

BOARD OF DIRECTORS

Dr. R N SHETTY

Chairman

Dr. SADANAND V NADIG

Shri K. SUNDAR NAIK

Dr. S.S. HIREMATH

Shri SUNIL R SHETTY

Shri SATISH R SHETTY

Managing Director & C.E.O.

Shri NAVEEN R SHETTY

Joint Managing Director

Company Secretary & Compliance Officer

Shri LAKSHMISHA BABU S

Vice President - Finance & C.F.O.

Shri N M HEGDE

Auditors

M/s. M A NARASIMHAN & CO.

Chartered Accountants

Bangalore

Bankers

CANARA BANK

STATE BANK OF INDIA

BANK OF BARODA

THE LAKSHMI VILAS BANK LTD

AXIS BANK LTD

ORIENTAL BANK OF COMMERCE

I N D E X

| Particulars | Page No. |
|--|----------|
| Notice of the Meeting | 02 - 03 |
| Directors' Report | 04 - 07 |
| Management Discussion & Analysis Report | 08 - 10 |
| Corporate Governance Report | 11 - 17 |
| Auditors' Certificate on Corporate Governance provisions | 18 |
| Auditors' Report | 19 - 21 |
| Statement of Accounts with Schedules thereon | 22 - 36 |
| General Business Profile | 37 |
| Cash Flow Statement | 38 - 39 |
| NOTES | 40 |

Registered Office

Murudeshwar Bhavan

Gokul Road

HUBLI - 580 030

Ph : 0836-2331615-18

Fax : 0836-2330436/4252583

Plant

Krishnapur Village

HUBLI - 580 024

Ph : 0836-2206741

Fax : 0836-2206773

Kallabalu Village & Post

Via Bannerghatta

Jigani Industrial Area II Phase

Bangalore - 560 083

Ph : 080-27826946

Fax : 080-27826956

143, Ilayancudy Road

Devamapuram Village

Thirunallur Commune

KARAIKAL - 609 607

Pondicherry State

Ph : 04368-236899 / 236599

Fax : 04368-236805

NOTICE

To ,

**The Members
Murudeshwar Ceramics Limited**

NOTICE is hereby given that the Twenty Eighth 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 Friday the 30th September, 2011 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, 2011 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 Dr S S Hiremath, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Naveen R Shetty, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

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

Place : Bangalore
Date : July 30, 2011

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

NOTE:

- (1) Any Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on behalf of such member at such meeting and such a proxy need not be a member of the Company.
- (2) Any document / Proxy Form in connection with the Annual General Meeting of the Company signed by any person for and on behalf of any Institution, Bank, Body Corporate etc., will be valid, only if such document/proxy form is supported by a duly authenticated copy of the Resolution of the Board of Directors authorising such person to sign such document and/or to represent such Institution, Bank, Body Corporate etc., as the case may be.
- (3) Documents pertaining to items referred to in the Notice are available for inspection by any member/s at the Registered Office of the Company on any working day from 2 p.m. to 6 p.m. upto the date of Annual General Meeting.
- (4) Brief resume of directors proposed to be appointed/reappointed is furnished in the Corporate Governance Report forming part of this Annual Report.
- (5) Register of Members/Transfer books of the Company will be closed from September 24, 2011 to September 30, 2011 (both days inclusive).



NOTICE (Contd.)

- (6) Members seeking any information/clarification concerning the Accounts for the year 2010-11 are requested to send their specific request addressed to the Company Secretary at the Registered Office of the Company atleast seven days before the Annual General Meeting.
- (7) Members are requested to bring their copies of Annual Reports to the meeting and also to handover their attendance slips signed by the members/valid proxies at the entrance of the meeting hall.
- (8) Please also refer "General Information to Shareholders" in the annexure to Corporate Governance Report forming part of this Annual Report.

Place : Bangalore
Date : July 30, 2011

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

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

Item 6 : Appointment of Shri Annappayya Kundapur as Director.

Shri Annappayya Kundapur has been appointed as an Additional Director on the Board of Directors with effect from June 24, 2011. In terms of Section. 260 of The Companies Act, 1956, the appointment of such Director shall be valid upto the date of the Annual General Meeting. Company has received a Notice from Shri Annappayya Kundapur pursuant to provisions of Secn. 257 of The Companies Act, 1956 offering himself as a candidate to the office of Director. Brief resume of Shri Annappayya Kundapur is furnished forming part of the Corporate Governance Report.

None of the Directors except Shri Annappayya Kundapur himself may be deemed as concerned or interested in the aforesaid appointment.

Place : Bangalore
Date : July 30, 2011

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

GREEN INITIATIVE IN CORPORATE GOVERNANCE : GO PAPERLESS

Dear Shareholder,

Ref. : Our Letter dated June 01, 2011 addressed to all shareholders

Your company wishes to inform that the Ministry of Corporate Affairs (MCA), Government of India has allowed companies to send all its communications / documents to shareholders by electronic mode to their registered e-mail address. Your Company wishes to send all its communications / documents to shareholders by e-mail in future, hence we request our shareholders holding shares in electronic mode to register / update their e-mail address with their concerned Depository Participants and shareholders holding shares in physical mode with Company's Registrar and Transfer Agents Canbank Computer Services Limited by sending an e-mail to ravi@ccsl.co.in or naidu@ccsl.co.in. If you still wish to receive the document in physical form, kindly communicate your intention by sending an e-mail to ravi@ccsl.co.in or naidu@ccsl.co.in.

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 28th Annual Report of the Company for the year ended on March 31, 2011 :

FINANCIAL RESULTS

| Particulars | (₹ In Lacs) | |
|---|-------------|------------------|
| Sales income | 18,556.76 | 19,996.80 |
| Other Income | 64.03 | |
| Increase/(Decrease) in stock | 1,346.01 | |
| Total income | | |
| Operational Expenditure | 14,782.01 | 19,455.82 |
| Interest | 2,134.12 | |
| Depreciation | 2,539.69 | |
| Total Expenditure | | |
| Profit/(Loss) for the year | | 510.98 |
| Less : Provision for tax | 109.00 | 18.58 |
| Add : Deferred Tax Assets | 127.58 | |
| Sub total | | |
| Profit/(Loss) after tax | | |
| Profit available for appropriation | | 529.56 |

OPERATIONAL PERFORMANCE

The performance of the Company has improvement during the year. The Global Recession which had badly hit the construction industry has slightly recovered. But an unhealthy competition from the unorganized market players who produce or import cheap tiles has made the Tiles market more volatile.

During the year under report the Company has produced 33,75,306 Sq.mtrs., of Vitrified tiles and 14,99,947 Sq.mtrs., of Ceramic tiles. Compared to previous year even though Ceramic tile production has reduced by about 28.81%, Vitrified tile production has increased by 12.02%. The sales income from Vitrified tiles has increased by 23.02% at ₹ 12,726.12 lacs compared to ₹ 10,344.70 lacs for the previous year. Sales income from Ceramic tile segment has improved by 23.43% at ₹ 4,063.55 lacs compared to ₹ 3,292.31 lacs for the previous year. The granite division did not produce any slabs during the year. The Company is finding it difficult to get quality granite blocks at reasonable prices.

In spite of the above hurdles the Company has managed to earn a profit of ₹ 529.56 lacs during the year through various cost cutting measures and by adopting good marketing strategies. Since the Company has just started recovering from losses suffered during the previous years, and Company is very keen to repay its debts. Hence your Directors have decided to skip the dividend for the year 2010-11. Your directors are working towards achieving higher results during the forth coming years.

PROSPECTS

The Order book position during the year has been good and on expected lines. The CEGRESS variety of tiles in vitrified segment introduced by the Company last year has started moving fast in the market. New designs and textures have been introduced which is fetching good market. The value added product in the vitrified segment in Hubli plant like granite series and special marble series are more in demand especially by corporate customers and big commercial establishments.

Some value added products such as profile cut design, step tiles etc, have been introduced to the market. The newly introduced Somerset Rustic & Wood Series Ceramic Tiles in bigger formats is slowly catching the market. We have also introduced Cegress Series (Application of Glaze on Vitrified Tiles with different colour and design), Aqua Magic Water jet decorative tiles in single and four tiles and various designs, Steps and Risers, Borders. We have received good response from our dealers as well as customers. The Company has started production of Durapave Exterior Tile in Anti Stain Coat in 400 x 400 mm size and 300 x 300 mm size. We are also planning to start production of Lapato Glazed Vitrified Tiles.



DIRECTORS' REPORT (Contd.)

The Karaikal unit is functioned with improved gas allocation. Efforts of the Chairman in impressing the Central Government for gas connection to the manufacturing unit at Hubli have fetched positive results and the Hubli unit is expected to get gas connection by 2012. Since the Construction Industries have slightly picked up their activities during the year, the Company is expecting a better growth in the near future.

MARKETING STRATEGY

The Management has adopted widest distribution network model to deliver products to the end user in quickest and most effective way. Management is also working hard to improve operating margins. The marketing department has been given emphasis to meet new challenges being faced in the market. The advertisement and publicity is under the control of professional team. The regular business promotional activities such as advertisements in News papers, magazines, outdoor publicity such as bus panels, hoardings, signboards etc., are taking place regularly. In order to create brand awareness Glow sing Boards, hoarding, wall painting, New Year calendar and display at dealer's premises are continued. The Marketing Team is in regular touch with the major Clients, Architects and Engineers.

Outsourcing of Vitrified Tiles and Ceramic Wall Tiles during the year has fetched better returns to the Company. The Company has also saved on transportation and other operating costs. This will provide some cushion to price the product a little more competitively.

