27 Additional Information to the Financial Statements

Note	Particulars
27.1	<p>Monies received against share warrants</p> <p>As approved by the shareholder at the Extra Ordinary General Meeting held on March 14, 2012, the Board of Directors at their meeting held on March 21, 2012 allotted 39,70,000 Convertible Share Warrants at a price of ₹17/- per Convertible Share Warrants in accordance with SEBI Guidelines at Murdeshwar Power Corporation Ltd. 25% price of convertible Share Warrants which amounts to ₹1,68,72,500/- was received by them. On 19.03.2013, Murdeshwar Power Corporation Limited converted its first tranche of 19,35,000 Convertible Share Warrants into 19,35,000 Equity Shares by paying the balance 75% amount to ₹2,46,71,250/-. The second tranche of 20,35,000 Convertible Share Warrants was converted into 20,35,000 Equity Shares on 30.07.2013 by paying 75% balance amount of ₹2,59,46,250/-.</p>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)
Note 27 Additional Information to the Financial Statements (Contd.)

Note	Particulars			
27.2	Contingent liabilities and commitments (to the extent not provided for)		As at 31st March 2014	As at 31st March 2013
(i)	Contingent liabilities		(₹ in Lacs)	(₹ in Lacs)
	(a)	Guarantees	476.01	232.41
	(b)	Letters of Credit established with Banks	1,126.18	1,540.77
(ii)	Commitments			
	(a)	Estimated amount of contracts remaining to be executed on capital account and not provided for Tangible assets	98.46	2.56
27.3	Details of unutilised amounts out of issue of securities made for specific purpose			
	The Company had issued securities (Equity Share and Share Warrants) amounting to ₹ Nil for purposes of clearing high cost debt and working capital needs of the Company.			
27.4	Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006			
	(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	128.37	150.53
	Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.			
27.5	Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges			
	Loans and advances in the nature of loans given to subsidiaries, associates and others and investment in shares of the Company by such parties:			
	Name of the Party	Relationship	Amount outstanding as at 31.03.2014	Maximum Balance Outstanding during the year
			(₹ in Lacs)	(₹ in Lacs)
	Murdeshwar Power Corporation Ltd.		(363.37)	(297.88)
	RNS Power Ltd.,		14.09	0.36
	Note: Figures in bracket relate to the previous year.			
	ii. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :			
	As at 31st March 2014		As at 31st March 2013	
	Payable	Payable in Foreign Currency	Payable	Payable in Foreign Currency
	(₹ in Lacs)	(indicate amount with Currency)	(₹ in Lacs)	(indicate amount with Currency)
	95.31	US\$ 1,51,787	629.76	US\$ 11,66,213
	-	-	10.88	EURO 13,949
	Particulars		For the year ended 31st March 2014	For the year ended 31st March 2013
			(₹ in Lacs)	(₹ in Lacs)
27.6	Value of imports calculated on CIF basis :			
	Raw Materials		755.48	640.39
	Components		251.06	326.67
	Spare parts		128.68	189.83
	Total Components and spare parts		379.74	516.50
	Capital goods		179.92	38.21



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 27 Additional Information to the Financial Statements (Contd.)

Note	Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
		(₹ in Lacs)	(₹ in Lacs)
27.7	Expenditure in foreign currency : Travel	1.65	13.08
27.8	Details of consumption of imported and indigenous items *	For the year ended 31st March 2014	
		(₹ in Lacs)	%
	IMPORTED		
	Raw materials	920.33 (915.58)	67.19 (59.18)
	Components	299.04 (419.54)	21.83 (27.12)
	Spare parts	150.31 (212.06)	10.98 (13.70)
	TOTAL	1,369.68 (1547.18)	100.00 (100.00)
	INDIGENOUS		
	Raw materials	1,368.50 (1792.27)	87.31 (85.37)
	Components	88.69 (143.55)	5.66 (6.84)
	Spare parts	110.16 (163.47)	7.03 (7.79)
	TOTAL	1,567.35 (2099.29)	100.00 (100.00)