Your Directors are hopeful to achieving better results in the year 2011-12.

RESEARCH AND DEVELOPMENT

The R & D wing of the Company is successful in introducing new Ball Clay for engobe to improve the quality of tiles and for vitrified body composition, imported ball clay usage quantity is reduced by using locally available ball clay which has resulted in improving the quality and reduction in cost of production. The R & D wing is continuously 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 issued 1,75,01,961 Equity Shares to the existing share holders on Rights Issue basis, hence the Paid up Equity share capital of the Company increased from ₹ 1,752.68 lacs to ₹ 3,502.88 lacs.

DIRECTORS

Shri K P Surendranath ceased to be a Director on the Board effective from 12.02.2011 due to death. Board expressed their deep sorrow for the sad demise of Shri K P Surendranath, who left for his heavenly abode. Board also appreciated his contribution to the Company.

The Board has appointed Shri Annappayya Kundapur as Additional Director with effect from June 24, 2011 Pursuant to Section 260 of the Companies Act, 1956 the term of such additional director is valid upto the date of ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 from Shri Annappayya Kundapur offering himself as a candidate to the office of Director. Necessary resolution is placed before the members for approval. Brief particulars of the above director have been furnished in the Corporate Governance Report which forms part of this Annual Report.

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

AUDITORS

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

DIRECTORS' REPORT (Contd.)**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. R N Shetty, Dr. Sadanand V Nadig and Shri. K P Surendranath (upto 12.02.2011). Shri K P Surendranath was the Chairman. Shri P A Ravish Company Secretary was the secretary upto 30.05.2010 and Shri Lakshmisha Babu S Company Secretary is the Secretary of the Committee with effect from 02.06.2010.

DEPOSITS

As at the end of the year under report the Company had 14 deposit accounts for ₹ 27.09 lacs. As on 31.03.2011, one (1) account for ₹ 25,000/- remained not claimed by the concerned depositor. Efforts are being made to locate the party and advise him to claim repayment by surrendering the original deposit receipt.

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

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

PARTICULARS OF EMPLOYEES

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

DIRECTORS RESPONSIBILITY STATEMENT

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

- 1) In preparation of the annual accounts for the year 2010-11, the Company has followed the applicable accounting standards prescribed under Secn.211 (3C) of The Companies Act, 1956 and there is no material departure from the same ;
- 2) Your Directors have selected and consistently applied such of the accounting policies and made judgments and estimates thereon, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss of the Company for that period ;
- 3) Your Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the applicable provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- 4) The Company has prepared the annual accounts on going concern basis.

ACKNOWLEDGEMENTS

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

Place : Bangalore
Date : July 30, 2011

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

ANNEXURE TO DIRECTORS' REPORT

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

A. CONSERVATION OF ENERGY :

(a) Energy Conservation measures taken :

Energy conservation measures taken for vitrified body-vertical and horizontal shaft impactors are introduced to make granulation of feldspar lumps. The granulized material brings down the grinding hours in the ball mill at body recipe milling which in turn will reduce milling time and saves electrical energy.

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

Additional impactors will be purchased to match the production capacity for both Hubli and Karaikal Plant.

(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 : Electrical energy cost reduction in the production of Vitrified Tiles.

(d) Total energy consumption and energy consumption per unit of production : - Not Applicable -

B. TECHNOLOGY ABSORPTION :

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

(b) Total Foreign Exchange used and earned :

Foreign Exchange Earnings : -Nil-

Foreign Exchange Outgo : ₹ 116.30 lacs

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

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

- a. For Vitrified body composition imported ball clay usage quantity is reduced by using locally available ball clay.
- b. Raw materials development for cloudy double charger production.
- c. Raw Material - New ball clay being introduced for engobe to improve the quality of the tiles.

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

- a. Quality improvement and Reduction in the cost of production.
- b. New product for which better sale price in the market.

3. Future plan of action

Glazed Wall tile production.

4. Expenditure on R & D

(₹ in lacs)

| Particulars | 2010-2011 | 2009-2010 |
|--|-----------|-----------|
| a) Capital | 1.99 | 0.40 |
| b) Recurring | 1.56 | 2.39 |
| c) Total | 3.55 | 2.79 |
| d) Total R & D expenditure as a percentage of total turnover | 0.02 | 0.02 |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Successful Lab & Line Trial production of Satin Matt - Glazed Ceramic Tiles.

2. Benefits derived as a result of the above efforts

New series of Vitrified Tiles with better selling price in the market.

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 : Cloudy Double Charger for New Series of Vitrified Tile Production
- b) Year of import : 2010-2011
- c) Has technology been fully absorbed : Yes
- d) If not absorbed, areas where this has not taken place, reasons and future plans of action. : Not Applicable

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

INDUSTRY STRUCTURE AND DEVELOPMENT

The Ceramic and Vitrified Tiles in India are used in houses, educational and research institutions, hospitals, Industries, hotels, restaurants, cinema halls and other public places both in terms of interiors and outdoors. The Ceramic and Vitrified Tiles are heavily influenced by consumer preferences for which the producers have responded in producing tiles with wider style, bigger size, new designs including decorative floor tiles. Innovations in installations and grout have also benefited the industry by using of tiles not only on floors but on wall and counter top applications as well. The market of Ceramic and Vitrified Tiles now a days are better because of improved living standard of people along with supporting Govt. policies for housing sector. Now a days even in rural areas people prefer Ceramic and Vitrified tiles for their residences

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 and this has resulted in saving in cost of fuel. As at the end of the financial year the installed capacity of Ceramic and Vitrified tiles are as follows :

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

OPPORTUNITIES

The industry's potential appears attractive with the increased demand for Ceramic/Vitrified tiles from rural areas and smaller cities, Ceramic industry is getting back to normalcy after the slowdown effect in recent times. The demand for Ceramic/Vitrified tiles have also increased from urban housing, retail, IT and BPO sectors because they are now used for aesthetic besides utility reasons, hygiene reasons, improved living standard of people along with supporting Govt. policies for housing sector. The main consumers of these Ceramic and Vitrified tiles are educational and research institutions, hospitals, Industries, hotels, restaurants, cinema halls and other public places.

The new CEGRESS variety of tiles introduced for last year has concord great sales in the market and the Company is expecting its further sales from the product. The order book positions of the Company are encouraging. Supply of Natural Gas to Karaikal unit has improved since October, 2010 and supply of Natural Gas to Hubli Plant is expected to start from December 2012.



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

The Company which had started outsourcing production of select varieties of Vitrified tiles under its brand name to other manufacturing units last year has fetched good results and the Company has saved considerable amount on transportation. The cost so saved has enabled the Company to be more competitive in pricing the product.

THREATS

Since Ceramic tile industry is capital intensive it requires huge amount of Fixed Costs. The competition from the unorganized market players has been increased. Excise Duty on Ceramic and Vitrified tiles has increased from 8% to 10% in the last Central Budget. Natural Gas rate at Karaikal has increased from ₹ 5.56 per SCM to ₹ 9.50 per SCM. The power rate has been increased drastically in both the units at Hubli and Karaikal.

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

The Segment-wise performance for the year ended on 31.03.2011 is furnished hereunder:

| SEGMENT | PRODUCTION (in Sq. Mtrs.) | SALES | |
|--------------------------------|------------------------------|--------------------------|--------------------------|
| | | Volume (Sq.Mtrs.) | Value (₹ in lacs) |
| Vitrified Tiles | 33,75,306 (30,13,184) | 37,92,605 (29,54,188) | 12,726.12 (10,344.70) |
| Ceramic Tiles | 14,99,947 (21,07,084) | 21,88,120 (18,85,859) | 4,063.55 (3,292.31) |
| Granite Slabs | - (23,043) | 2,413 (16,979) | 15.74 (202.31) |
| Earth Work (Sales receipts) | - (-) | - (-) | 1,751.35 (-) |

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

As may be seen from the above statement, production of Ceramic tiles has been reduced by 28.81% and Vitrified tiles production has increased by 12.02% and Granite has not been produced during the year which leads to reduction of 100% as compare to that of previous year. The sales revenue of the Ceramic and Vitrified division has grown by 23.43% and 23.02% respectively, where as for Granite division it has been reduced by 92.22%. Overall sales revenue has increased by 34.09% which is ₹ 18,556.76 lacs for the year under report. With the result the Company has incurred a profit of ₹ 529.56 lacs for the year under report compared to loss of ₹ 1,530.77 lacs for the previous year.

OUT-LOOK

The Management constantly endeavour to provide customers with the finest Ceramic/Vitrified tiles through its exhaustive product range, innovative designs and sophisticated colors. The Management is constantly exploring latest technology to manufacture products with commitment to give quality products to customers at low costs. The demand from retail market is quite encouraging to the tile industry. While continuing the present strategy the Company is also planning to increase the leg work by increasing the sales staff to combat the competition by closely monitoring the projects with the contractors, architects etc. The strategy of incentive based pay package to sales staff linked with sales is also on the anvil. Company in order to increase the outsourcing volumes from different manufacturers and also to increase the wall tiles volumes is making necessary arrangements.

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

Fuel prices are high and unstable due to continuous increase in energy prices in the international market which has significantly put pressure on margins. Retaining skilled professional is also a major concern, however best H R practices are in place to retain the talent and reduce the attrition rate. Delay in installation of natural gas pipeline from Government is major hindrance at Hubli unit and also unavailability of quality Coal at Hubli plant is the major concern for the Company. The entry of unorganized sectors has been increased and the unhealthy competition from such unorganized sectors has made the tiles market more volatile. The tiles manufactured by such unorganized sectors even though cannot match the tiles produced by larger organized industries in terms of quality, will still affect the retail market which constitute a larger part of the tiles market in India. The price of petroleum products is increasing frequently which leads to increase in cost of inputs and transportation cost.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

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

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

As at the end of the year the Company had 614 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 else where, technology related matters, inflationary trends, unexpected recession and changes in policies of the Government etc., may impair such perceptions and adversely impact on calculations of the management.

Place : Bangalore
Date : July 30, 2011

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

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY AND CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

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

2.1 Non-Executive Directors

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

2.2 Executive Directors

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

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

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

2.3 Brief Particulars of Directors appointed / re-appointed

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

- 2.3(a) **Dr. S. S. Hiremath**, aged about 74 years is a Doctor by profession. He has been in 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 by 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 not a member of the Company. Other Companies on the Boards of which Dr. S S Hiremath is associated as a Non Executive Director of Naveen Hotels Limited and Murdeshwar Power Corporation Limited.

CORPORATE GOVERNANCE REPORT (Contd.)

2.3(b) **Shri Naveen R Shetty** aged about 41 years is a graduate in Mechanical Engineering from Bangalore University. He has been on the Board of this Company since November 1995. Shri Naveen R Shetty was actively associated in all expansion projects of the Company. Shri Naveen R Shetty is Managing Director of RNS Infrastructure Limited.

Shri Naveen R Shetty is a member of the sub-committee of directors. He is the Managing Director of RNS Infrastructure Ltd., and also a Director on the Boards of Naveen Hotels Ltd., Naveen Mechanised Construction Co Pvt Ltd., Naveen Structural & Engineering Co Pvt Ltd., Murudeshwar Power Corporation Ltd., Murudeshwar Developers Ltd., Murudeshwar Infosystems Ltd., Firebricks & Potteries Pvt Ltd., RNS Motors Ltd., and Shri Murudeshwar Tiles Pvt Ltd. Shri Naveen R Shetty holds 11,10,502 equity shares of ₹ 10/- each (3.17%) in the Company.

2.3(c) **Shri Annappayya Kundapur** aged around 65 years is retired Canara Bank employee. He did his B.com with Distinction and CAIIB. He joined Canara Bank as officer in 1969 and served 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 a member of the Company. He is not on the Board of any other bodies corporates.

2.4 Meetings, Attendance and Membership of Committees

During the year under report six (6) Board Meetings were held on 05.05.2010, 19.06.2010, 26.07.2010, 08.10.2010, 28.10.2010, 29.01.2011 and 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 2010-11

| Sl. No. | Name of Director | BOARD MEETINGS | | Whether attended last AGM | COMMITTEES | | Other directorships held |
|---------|------------------------|----------------|----------|---------------------------|-------------|----------|--------------------------|
| | | held | Attended | | Memberships | Chairman | |
| 1 | Dr. R.N.Shetty | 6 | 5 | No | 3 | 1 | 11 |
| 2 | Shri. K.P.Surendranath | 6 | 6 | Yes | 3 | 3 | 2 |
| 3 | Dr.Sadanand V Nadig | 6 | 6 | Yes | 4 | Nil | 4 |
| 4 | Shri.K Sundar Naik | 6 | 5 | No | Nil | Nil | 1 |
| 5 | Dr S S Hiremath | 6 | 3 | Yes | Nil | Nil | 2 |
| 6 | Shri Satish R Shetty | 6 | 6 | Yes | 1 | Nil | 13 |
| 7 | Shri Sunil R Shetty | 6 | 2 | No | 1 | Nil | 12 |
| 8 | Shri. Naveen R Shetty | 6 | 5 | No | 1 | Nil | 10 |

3. CODE OF CONDUCT

The Board of Directors has laid down Code of Conduct for all Board Members and senior management personnel of the Company. In the above context, Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct for the year ended 31.03.2011 and necessary declaration from CEO is annexed forming part of this report.

4. AUDIT COMMITTEE

During the year under report five (5) Audit Committee Meetings were held on 05.05.2010, 26.07.2010, 08.10.2010, 28.10.2010, 29.01.2011. The meeting held on 05.05.2010 was for the purpose of considering audited accounts for the year ended on 31.03.2010 and the members were

CORPORATE GOVERNANCE REPORT (Contd.)

1. Dr. R N Shetty - Member
2. Shri. K P Surendranath - Chairman
3. Dr. Sadanand V Nadig - 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 K P Surendranath was an independent Non-Executive Director and having knowledge of financial and accounting matters. Shri. P A Ravish was the secretary for the meeting held on 05.05.2010 and Shri Lakshmisha Babu S, Company Secretary is the Secretary (w.e.f. 02.06.2010) of the Committee.

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

5. REMUNERATION COMMITTEE

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

1. Shri. K.P.Surendranath - Chairman
2. Dr Sadanand V Nadig - Member
3. Shri K Sundar Naik - Member

During the year the Remuneration Committee met once on 05.05.2010. Shri K.P.Surendranath and Dr Sadanand V Nadig attended.

All the three members including the Chairman of the Committee are non-executive and independent directors. Mr. P A Ravish, Company Secretary was the Secretary of the Committee for its meeting held on 05.05.2010 and Shri Lakshmisha Babu S, Company Secretary is the Secretary w.e.f. 02.06.2010. The terms of reference include scrutinizing and recommending from time to time in all aspects of remuneration and/or any other payments/allowances to Executive Directors.

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

5.3(a) **Details of Remuneration paid/accrued to Executive Directors for the year ended 31.03.2011 :**

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

NOTE :

1. None of the abovesaid 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 abovesaid 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. R N Shetty and Shri Sunil R Shetty, Director continue to not receive any kind of remuneration for attending any Board and/or Committee meetings as they have waived their entitlement for such remuneration.

5.3 (c) Remuneration Package of Non-Executive Directors

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

5.3 (d) Share holding of Directors as on March 31, 2011

| Name of Director | Nature of office of Director | Shares held | Percentage to Eq. Cap. |
|-------------------------|-------------------------------------|--------------------|-------------------------------|
| Dr R N Shetty | Non-Executive | 26,808 | 0.08 |
| Shri Satish R Shetty | Executive | 11,10,402 | 3.17 |
| Shri Sunil R Shetty | Non-Executive | 11,11,102 | 3.17 |
| Shri Naveen R Shetty | Executive | 11,10,502 | 3.17 |
| Dr. Sadanand V Nadig | Non-Executive | 6,400 | 0.02 |
| Shri K Sundar Naik | Non-Executive | Nil | N A |
| Dr S S Hiremath | Non-Executive | 2,300 | 0.01 |

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

6. SHAREHOLDERS GRIEVANCE COMMITTEE

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

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

Shri.K.P.Surendranath, the Non-Executive Director was the Chairman of the Committee. Shri. Lakshmisha Babu S, Company Secretary is the Secretary of the Committee with effect from 02.06.2010.

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 31.03.2011 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 :

CORPORATE GOVERNANCE REPORT (Contd.)

1. Dr. R N Shetty - Chairman
2. Shri. Satish R Shetty
3. Shri Sunil R Shetty
4. Shri Naveen R Shetty
5. Dr. Sadanand V Nadig

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.

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.

9.1 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 |
|-------------|-----------------|--------|
| 2009 - 2010 | 19.06.2010 | 4 p.m. |
| 2008 - 2009 | 25.09.2009 | 4 p.m. |
| 2007 - 2008 | 27.09.2008 | 4 p.m. |

10. MEANS OF COMMUNICATION

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

11. GENERAL INFORMATION TO SHARE HOLDERS

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

12. OTHER PROVISIONS

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

Place : Bangalore
Date : July 30, 2011

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

ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

11. GENERAL INFORMATION TO SHAREHOLDERS

11.1 Annual General Meeting

- (a) Date and time : September 30, 2011 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 24, 2011 to September 30, 2011 (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)

11.6 Market Price Data (BSE & NSE)

| Month | | BSE | | NSE | |
|-----------|------|-----------|----------|-----------|----------|
| | | Highest ₹ | Lowest ₹ | Highest ₹ | Lowest ₹ |
| April | 2010 | 42.50 | 35.50 | 42.50 | 35.30 |
| May | 2010 | 38.50 | 33.00 | 38.90 | 33.00 |
| June | 2010 | 36.00 | 32.15 | 39.55 | 32.00 |
| July | 2010 | 37.65 | 32.60 | 38.30 | 32.25 |
| August | 2010 | 40.85 | 33.50 | 41.00 | 33.75 |
| September | 2010 | 41.00 | 34.35 | 41.00 | 34.45 |
| October | 2010 | 41.50 | 28.10 | 41.75 | 28.00 |
| November | 2010 | 30.40 | 24.00 | 30.15 | 23.55 |
| December | 2010 | 28.40 | 22.30 | 29.95 | 22.20 |
| January | 2011 | 25.00 | 19.00 | 24.30 | 19.00 |
| February | 2011 | 20.95 | 17.10 | 20.40 | 17.00 |
| March | 2011 | 20.50 | 16.65 | 20.40 | 16.10 |

11.7 Share Transfer System and Dematerialisation

As at the end of March 31, 2011 the Company had 13,375 share holders holding 3,50,03,922 equity shares of the Company. Out of the above 11,651 members (87.11) held 3,37,71,793 shares (96.48%) in dematerialized form. The Balance of 1,724 members (12.89%) held 12,32,120 equity shares (3.52%) in physical form.

From the records it is clear that 1,724 (12.89%) of the total number of members holding in all 12,32,120 (3.52%) 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.