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

Note 28 Disclosures under Accounting Standards

28.1	Employee benefit plans
28.1.a	DEFINED CONTRIBUTION PLANS The Company makes Provident Fund and Superannuation Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹27.44 lacs (Year ended 31st March, 2013 ₹30.45 lacs) for Provident Fund contributions and ₹8.97 lacs (Year ended 31st March, 2013 ₹8.36 lacs) for Superannuation Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of schemes.
28.1.b	DEFINED BENEFIT PLANS The Company offers the following employee benefit schemes to its employees : i. Gratuity : The following tables sets out the funded status of the defined benefit schemes and the amount recognised in the financial statements :

Particulars	Year ended 31st March 2014	Year ended 31st March 2013
	Gratuity	Gratuity
Components of employer expense		
Current service cost	9.43	9.81
Interest cost	12.88	14.47
Expected return on plan assets	(11.91)	(10.73)
Actuarial losses / (gains)	(5.77)	16.97
Total expense recognised in the Statement of Profit and Loss	4.63	(3.12)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 28 Disclosures under Accounting Standards

Note	Particulars	Year ended	Year ended
		31st March 2014	31st March 2013
		Gratuity	Gratuity
	Actual contribution and benefit payments for year		
	Actual benefit payments	17.02	40.99
	Actual contributions	25.04	38.15
	Net asset / (liability) recognised in the Balance Sheet		
	Present value of defined benefit obligation	142.23	143.98
	Fair value of plan assets	141.63	122.97
	Funded status [(Surplus / (Deficit))]	(0.60)	(21.01)
	Net asset / (liability) recognised in the Balance Sheet	(0.60)	(21.01)
	Change in defined benefit obligations (DBO) during the year		
	Present value of DBO at beginning of the year	143.98	152.66
	Current service cost	9.43	9.81
	Interest cost	12.88	14.47
	Actuarial (gains) / losses	(7.04)	(16.97)
	Benefits paid	(17.02)	(40.99)
	Present value of DBO at the end of the year	142.23	143.98
	Change in fair value of assets during the year		
	Plan assets at beginning of the year	122.97	115.38
	Expected return on plan assets	11.91	10.73
	Actual company contributions	25.04	38.15
	Actuarial gain / (loss)	(1.27)	(0.29)
	Benefits paid	(17.02)	(40.99)
	Plan assets at the end of the year	141.63	122.97
	Actual return on plan assets	10.63	-
	Composition of the plan assets is as follows :		
	Others	141.63	122.97
	Actuarial assumptions		
	Discount rate	8.25%	8.25%
	Expected return on plan assets	9.00%	9.00%
	Salary escalation	5.00%	5.00%



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)	
Note 28 Disclosures under Accounting Standards (Contd.)	
For the Year ended 31st March, 2014	
Note	Segment information
	For the Year ended 31st March, 2014
PARTICULARS	Business Segments
	Ceramic Tiles Vitrified Tiles Trading Granite Slab Services Total
	(₹ in Lacs) (₹ in Lacs) (₹ in Lacs) (₹ in Lacs) (₹ in Lacs) (₹ in Lacs)
Revenue	308.65 9,118.95 2,188.22 - 3,673.06 15,288.88
Inter-segment revenue	- 25.43 - - - 25.43
Total	308.65 9,144.38 2,188.22 - 3,673.06 15,314.31
Less : Central Excise	28.87 781.21 - - - 810.08
Net Revenue	279.78 8,363.17 2,188.22 - 3,673.06 14,504.23
Segment result	(205.81) 31.87 45.95 - 188.21 60.22
Unallocable expenses (net)	- - - - - 11.37
Operating income	- - - - - -
Other income (net)	- - - - - 101.22
Profit before taxes	- - - - - 150.07
Tax expense	- - - - - 33.27
Net profit for the year	- - - - - 116.80
Segment assets	6,412.91 35,000.00 1,073.19 1,513.88 1,938.84 45,938.82
Unallocable assets	- - - - - -
Total assets	6,412.91 35,000.00 1,073.19 1,513.88 1,938.84 45,938.82
Segment liabilities	1,650.12 12,275.12 327.78 - 588.33 14,841.35
Unallocable liabilities	- - - - - -
Total liabilities	1,650.12 12,275.12 327.78 - 588.33 14,841.35
OTHER INFORMATION	
Capital expenditure (allocable)	5,535.24 21,062.78 - 1,075.02 505.69 28,178.73
Capital expenditure (unallocable)	- - - - - -
Depreciation and amortisation (allocable)	35.72 533.55 - - 335.29 904.56

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 28 Disclosures under Accounting Standards (Contd.)