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

11.8(a) Distribution of Shareholding as on 31.03.2011

| Nominal Value of Shares | | No. of Holders | Share Amount | |
|-------------------------|----------|----------------|---------------------|----------------------|
| | | | in ₹ | % to Paid-up Capital |
| Upto | 5,000 | 10,773 | 1,62,26,350 | 4.64 |
| 5,001 - | 10,000 | 1,129 | 90,71,720 | 2.59 |
| 10,001 - | 20,000 | 702 | 1,08,03,890 | 3.09 |
| 20,001 - | 30,000 | 244 | 62,54,220 | 1.79 |
| 30,001 - | 40,000 | 166 | 42,30,600 | 1.21 |
| 40,001 - | 50,000 | 91 | 43,72,860 | 1.25 |
| 50,001 - | 1,00,000 | 166 | 1,22,93,540 | 3.51 |
| 1,00,001 | & Above | 154 | 28,67,86,040 | 81.92 |
| T O T A L | | 13,375 | 35,00,39,220 | 100.00 |

ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

11.8(b) Shareholding Pattern as on 31.03.2011

| Sl. No. | Category of Shareholder | No. of Shares | Percentage to Eq. Cap. |
|---------|--|--------------------|------------------------|
| 1 | Financial Institutions & Insurance Companies | 2,13,287 | 0.61 |
| 2 | Mutual Funds | 700 | 0.00 |
| 3 | Banks | 400 | 0.00 |
| 4 | Other Bodies Corporate | 32,45,512 | 9.27 |
| 5 | Non - resident Indians | 36,62,344 | 10.46 |
| 6 | Foreign Institutional Investors | 900 | 0.00 |
| 7 | Directors & their Relatives | 64,28,846 | 18.37 |
| 8 | Associated Companies / Trusts | 1,28,03,142 | 36.58 |
| 9 | Resident Individuals | 86,48,791 | 24.71 |
| | TOTAL | 3,50,03,922 | 100.00 |

*The above statement does not include 24,857 equity shares forfeited.

11.9 Compliance with non-mandatory requirements under Corporate Governance Provisions

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

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

11.10 General

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

11.11 Address for Communication :

- 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.
- 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.**
- In pursuance of the provisions of Cl.49 of the Listing Agreement the Company has designated a separate E-mail Id - **investor@naveentile.com** for the benefit of members to report their grievances, if any, regarding their share holding, transfers/transmissions and dividends.

Place : Bangalore
Date : July 30, 2011

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

AUDITORS' CERTIFICATE ON COMPLIANCE CORPORATE GOVERNANCE PROVISIONS

To,

**The Members,
Murudeshwar Ceramics Limited**

We have reviewed the compliance of conditions of Corporate Governance by Murudeshwar Ceramics Limited for the year ended 31st March 2011 as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us.

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

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

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

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

Place : Bangalore
Date : May 28, 2011

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

We have audited the attached Balance Sheet of MURUDESHWAR CERAMICS LIMITED, as at 31st March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books
- (iii) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account
- (iv) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (v) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011.
 - (b) in the case of the profit and loss account, of the Profit for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Place : Bangalore

Date : May 28, 2011

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

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

Referred in Paragraph (1) of our report of even date

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. The fixed assets have been physically verified by the Management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable. Having regards to the size of the Company and nature of the assets, and on the basis of the explanations received, in our opinion, the net difference found on physical verification were not significant.
3. The Company has not disposed off substantial part of the fixed assets during the Current Year.
4. The inventories except for clay, owing to its nature, have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
5. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
6. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of accounts.
7. The company has not taken loans, from Companies, firms or other parties covered in the register maintained under section 301 of The Companies Act, 1956, during the year under review.
8. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to the purchase of inventory and fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct the major weakness in internal controls.
9. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained Under Section 301 of the Companies Act, 1956 have been so entered.
10. In our opinion and according to the information and explanations given to us, transactions exceeding the value of rupees five lakhs with parties listed in the register maintained under section 301 of the Companies Act, 1956 have been made at reasonable prices having regard to the prevailing market prices at the relevant time.
11. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance 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.
12. An independent firm of Chartered Accountants has conducted internal Audit during the year and it is commensurate with the size of the Company and the nature of its business.
13. The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the Company.
14. The Company has generally been regular in depositing undisputed dues including Provident Fund, Investor Education and Protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other applicable statutory dues with appropriate authorities. According to the information and explanations given to us, there are no dues outstanding as at the year end for a period of more than six months from the date they became payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty, Excise Duty and Cess.

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

15. According to the records of the Company, there are no dues outstanding of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty or Cess on account of any dispute.
16. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
17. As per books and records maintained by the Company and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to a financial institution, bank or debenture holders.
18. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
19. The Company has maintained proper records of the transactions and contracts of dealing in investments during the year and timely entries have been made therein. All the investments were held in the name of the Company.
20. The Company has given guarantees for loans taken from financial institutions and banks by others. The terms and conditions of which are not prejudicial to the interest of the company.
21. In our opinion, the term loans were applied for the purpose for which they were raised.
22. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis including other short term loans from Companies have not been used for long term purposes and vice - versa.
23. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
24. All the other provisions of the Companies (Auditors' Report) Order 2003 have been found not applicable to the Company.

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

Place : Bangalore
Date : May 28, 2011

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 31.03.2011.

Place : Bangalore
Date : May 28, 2011

SATISH R SHETTY
Managing Director and CEO

BALANCE SHEET AS AT 31-03-2011

| PARTICULARS | Schedule No. | | As at 31-03-2011 | As at 31-03-2010 |
|--|--------------|-----------|------------------|------------------|
| | | ₹ in lacs | ₹ in lacs | ₹ in lacs |
| SOURCES OF FUNDS : | | | | |
| Shareholders Funds | | | | |
| (a) Share Capital | 1 | | | |
| i) Equity Shares | | 3,501.17 | | 1,750.97 |
| (b) Reserves & Surplus | 2 | 25,718.26 | | 23,438.50 |
| (c) Deferred Tax | 3 | 699.80 | | 827.38 |
| | | | 29,919.23 | 26,016.85 |
| LOAN FUNDS | | | | |
| Secured Loans | 4 | 13,798.20 | | 17,152.44 |
| Unsecured Loans | 5 | 305.23 | | 390.66 |
| | | | 14,103.43 | 17,543.10 |
| TOTAL | | | 44,022.66 | 43,559.95 |
| APPLICATION OF FUNDS : | | | | |
| Fixed Assets | 6 | | | |
| Gross Block | | 52,982.52 | | 52,069.24 |
| Less : Depreciation | | 23,966.33 | | 21,431.75 |
| | | 29,016.19 | | 30,637.49 |
| Add : Capital Work In Progress including Advances | | 160.28 | | 72.71 |
| | | | 29,176.47 | 30,710.20 |
| Investments | 7 | | 300.39 | 300.39 |
| Current Assets, Loans & Advances | | | | |
| (a) Inventories | 8 | 14,310.19 | | 12,079.16 |
| (b) Sundry Debtors | 9 | 2,133.68 | | 2,252.25 |
| (c) Cash and Bank Balances | 10 | 544.06 | | 470.12 |
| (d) Loans and Advances | 11 | 1,182.11 | | 1,083.71 |
| (e) Interest Accrued on Deposits | | 20.23 | | 32.97 |
| | | 18,190.27 | | 15,918.21 |
| Current Liabilities & Provisions | | | | |
| (a) Current Liabilities | 12 | 3,580.94 | | 3,368.85 |
| (b) Provisions | 13 | 109.00 | | - |
| | | 3,689.94 | | 3,368.85 |
| Net Current Assets | | | 14,500.33 | 12,549.36 |
| Miscellaneous Expenditure to the extent not written off or adjusted | 14 | | 45.47 | - |
| TOTAL | | | 44,022.66 | 43,559.95 |
| <p>As per our report of even date annexed For M.A.NARASIMHAN & CO., Chartered Accountants ICAI FIRM REG NO:002347S M.A. PARTHANARAYAN Partner Membership No:028994 Place : Hubli Date : May 28, 2011</p> | | | | |
| <p>R.N.SHETTY Chairman</p> <p>SATISH R. SHETTY Managing Director & CEO</p> <p>SUNIL R. SHETTY Director</p> <p>NAVEEN R. SHETTY Jt. Mg. Director</p> | | | | |
| <p>SADANAND V. NADIG Director</p> <p>K.SUNDAR NAIK Director</p> <p>S.S. HIREMATH Director</p> | | | | |
| <p>LAKSHMISHA BABU S. Company Secretary</p> <p>N.M. HEGDE Vice President (Finance) & CFO</p> | | | | |



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2011

| PARTICULARS | Schedule No. | FOR THE YEAR ENDED 31-03-2011 | FOR THE YEAR ENDED 31-03-2010 |
|---|--------------|-------------------------------|-------------------------------|
| INCOME : | | ₹ in lacs | ₹ in lacs |
| Operational Income | | 18,556.76 | 13,839.32 |
| Other Income | 15 | 64.03 | 55.96 |
| Increase/(Decrease) in Stock | 16 | 1,346.01 | 1,191.24 |
| | | 19,966.80 | 15,086.52 |
| EXPENDITURE : | | | |
| Raw Materials Consumed | | 3,051.71 | 3,048.65 |
| Purchases of Trading Goods | | 1,428.16 | 62.32 |
| Excise Duty paid | | 1,330.02 | 847.06 |
| Power and Fuel | | 3,731.72 | 2,942.10 |
| Production Consumables | | 573.11 | 539.02 |
| Salaries, Wages & Amenities | 17 | 1,486.71 | 1,356.98 |
| Repairs & Maintenance | 18 | 671.88 | 574.48 |
| Administration, Selling and other Expenses | 19 | 2,508.70 | 2,380.28 |
| Interest | 20 | 2,134.12 | 2,446.30 |
| Depreciation | | 2,539.69 | 2,466.24 |
| | | 19,455.82 | 16,663.43 |
| PROFIT/(LOSS) BEFORE TAX : | | 510.98 | (1,576.91) |
| Less : Provision for Taxation | | 109.00 | - |
| Add : Deferred Tax Assets | | 127.58 | 29.50 |
| Add : Excess Provision for Income Tax Written Back | | - | 16.64 |
| PROFIT / (LOSS) AFTER TAX : | | 529.56 | (1,530.77) |
| Balance of Profit brought forward | | - | 447.51 |
| Profit available for Appropriation | | 529.56 | (1,083.26) |
| APPROPRIATION : | | | |
| i) Dividend on Equity Shares | | - | - |
| ii) Corporate Dividend Tax | | - | - |
| Transfer to General Reserve | | - | - |
| Surplus/(Loss) carried to Balance Sheet | | 529.56 | (1,083.26) |

The Schedules referred to above and the Notes to Accounts (Schedule 21) form an integral part of the Balance Sheet as on 31.03.2011 and Profit & Loss Account for the year ended 31.03.2011. Significant Accounting Policies refer schedule - 22.

As per our report of even date annexed
For **M.A.NARASIMHAN & CO.,**
Chartered Accountants
ICAI FIRM REG NO:002347S
M.A. PARTHANARAYAN
Partner
Membership No:028994

R.N.SHETTY
Chairman

SATISH R. SHETTY
Managing Director & CEO

SUNIL R. SHETTY
Director

NAVEEN R. SHETTY
Jt. Mg. Director

SADANAND V. NADIG
Director

K.SUNDAR NAIK
Director

S.S. HIREMATH
Director

Place : Hubli
Date : May 28, 2011

LAKSHMISHA BABU S.
Company Secretary

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

| SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011 | | | |
|---|------------------|-----------------------------|-----------------------------|
| PARTICULARS | | As at 31-03-2011 | As at 31-03-2010 |
| SCHEDULE 1 : | ₹ in lacs | ₹ in lacs | ₹ in lacs |
| SHARE CAPITAL | | | |
| Authorised : | | | |
| 5,56,20,000 (2,40,00,000) Equity Shares of ₹ 10/- each | | 5,562.00 | 2,400.00 |
| 16,00,000 (16,00,000) - 10% Redeemable Cumulative Preference Shares of ₹ 10/- each | | 1,600.00 | 1,600.00 |
| Nil (25,50,000) - 10% Cumulative Convertible Preference Shares of ₹ 124/- each | | - | 3,162.00 |
| | | 7,162.00 | 7,162.00 |
| Issued, Subscribed and Called up : | | | |
| 1,75,26,818 (1,75,26,818) Equity Shares of ₹ 10/- each | 1,752.68 | | 1,752.68 |
| Add : 1,75,01,961 (Nil) Equity Shares of ₹ 10/- issued on Right Basis to the existing Share holders during the year | 1,750.20 | | - |
| | | 3,502.88 | 1,752.68 |
| Paid up Capital : | | | |
| Equity Share Capital : | | | |
| 1,75,26,818 (1,75,26,818) Equity Shares of ₹ 10/- each | 1,752.68 | | 1,752.68 |
| Add : 1,75,01,961 (Nil) Equity Shares of ₹ 10/- each issued on Right Basis to the existing Share holders during the year | 1,750.20 | | - |
| | | 3,502.88 | 1,752.68 |
| Less : 24,857 (24,857) Equity Shares of ₹ 10/- each forfeited | | 2.49 | 2.49 |
| | | 3,500.39 | 1,750.19 |
| Add : Amount received on 24,857 (24,857) Equity Shares forfeited | | 0.78 | 0.78 |
| Total Paid up Share Capital | | 3,501.17 | 1,750.97 |
| SCHEDULE 2 : | | | |
| RESERVE | | | |
| General Reserve : | | | |
| Opening Balance | 12,795.84 | | 13,879.10 |
| Less : Debit Balance in Profit & Loss Account | - | | 1,083.26 |
| | | 12,795.84 | 12,795.84 |
| Share Premium | | | |
| Opening Balance | 9,027.64 | | 9,027.64 |
| Add : 1,75,01,961 Equity Shares of ₹ 10/- each issued on Right Basis to the existing Shareholders at a premium of ₹ 10/- per share during the year | 1,750.20 | | - |
| | | 10,777.84 | 9,027.64 |
| Capital Redemption Reserve | | 1,600.00 | 1,600.00 |
| Capital Reserve | | | |
| Central Subsidy | 15.00 | | 15.00 |
| Debentures forfeited | 0.02 | | 0.02 |
| | | 15.02 | 15.02 |
| Profit & Loss Account | | 529.56 | - |
| | | 25,718.26 | 23,438.50 |

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011 (Contd.)

| PARTICULARS | | As at 31-03-2011 | As at 31-03-2010 |
|---|------------------|---------------------|---------------------|
| SCHEDULE 3 : | ₹ in lacs | ₹ in lacs | ₹ in lacs |
| DEFERRED TAX | | | |
| Opening Balance | 827.38 | | 856.88 |
| Add : Provision during the year | - | | - |
| | | 827.38 | 856.88 |
| Less : Deferred Tax Assets | | 127.58 | 29.50 |
| | | 699.80 | 827.38 |
| SCHEDULE 4 : | | | |
| SECURED LOANS | | | |
| A. Rupee Loan : | | | |
| State Bank of India, Commercial Branch, Hubli | | 1,681.33 | 2,851.10 |
| Lakshmi Vilas Bank Ltd., Hubli | | 62.10 | 217.53 |
| Canara Bank, Prime Corporate Branch, B'lore | | 2,653.32 | 3,929.08 |
| Bank of Baroda, Hubli | | 609.63 | 1,416.14 |
| Indian Bank, Hubli | | 388.20 | 525.15 |
| B. Cash Credit : | | | |
| Canara Bank, Prime Corporate Branch, Bangalore | | 2,116.73 | 2,003.88 |
| Bank of Baroda, Hubli | | 932.76 | 1,045.19 |
| State Bank of India, Commercial Branch, Hubli | | 1,542.96 | 1,393.73 |
| Lakshmi Vilas Bank Ltd., Hubli | | 352.36 | 337.30 |
| Oriental Bank of Commerce, Bangalore | | 601.22 | - |
| HDFC Bank Ltd., Bangalore | | - | 595.85 |
| Axis Bank Ltd., Bangalore | | 2,473.21 | 2,450.19 |
| C. Other Secured Loans : | | | |
| ICICI Bank Ltd | | 8.57 | 11.15 |
| Axis Bank Ltd | | 1.92 | 5.46 |
| HDFC Bank Ltd (Formerly Centurian Bank of Punjab) | | - | 0.02 |
| Sundaram Finance Ltd | | 68.20 | 38.53 |
| HDFC Bank Ltd | | 15.11 | 60.89 |
| Sheba Properties Ltd | | - | 0.15 |
| Tata Finance Ltd | | 29.19 | 55.65 |
| Kotak Mahindra Ltd | | 2.00 | - |
| ICICI Bank Ltd - Housing Loan | | 111.68 | 114.45 |
| Life Insurance Corporation of India | | 147.71 | 101.00 |
| | | 13,798.20 | 17,152.44 |
| SCHEDULE 5 : | | | |
| UNSECURED LOANS | | | |
| Public Deposits | | 27.09 | 32.75 |
| IDBI Bank Ltd | | - | 20.91 |
| Bills Discounted | | 278.14 | 337.00 |
| | | 305.23 | 390.66 |

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011 (Contd.)**NOTES ON SECURED LOANS :**

1. The Term Loans from Banks namely Canara Bank, Bank of Baroda, State Bank of India, The Lakshmi Vilas Bank Ltd., and Indian Bank are secured by first charge created / to be created on the immovable / Fixed Assets of the Company, and by charge on 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.
2. The Cash Credit and other working capital facilities (including adhoc limits) from the consortium of Bankers namely, Canara Bank, Bank of Baroda, State Bank of India, The Lakshmi Vilas Bank Ltd., Oriental Bank of Commerce and Axis Bank are also 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.
3. Loans from ICICI Bank Ltd., Tata Finance Limited, Sundaram Finance Ltd., Sheba Properties Ltd., and HDFC Bank Ltd., for specific assets are secured against hypothecation of specific items of assets financed for. Loan from Life Insurance Corporation of India is against pledge of Key-Man Policy.
4. The term loans availed from State Bank of India and Canara Bank, for specific assets financed for are secured by way of first charge on such specific assets and a charge on all movable assets subject to charges created / to be created in favour of other Banks / Financial Institutions for Working Capital / Term Loan requirements in the ordinary course of business.
5. All the secured and unsecured loans other than Public Deposits have been further secured by way of Personal Guarantees by Promoter Directors of the Company to the extent applicable.

| SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011 (Contd.) | | | | | | | | | | |
|---|--------------------|-------------------|-------------------|---------------------------|------------------|----------------------|-------------------|------------------|------------------|--------------------|
| SCHEDULE 6 : SCHEDULE OF FIXED ASSETS | | | | | | | | | | (₹ in lacs) |
| NAME OF THE ASSET | GROSS BLOCK | | | DEPRECIATION BLOCK | | | | NET BLOCK | | |
| | As on 01-4-2010 | Additions 2010-11 | Deletions 2010-11 | As on 31-3-2011 | up to 31-3-2010 | For the Year 2010-11 | Deletions 2010-11 | Up to 31-3-2011 | As at 31-3-2011 | As at 31-3-2010 |
| LAND | 231.01 | 28.34 | — | 259.35 | — | — | — | — | 259.35 | 231.01 |
| QUARRY LAND | 7.51 | — | — | 7.51 | — | — | — | — | 7.51 | 7.51 |
| BUILDING | 8,446.70 | 368.41 | — | 8,815.11 | 1,654.06 | 235.40 | — | 1,889.46 | 6,925.65 | 6,792.64 |
| PLANT & MACHINERY | 42,139.93 | 410.65 | — | 42,550.58 | 19,090.04 | 2,213.37 | — | 21,303.41 | 21,247.17 | 23,049.89 |
| FURNITURE & FIXTURES | 663.69 | 41.24 | — | 704.93 | 307.45 | 38.47 | — | 345.92 | 359.01 | 356.24 |
| MOTOR VEHICLES | 377.76 | 63.23 | 10.69 | 430.30 | 214.89 | 39.14 | 4.84 | 249.19 | 181.11 | 162.87 |
| COMPUTERS | 202.64 | 12.64 | 0.54 | 214.74 | 165.31 | 13.31 | 0.27 | 178.35 | 36.39 | 37.33 |
| T O T A L | 52,069.24 | 924.51 | 11.23 | 52,982.52 | 21,431.75 | 2,539.69 | 5.11 | 23,966.33 | 29,016.19 | 30,637.49 |
| NOTE : 1. No Depreciation has been provided on quarry land of Granite Division as the same is not ascertainable and will be provided at the end of the lease period. 2. Land has been allotted by KIADB on lease cum sale basis. | | | | | | | | | | |

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011 (Contd.)

| PARTICULARS | As at 31-03-2011 | As at 31-03-2010 |
|---|---------------------|---------------------|
| SCHEDULE 7 : | ₹ in lacs | ₹ in lacs |
| INVESTMENTS : (Non Trade, Unquoted - at Cost) | | |
| National Savings Certificate | 0.51 | 0.51 |
| Equity Shares : | | |
| Murudeshwar Decor Limited : 20,000 Equity Shares of ₹ 10/- each | 2.00 | 2.00 |
| Murudeshwar Power Corporation Ltd : | | |
| 14,89,400 Fully paid Unquoted Equity Shares of ₹ 10/- each | 297.88 | 297.88 |
| | 300.39 | 300.39 |
| SCHEDULE 8 : | | |
| INVENTORIES (as per Inventory taken and value certified by the Management) | | |
| Raw Materials (at cost) | 3,783.15 | 3,049.08 |
| Work-in-Progress (at cost) | 3,046.54 | 2,524.07 |
| Finished Goods (at lower of cost or net realisable value) | 5,518.43 | 4,694.89 |
| Stores (at cost) | 1,017.64 | 887.61 |
| Spares & Tools | 944.43 | 923.51 |
| | 14,310.19 | 12,079.16 |
| SCHEDULE 9 : | | |
| SUNDRY DEBTORS : (Unsecured considered good) | | |
| Debts outstanding for a period exceeding six months | 539.93 | 517.22 |
| Other Debts | 1,593.75 | 1,735.03 |
| | 2,133.68 | 2,252.25 |
| SCHEDULE 10 : | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 31.83 | 32.16 |
| Balance with Scheduled Banks : | | |
| Current Accounts | 216.68 | 240.54 |
| Fixed Deposits (₹ 285.03 lacs (₹ 152.07 lacs) held by Banks as margin money against Letters of Credit and Guarantees) | 295.55 | 197.42 |
| | 544.06 | 470.12 |
| SCHEDULE 11 : | | |
| LOANS AND ADVANCES : (Unsecured considered good) | | |
| Advances (recoverable in cash or in kind or for value to be received) | 446.45 | 483.55 |
| Deposits | 672.73 | 574.99 |
| Advance Payment of Tax | - | - |
| Tax Deducted at source | 62.93 | 25.17 |
| | 1,182.11 | 1,083.71 |
| SCHEDULE 12 : | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors for Expenses, Trade and Others | 3,173.93 | 2,919.33 |
| Advances received against Sales | 304.65 | 349.05 |
| Security Deposits from Dealers | 97.65 | 95.35 |
| Interest charges accrued but not due | 4.71 | 5.12 |
| | 3,580.94 | 3,368.85 |

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2011 (Contd.)

| PARTICULARS | As at 31-03-2011 | As at 31-03-2010 |
|---|---------------------|---------------------|
| SCHEDULE 13 : | ₹ in lacs | ₹ in lacs |
| PROVISIONS | | |
| Taxation | 109.00 | - |
| Proposed Dividend including tax thereon | - | - |
| | 109.00 | - |
| SCHEDULE 14 : | | |
| MISCELLANEOUS EXPENDITURE | | |
| Preliminary and Public Issue Expenses : | | |
| Opening Balance | - | 8.44 |
| Add : During the year | 56.84 | - |
| Less : Written off during the year | 11.37 | (8.44) |
| | 45.47 | - |

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

| PARTICULARS | For the year ended 31-03-2011 | For the year ended 31-03-2010 |
|-------------------------------------|----------------------------------|----------------------------------|
| SCHEDULE 15 : | ₹ in lacs | ₹ in lacs |
| OTHER INCOME | | |
| Dividend Received | 7.45 | 7.45 |
| Interest | 24.41 | 32.18 |
| Profit on sale of Asset | 0.03 | 0.12 |
| Miscellaneous Income | 32.14 | 16.21 |
| | 64.03 | 55.96 |
| SCHEDULE 16 : | | |
| INCREASE (DECREASE) IN STOCK | | |
| OPENING STOCK | | |
| Finished Goods | 4,694.89 | 3,991.86 |
| Work in process | 2,524.06 | 2,035.86 |
| | 7,218.95 | 6,027.72 |
| CLOSING STOCK | | |
| Finished Goods | 5,518.43 | 4,694.89 |
| Work in process | 3,046.53 | 2,524.07 |
| | 8,564.96 | 7,218.96 |
| Increase/(Decrease) | 1,346.01 | 1,191.24 |

| SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011 | | |
|---|--|--|
| PARTICULARS | For the year ended 31-03-2011 | For the year ended 31-03-2010 |
| SCHEDULE 17 : | ₹ in lacs | ₹ in lacs |
| SALARIES, WAGES & AMENITIES | | |
| Salaries and Wages | 999.49 | 967.62 |
| Staff and Labour Welfare | 375.31 | 300.21 |
| Company's Contribution to Funds | 74.34 | 59.14 |
| Bonus | 17.32 | 17.16 |
| Gratuity Fund Contribution | 20.25 | 12.85 |
| | 1,486.71 | 1,356.98 |
| SCHEDULE 18 : | | |
| REPAIRS & MAINTENANCE | | |
| Plant and Machinery | 448.12 | 316.29 |
| Buildings | 26.63 | 23.29 |
| Others | 197.13 | 234.90 |
| | 671.88 | 574.48 |
| SCHEDULE 19 : | | |
| ADMINISTRATION, SELLING & OTHER EXPENSES | | |
| Rent | 206.95 | 203.29 |
| Rates, Taxes and Licences | 71.52 | 65.36 |
| Insurance | 101.19 | 112.64 |
| Communication | 58.34 | 63.34 |
| Travelling Expenses | 325.95 | 294.46 |
| Audit Fees | 1.75 | 1.50 |
| Printing and Stationery | 30.59 | 29.05 |
| Consultancy and Professional Fees | 23.91 | 27.74 |
| Directors Sitting Fees | 1.20 | 1.20 |
| Advertisement and Publicity | 22.32 | 13.13 |
| Selling Expenses | 1,463.95 | 1,349.84 |
| Bank and Finance Charges | 149.04 | 149.30 |
| Export Expenses | 0.17 | 1.51 |
| Miscellaneous Expenses | 39.80 | 35.76 |
| Preliminary & Public Issue Expenses Written off | 11.37 | 8.44 |
| Donation | 0.17 | 0.70 |
| Loss on Sale of Assets | 0.48 | 23.02 |
| | 2,508.70 | 2,380.28 |
| SCHEDULE 20 : | | |
| INTEREST | | |
| On Fixed Loans | 918.38 | 1,289.38 |
| On Others | 1,215.74 | 1,156.92 |
| | 2,134.12 | 2,446.30 |

SCHEDULE 21 :

NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF BALANCE SHEET AS ON 31.03.2011 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011

1. Figures in parenthesis relate to the previous year.
2. Contingent Liabilities not provided for in respect of :
 - a) Estimated amount of contracts remaining to be executed on capital account and not provided for ₹ **33.60 lacs** (₹ 43.40 lacs)
 - b) Guarantees given by Banks on behalf of the Company ₹ **239.88 lacs** (₹ 81.22 lacs)
 - c) Letters of Credit established with Banks ₹ **1,794.43 lacs** (₹ 1,039.72 lacs)
3. Details of Raw Materials Consumed :

| Particulars | Unit of Measurement | CURRENT YEAR | | PREVIOUS YEAR | |
|--------------------------|---------------------|--------------|-------------------|---------------|-------------------|
| | | Quantity | Value (₹ in lacs) | Quantity | Value (₹ in lacs) |
| Clay | Tonnes | 151671.00 | 2,014.65 | 149876.89 | 1,942.55 |
| Glaze Material & Pigment | Tonnes | 4681.45 | 759.60 | 4846.36 | 747.90 |
| Packing Cartons / Box | Nos. | 4008375 | 245.34 | 4517476 | 291.11 |
| Natural Granite Blocks | Cub.Mtrs. | - | - | 448.66 | 54.60 |
| Others | - | - | 32.12 | - | 12.49 |
| | | | 3,051.71 | | 3,048.65 |