Note	Particulars		
28.3	Related party transactions		
	Details of related parties:		
	Description of relationship		
	Associates	RNS Infrastructure Ltd Murdeswar Power Corporation Ltd. Naveen Hotels Ltd RNS Motors Ltd R N Shetty Trust R N S Trust	
	Key Management Personnel (KMP)	Dr. R N Shetty Shri Satish R Shetty Shri Sunil R Shetty Shri Naveen R Shetty	
	Key Management Personnel / Relatives of Key Management Personnel	Shri Satish R Shetty, Shri Sunil R Shetty and Shri Naveen R Shetty are sons of Dr. R N Shetty	
	Company in which KMP / Relatives of KMP can exercise significant influence	Above mentioned Associate Companies	
	Note : Related parties have been identified by the Management.		
	Details of related party transactions during the year ended 31st March, 2014 and balances outstanding as at 31st March, 2014 :	Associates	Relatives of Key Management Personnel
		Total	
	Purchase of goods	21.10 (36.06)	21.10 (36.06)
	Sale of goods	37.24 (79.09)	37.24 (79.09)
	Sale of fixed assets	0.58 (-)	0.58 (-)
	Rendering of services :		
	- RNS Infrastructure Limited	1,643.13 (245.71)	1,643.13 (245.71)
	- Others	702.04 (198.87)	702.04 (198.87)
	Receiving of services	4.80 (5.02)	4.80 (5.02)
	Share Application Money - RNS Power Ltd.,	14.09 (65.36)	14.09 (65.36)
	<u>Balances outstanding at the end of the year</u>		
	Trade receivables	2,119.67 (1522.51)	2,119.67 (1522.51)
	Trade payables	49.60 (30.67)	49.60 (30.67)
	Note: Figures in bracket relates to the previous year		



NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Note 28 Disclosures under Accounting Standards (Contd.)

Note	Particulars	For the year ended 31st March 2014	For the year ended 31st March 2013
		(₹)	(₹)
28.4	Earnings per share Basic		
28.4a	Continuing operations		
	Net profit / (loss) for the year from continuing operations	1,18,65,910	83,70,630
	Less: Preference dividend and tax thereon	-	-
	Net profit / (loss) for the year from continuing operations attributable to the equity shareholders	1,18,65,910	83,70,630
	Weighted average number of equity shares	4,08,13,922	3,87,78,922
	Par value per share	10	10
	Earnings per share from continuing operations - Basic	0.29	0.22
		(₹ in Lacs)	(₹ in Lacs)
28.5	Deferred tax (liability) / asset	595.23	589.47
	Tax effect of items constituting deferred tax liability	218.63	155.79
	On difference between book balance and tax balance of fixed assets	-	-
	On expenditure deferred in the books but allowable for tax purposes	-	-
	On items included in "Reserves and surplus pending amortisation into the Statement of Profit and Loss	-	-
	Others	-	-
	Tax effect of items constituting deferred tax liability	218.63	155.79
	Tax effect of items constituting deferred tax assets		
	Provision for compensated absences, gratuity and other employee benefits	2.02	12.12
	Provision for doubtful debts / advances	-	-
	Disallowances under Section 40(a)(i), 43B of the Income Tax Act, 1961	-	-
	On difference between book balance and tax balance of fixed assets	183.34	137.91
	Unabsorbed depreciation carried forward	-	-
	Brought forward business losses	-	-
	On items included in Reserves and surplus pending amortisation into the Statement of Profit and Loss	-	-
	Others	-	-
	Tax effect of items constituting deferred tax assets	185.36	150.03
	Net deferred tax (liability) / asset	628.50	595.23
	The Company has recognised deferred tax asset on unabsorbed depreciation to the extent of the corresponding deferred tax liability on the difference between the book balance and the written down value of fixed assets under Income Tax.		