4. Additional information pursuant to Part II of Schedule VI to The Companies Act, 1956.

- a) Particulars of capacity and production in Metric Tonnes.

| Class of Goods | Annual Registered Capacity | | Annual Installed Capacity * | | Actual Production | |
|---|----------------------------|---------------|-----------------------------|---------------|-------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Ceramic Glazed & Unglazed Vitrified Tiles (Tonnes) | 2,76,300 | 2,76,300 | 2,22,300 | 2,22,300 | 1,21,765 | 1,02,426 |
| Polished Granite Slabs (Sq.Mtrs.) | 72,000 | 72,000 | 72,000 | 72,000 | - | 23,043 |
| *As certified by the Management and relied upon by the auditors being a technical matter. | | | | | | |

- b) Particulars in respect of Opening Stock, Sales and Closing Stock for class of goods dealt with by the Company.

| Class of Goods | Opening Stock | | Sales | | Closing Stock | |
|---|--------------------|------------------------|----------------------|--------------------------|--------------------|-------------------------|
| | Qty. | Value (₹ in lacs) | Qty. | Value (₹ in lacs) | Qty. | Value (₹ in lacs) |
| Ceramic Glazed & Unglazed Vitrified Tiles (Tonnes) | 31,899 (25,640) | 4,479.54 (3,900.33) | 1,21,429 (96,167) | 16,789.67 (13,637.01) | 32,235 (31,899) | 5,352.35 (4,479.54)* |
| Polished Granite Slabs (Sq.Mtrs.) | 10,546 (4,482) | 215.35 (92.00) | 2,413 (16,979) | 15.74 (202.31) | 8,134 (10,546) | 166.08 (215.35)* |
| Earth Work Receipts | | | | 1,751.35 (-) | | |
| (*Exclusive of Excise Duty element of ₹ 184.36 lacs on Finished Goods lying at factory in the previous year) | | | | | | |

SCHEDULE 21 : (Contd.)

- c) The Company has valued Finished Goods lying at the factory inclusive of excise duty amounting to ₹ 145.72 lacs as per Accounting Standard -2 issued by Institute of Chartered Accountants of India. The same was hitherto being valued exclusive of excise duty. This change in accounting policy has been adopted in order to comply with the Accounting Standard. However, such a change in the accounting policy does not impact the profits of the company during the year.

| | Current Year (₹ in lacs) | Previous Year (₹ in lacs) |
|---|-----------------------------|------------------------------|
| d) CIF Value of Imports | | |
| Capital Goods | 116.30 | 18.65 |
| Raw Materials | 1,018.40 | 138.71 |
| Spares and Consumables | 682.44 | 385.02 |
| e) Expenditure in Foreign Currency : | | |
| Travel | 7.67 | 4.45 |
| f) Earnings in Foreign Exchange : | | |
| FOB Value of Exports | - | - |

- g) Value of Imported and Indigenous Raw Materials consumed and the percentage of each to total consumption.

| | Current Year | | Previous Year | |
|------------|--------------|-----|---------------|-----|
| | ₹ in lacs | % | ₹ in lacs | % |
| Imported | 794.91 | 26 | 804.49 | 26 |
| Indigenous | 2,256.80 | 74 | 2,244.16 | 74 |
| | 3,051.71 | 100 | 3,048.65 | 100 |

(Includes Raw Material of Granite Division (Indigenous only))

5. A. Managerial remuneration paid to Managing Director & Joint Managing Director includes the following:

| | Current Year (₹ in lacs) | Previous Year (₹ in lacs) |
|--------------------------|--------------------------|---------------------------|
| Salary | 36.00 | 36.00 |
| Perquisites | 1.92 | 1.92 |
| Contribution to PF & SAF | 5.59 | 5.59 |

- B. Consultancy and Professional fees include payments to Auditors for :

| | Current Year (₹ in lacs) | Previous Year (₹ in lacs) |
|--------------|--------------------------|---------------------------|
| a) Tax Audit | 0.50 | 0.50 |
| b) Expenses | 1.50 | 1.45 |
| TOTAL | 2.00 | 1.95 |

6. The Company has provided Depreciation on its Fixed Assets at the Rates prescribed in Schedule XIV of The Companies Act, 1956 as amended on 16.12.1993.

SCHEDULE 21 : (Contd.)

7. The provision for Income Tax has been made based on Minimum Alternate Tax (MAT) U/s.115JB of The Income Tax Act, 1961. MAT credit U/s.115 JAA shall be carried forward and set off in the year in which the Company pays tax at normal rates.
8. a) Sundry Creditors include ₹ **98.69 lacs** (₹ 90.49 lacs) due to Small Scale and Ancillary Undertakings.
- b) List of Small Scale Industrial Undertakings to whom the Company owes a sum exceeding ₹ 1 lac, which is outstanding for more than 30 days :
01. Hari Belts & Conveyors Pvt. Ltd., Bangalore
 02. Hi-Tech Ceramics, Jaipur
 03. M S Traders, Namakkal
 04. N R Industries, Belgaum
 05. Ocean Ceratech Pvt. Ltd., Jaipur
 06. S B International, Coimbatore
 07. Shri Abirami Enterprises, Namakkal
 08. S.V.K.D. & U.M. Mica Mines, Nellore
 09. The Tellabodu Company (P) Ltd., Nellore
 10. Yesha Industries, Hubli.
9. Balances of sundry debtors, loans and advances and sundry creditors to the extent unconfirmed as on 31.3.2011 are subject to reconciliation and settlement wherever necessary. Sundry Debtors includes a sum of ₹ 94.10 lacs from Group Companies.
- a) M/s. Naveen Hotels Ltd., : ₹ 50.30 lacs
- b) M/s. R.N.S. Motors : ₹ 23.25 lacs
- c) M/s. R.N. Shetty Trust : ₹ 20.55 lacs
10. Deferred tax liability has been shown net of deferred tax asset. The Company has recognized Deferred tax asset of ₹ **127.58 lacs** (₹ 29.50 lacs) in respect of timing differences as per Accounting Standard-22 issued by Institute of Chartered Accountants of India.
- The Company has recognised Deferred tax asset on the unabsorbed depreciation losses carried forward as per the provisions of the Income Tax Act, 1961. The Management is confident that there will be sufficient profits in future to write off the Deferred tax assets. The future business projections made by the Management and its commitment to the same is the basis to support the recognition of Deferred tax assets.
11. Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's classification.
12. During the year ended 31st March, 2011, the Company had raised funds through a Right Issue of 1,75,01,961 equity shares at a par value of ₹ 10/- each, at a premium of ₹ 10/- per share, aggregating to ₹ 35,00,39,220/-. The proceeds of the issue have been utilized as under :

| | |
|---------------------------------------|----------------|
| Total Collection | ₹ 35,00,39,220 |
| Less : For repayment of various loans | ₹ 34,50,00,000 |
| | ₹ 50,39,220 |
| Less : For General Corporate purpose | ₹ 50,39,220 |
| BALANCE | ₹ 0 |

| 13. DISCLOSURE OF RELATED PARTIES AS REQUIRED BY ACCOUNTING STANDARD -18 ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA | | | | | | | |
|---|--|-------------------------------------|----------------|---------------------------|-------------------|--|----------------|
| (₹ In lacs) | | | | | | | |
| Sl. No. | Name of the Party | Transactions during the year | | O/s. balance as at | | Max. balance O/s. during the year | |
| | | 2010-11 | 2009-10 | 31-03-2011 | 31-03-2010 | 2010-11 | 2009-10 |
| 01. | MURDESHWAR POWER CORPORATION LTD., | | | | | | |
| | - Sale of Tiles | 1.33 | 1.09 | 2.42 | 1.09 | 2.42 | 1.09 |
| | - Purchase of Power | 263.03 | 459.73 | 202.35 | 417.03 | 263.03 | 468.35 |
| | - Earth Work Receipts | - | - | - | - | - | - |
| 02. | NAVEEN HOTELS LTD., | | | | | | |
| | - Sale of Tiles | 87.43 | 11.34 | 57.20 | 76.76 | 110.61 | 76.76 |
| | - Funds transferred - Receipt | - | 70.00 | 6.74 | 9.78 | 3.04 | 70.00 |
| | - Hotel Room Rentals | 1.52 | 0.80 | 23.73 | 22.21 | 1.52 | 22.21 |
| 03. | SHRI MURUDESHWAR TILES PVT. LTD., | | | | | | |
| | - Purchases / Services | - | 0.36 | - | 6.18 | 6.18 | 6.18 |
| 04. | RNS INFRASTRUCTURE LTD., | | | | | | |
| | - Sale of Tiles | 11.70 | 73.23 | - | 5.97 | 1,722.43 | 273.90 |
| | - Earth Work Receipts | 1,716.33 | - | - | - | - | 1,513.15 |
| | - Work Advance | 113.00 | 376.79 | 1.25 | 10.10 | - | 376.79 |
| 05. | RNS MOTORS LTD., | | | | | | |
| | - Sale of Tiles | 22.11 | 8.12 | 46.30 | 24.19 | 46.54 | 24.19 |
| | - Purchase of Assets & Services | 14.90 | 2.32 | 23.03 | 15.48 | 14.90 | 17.97 |
| 06. | NAVEEN STRUCTURALS & ENGG. CO. PVT. LTD., | | | | | | |
| | - Purchases / Services | - | 0.02 | - | 8.80 | 8.80 | 8.80 |
| 07. | R N SHETTY TRUST | | | | | | |
| | - Sale of Tiles | 58.67 | 13.91 | 33.64 | 43.01 | 127.69 | 42.98 |
| 08. | RNS TRUST | | | | | | |
| | - Purchases / Services | - | - | 13.09 | 13.09 | - | 13.09 |