Note 29 Previous Year's Figures

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

**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET
FOR THE PERIOD FROM APRIL 2013 to MARCH 2014**

(₹ in lacs)

	2013-14	2012-13
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax and extraordinary items	150.07	88.40
Adjustments for :		
Depreciation	904.55	903.12
Interest paid	1,762.63	2,019.24
Preliminary Expenses Written off	11.37	11.37
Loss on Sale of fixed assets	0.20	35.57
Profit on sale of Assets	(10.01)	(0.85)
Interest Income on Investments	(42.24)	(27.43)
Dividend received	(44.68)	(29.79)
Operating profit before working capital changes	2,731.89	2,999.63
Adjustments for :		
Decrease / (Increase) in Inventories	1,839.32	13.02
Decrease / (increase) in Trade receivables	131.30	(84.38)
Increase / (decrease) in Trade Payables	(942.77)	111.58
Decrease / (Increase) in Short term loans & advances	48.52	(87.67)
Decrease / (Increase) in Other Current Assets	(20.60)	16.99
Decrease / (Increase) in Long Term Loans & Advances	(6.69)	-
Increase / (decrease) in Other Current Liabilities	(139.64)	(188.69)
Increase / (decrease) in Short Term Provisions	(1.41)	(3.56)
Cash generated from operations	3,639.92	2,776.92
Taxes paid	(76.07)	(54.54)
Net cash from Operating Activities (before extra-ordinary item)	3,563.85	2,722.38
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(1,178.11)	(747.30)
Sale of Fixed Assets	13.04	41.91
Interest received	42.24	27.43
Dividend received	44.68	29.79
Sale of Investment	-	(65.36)
Net cash flow from investing activities	(1,078.15)	(713.53)



**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET
FOR THE PERIOD FROM APRIL 2013 to MARCH 2014 (Contd.)**

(₹ in lacs)

	2013-14	2012-13
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Long term Borrowings repaid	(876.33)	(468.62)
Short term Borrowings repaid	(18.74)	227.66
Proceeds from issue of Share Capital	259.47	246.71
Issue of Share Warrants	-	-
Dividend paid	(5.36)	(3.69)
Interest paid	(1,762.63)	(2,019.24)
Net Cash used in Financial activities	(2,403.59)	(2,017.18)
Net Increase in cash and cash Equivalents	82.11	(8.33)
Cash and Cash Equivalents as at 01.04.2013	515.62	523.95
Cash and Cash Equivalents as at 31.03.2014	597.73	515.62

NOTES TO THE CASH FLOW STATEMENT

CASH AND CASH EQUIVALENT :

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

	<u>2013-14</u>	<u>2012-13</u>
Cash on hand and balances with Banks	597.73	515.62
Short Term investments	-	-
Cash and cash equivalents effect of changes in Exchange rates	-	-
Cash and cash equivalents as restated	597.73	515.62

By Order of the Board
For MURUDESHWAR CERAMICS LIMITED

R.N.SHETTY <i>Chairman</i> (DIN 00038810)	SATISH R. SHETTY <i>Managing Director & CEO</i> (DIN 00037526)	SUNIL R. SHETTY <i>Director</i> (DIN 00037572)	NAVEEN R. SHETTY <i>Director</i> (DIN 00058779)
K.SUNDER NAIK <i>Director</i> (DIN 00042986)	S.S. HIREMATH <i>Director</i> (DIN 02272897)	ANNAPPAYYA K. <i>Director</i> (DIN 03558522)	SANKAPPA K. SHETTY <i>Director</i> (DIN 00894366)
Place : Bangalore Date : 30-05-2014	LAKSHMISHA BABU S. <i>Company Secretary</i>		N.M. HEGDE <i>Vice President (Finance) & CFO</i>

CERTIFICATE

We have examined the above Cash Flow Statement of Murudeshwar Ceramics Ltd., for the year ended 31.03.2014 and certify that the said statement has been prepared by the Company in accordance with Accounting Standard-3 issued by the Institute of Chartered Accountants of India and as per requirements of Listing Agreements with Stock Exchanges and is based on and is in agreement with the Profit & Loss Account and Balance Sheet of the Company for the year ended on 31.03.2014.

Place : Bangalore
Date : 30-05-2014

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

NOTES

MURUDESHWAR CERAMICS LIMITED

Regd.Office : 604/B, Murudeshwar Bhavan, Gokul Road, Hubli - 580 030

CIN:L26914KA1983PLC005401

31st ANNUAL GENERAL MEETING

ATTENDANCE SLIP

Regd. Folio No/Client ID

Name & Address of First/Sole Shareholder

E-mail ID

No. of Shares.....

I hereby record my presence at the Annual General Meeting of the Company to be held on Saturday, September, 27th, 2014 at 4 P.M at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli - 580 029.

Signature of the Member/Proxy

Members are requested to fill up the attendance slip and hand it over at the venue.

Members are requested to bring their copy of Annual Report to the meeting as no copies will be distributed at the venue.

MURUDESHWAR CERAMICS LIMITED

Regd. Office : 604/B, Murudeshwar Bhavan, Gokul Road, Hubli - 580 030

CIN: L26914KA1983PLC005401

31st ANNUAL GENERAL MEETING**PROXY FORM**

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014

CIN	L26914KA1983PLC005401
Name of the Company	MURUDESHWAR CERAMICS LIMITED
Registered Office	Murudeshwar Bhavan, Gokul Road, Hubli - 580030
Name of the Member	:
Registered Address	:
E-mail ID	:
Regd. Folio No. / Clent ID/ : DP ID	:

I/We being the member(s) of _____ shares of the above named company, hereby appoint :

- 1) Name.....Address.....
E-mail ID.....Signature.....or failing him/her
- 2) Name.....Address.....
E-mail ID.....Signature.....or failing him/her
- 3) Name.....Address.....
E-mail ID.....Signature.....

As my/our proxy to attend and vote(on a poll) for me/us on my/our behalf at the 31st Annual General Meeting of the Company to be held on Saturday, September, 27th, 2014 at 4 P.M at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli-580 029 and at any adjournment thereof in respect of such resolutions as are indicated below :

Sl.No.	RESOLUTIONS	Optional*	
		For	Against
	Ordinary Business		
1	Adoption of Financial Statements for the year ended 31st March, 2014		
2	Re-appointment of Shri Naveen Rama Shetty (DIN 00058779) who retires by rotation		
3	Appointment of M/s M A Narasimhan and Co, Chartered Accountants, as the Statutory Auditors of the Company.		
	Special Business		
4	Appointment of Shri Kudlu Sunder Naik (DIN 00042986) as an Independent Director		
5	Appointment of Dr. Shivabasayya Siddaramayya Hiremath (DIN 02272897) as an Independent Director		
6	Appointment of Shri Annappayya Kundapur (DIN 03558522) as an Independent Director		
7	Appointment of Shri Sankappa Keremane Shetty (DIN 00894366) as an Independent Director		
8	Appointment of Smt Sarvani Alva (DIN 06896403) as an Independent Director		
9	Special Resolution under Section 180(1) (a) of the Companies Act, 2013 for hypothecate, Mortgage, charge and / or in any other way encumber, all or any of movable / current / fixed / immovable assets of the Company.		
10	Special Resolution under Section 180(1) (c) of the Companies Act, 2013 for borrowing money upto ₹400 Crores over and above the aggregate of the paid up share capital and free reserves of the Company.		

Signed this day of2014.

Affix Re. 1/-
Revenue
Stamp

Signature of shareholder: Signature of Proxy holder(s).....

Notes:

- This Form of Proxy in order to be effective should be duly completed and deposited at the Regd. Office of the Company, not less than 48 hours before the commencement of the Meeting.
- For the resolutions, explanatory statement & notes, please refer to the notice of the 31st Annual General Meeting.
- It is optional to put a "X" in the appropriate column against the resolution indicated in the box. If you leave the ' For' or 'Against' column blank against any or all resolutions, your proxy will be entitled to Vote in the manner as he/she thinks appropriate.
- Please complete all the details including details of the members in the above box before submission.
- Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.