| 14. SEGMENT REPORTING AS REQUIRED BY ACCOUNTING STANDARD - 17 ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA | | | | | | | | | | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|---------------------|---------------|--------------------|---------------|
| (₹ in lacs) | | | | | | | | | | |
| SEGMENT REPORTING Items | CERAMIC | | VITRIFIED | | GRANITE | | EARTH WORK & OTHERS | | CONSOLIDATED TOTAL | |
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| REVENUE | | | | | | | | | | |
| External Sales | 4,063.55 | 3,226.18 | 12,726.12 | 10,410.83 | 15.74 | 202.31 | 1,751.35 | - | 18,556.76 | 13,839.32 |
| Inter Segment Sales | - | - | - | - | - | - | - | - | - | - |
| Total Revenue | 4,063.55 | 3,226.18 | 12,726.12 | 10,410.83 | 15.74 | 202.31 | 1,751.35 | - | 18,556.76 | 13,839.32 |
| RESULT | 151.04 | 77.51 | 443.07 | (1,461.16) | (172.72) | (240.78) | 36.93 | - | 458.32 | (1,624.43) |
| Unallocated Expenses | - | - | - | - | - | - | - | - | 11.37 | 8.44 |
| Operating Profit | - | - | - | - | - | - | - | - | 446.95 | (1,632.87) |
| Other Income | - | - | - | - | - | - | - | - | 64.03 | 55.96 |
| Income Tax/Deferred Tax Assets | - | - | - | - | - | - | - | - | (18.58) | (46.14) |
| Profit from ordinary activities | - | - | - | - | - | - | - | - | 529.56 | (1,530.77) |
| Extra-ordinary Loss | - | - | - | - | - | - | - | - | - | - |
| Net Profit | - | - | - | - | - | - | - | - | 529.56 | (1,530.77) |
| Segment Assets | 8,559.28 | 8,121.71 | 35,911.45 | 35,667.08 | 1,914.96 | 2,182.00 | 876.17 | - | 47,261.86 | 45,970.79 |
| Unallocated Corporate Assets | - | - | - | - | - | - | - | - | - | 871.20 |
| Total Assets | 8,559.28 | 8,121.71 | 35,911.45 | 35,667.08 | 1,914.96 | 2,182.00 | 876.17 | - | 47,261.86 | 46,841.99 |
| Segment Liabilities | 3,872.51 | 4,281.36 | 13,627.83 | 16,361.24 | 15.00 | 269.71 | 337.96 | - | 17,853.30 | 20,912.31 |
| Unallocated Corporate Liabilities | - | - | - | - | - | - | - | - | - | 16.64 |
| Total Liabilities | 3,872.51 | 4,281.36 | 13,627.83 | 16,361.24 | 15.00 | 269.71 | 337.96 | - | 17,853.30 | 20,928.95 |
| Capital Expenditure | - | - | 160.28 | 72.71 | - | - | - | - | - | - |
| Depreciation | 589.91 | 589.91 | 1,534.47 | 1,764.89 | 111.47 | 111.54 | 303.84 | - | 2,539.69 | 2,466.34 |
| Non Cash expenditure other than depreciation | - | - | - | - | - | - | - | - | 11.37 | 8.44 |

SCHEDULE 22 :

1. Significant Accounting Policies :

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.

During the year the company has changed accounting policy with regard to valuation of finished stock lying in the factory to comply with the Accounting Standard AS-2 issued by the ICAI. Finished stock lying at the factory has been valued inclusive of excise duty during the year which has no impact on the profits of the company. This change in 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.

Signatures - Schedule 1 to 22

As per our report of even date annexed

For M.A.NARASIMHAN & CO.,

Chartered Accountants

ICAI FIRM REG NO:002347S

M.A. PARTHANARAYAN

Partner

Membership No:028994

Place : Hubli

Date : May 28, 2011

R.N.SHETTY

Chairman

SATISH R. SHETTY

Managing Director & CEO

SUNIL R. SHETTY

Director

NAVEEN R. SHETTY

Jt. Mg. Director

SADANAND V. NADIG

Director

K.SUNDAR NAIK

Director

S.S. HIREMATH

Director

LAKSHMISHA BABU S.

Company Secretary

N.M. HEGDE

Vice President (Finance) & CFO



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. State Code
Balance Sheet Date

II. Capital Raised during the year (Amount in ₹ Thousands)

Public Issue
Rights Issue
Bonus Issue
Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities Total Assets

Sources of Funds :

Paid-up Capital Reserves & Surplus
Secured Loans Unsecured Loans

Application of Funds :

Net Fixed Assets Investments
Net Current Assets Misc. Expenditure

IV. Performance of Company (Amount in ₹ Thousands)

Turnover Total Expenditure
Profit before Tax Profit after tax
Earning per Share in ₹ (Annualised) Dividend Rate %

V. Generic names of Three Principal Products of the Company (as per monetary terms)

Item Code No.

Product Description

As per our report of even date annexed
For **M.A.NARASIMHAN & CO.,**
Chartered Accountants
ICAI FIRM REG NO:002347S
M.A. PARTHANARAYAN
Partner
Membership No:028994
Place : Hubli
Date : May 28, 2011

R.N.SHETTY
Chairman

SATISH R. SHETTY
Managing Director & CEO

SUNIL R. SHETTY
Director

NAVEEN R. SHETTY
Jt. Mg. Director

SADANAND V. NADIG
Director

K.SUNDAR NAIK
Director

S.S. HIREMATH
Director

LAKSHMISHA BABU S.
Company Secretary

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

**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET
FOR THE PERIOD FROM APRIL 2010 to MARCH 2011**

(₹ in lacs)

| | 2010-2011 | 2009-2010 |
|--|-----------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before taxation, and extraordinary item | 511.28 | (1,576.90) |
| Adjustments for : | | |
| Depreciation | 2,539.69 | 2,466.24 |
| Interest expense | 2,134.12 | 2,446.30 |
| Loss on sale of Assets | 0.48 | 23.02 |
| Preliminary & Public Issue Expenses W/off | 11.37 | 8.44 |
| Profit on sale of Assets | (0.03) | (0.12) |
| Interest Income | (24.41) | (32.18) |
| Dividend income | (7.45) | (7.45) |
| Operating profit before working capital changes | 5,165.05 | 3,327.35 |
| Adjustments for : | | |
| Decrease / (Increase) in sundry debtors | 118.58 | 2,219.76 |
| Decrease / (increase) in inventories | (2,085.31) | (1,626.49) |
| Decrease / (Increase) in Loans & Advances | (47.87) | 240.35 |
| Increase / (Decrease) in current liabilities | 66.03 | 281.61 |
| Cash generated from operations | 3,216.48 | 4,442.58 |
| Income taxes paid | (37.76) | - |
| Cash flow before extraordinary item | 3,178.72 | 4,442.58 |
| Net cash from operating activities | 3,178.72 | 4,442.58 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (1,012.07) | (373.84) |
| Sale of fixed assets | 5.67 | 10.26 |
| Interest received | 24.41 | 32.18 |
| Dividend received | 7.45 | 7.45 |
| Sale of Investment | - | 0.15 |
| Net cash flow from investing activity | (974.54) | (323.80) |



**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET
FOR THE PERIOD FROM APRIL 2010 to MARCH 2011 (Contd.)**

(₹ in lacs)

| | 2010-2011 | 2009-2010 |
|---|-------------------|-------------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Secured loans repaid | (3,354.24) | (1,162.89) |
| Unsecured loans repaid | (85.43) | (370.90) |
| Proceeds from issue of Share Capital | 3,500.39 | - |
| Expenses for issue of Share Capital | (56.84) | - |
| Dividend Expenses | - | (92.56) |
| Interest expense | (2,134.12) | (2,446.30) |
| Net Cash used in financing activities | (2,130.24) | (4,072.65) |
| Net Increase in cash and cash equivalent | 73.94 | 46.13 |
| Cash and Cash equivalents as at 01.04.2010 | 470.12 | 423.99 |
| Cash and Cash equivalents as at 31.03.2011 | 544.06 | 470.12 |

**NOTES TO THE CASH FLOW STATEMENT
CASH AND CASH EQUIVALENT :**

Cash and cash equivalent 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.

| | 2010-11 | 2009-10 |
|---|---------|---------|
| Cash on hand and balances with Banks | 544.06 | 470.12 |
| Short term investments | | |
| Cash and cash equivalents effect of changes in Exchange rates | | |
| Cash and cash equivalents as restated | 544.06 | 470.12 |

By Order of the Board

For Murudeshwar Ceramics Limited

R.N.SHETTY

Chairman

SATISH R. SHETTY

Managing Director & CEO

SUNIL R. SHETTY

Director

NAVEEN R. SHETTY

Jt. Mg. Director

SADANAND V. NADIG

Director

K.SUNDAR NAIK

Director

S.S. HIREMATH

Director

Place : Hubli

Date : May 28, 2011

LAKSHMISHA BABU S.

Company Secretary

N.M. HEGDE

Vice President (Finance) & CFO

CERTIFICATE

We have examined the above Cash Flow Statement of Murudeshwar Ceramics Ltd., for the year ended 31.03.2011 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 31.03.2011.

Place : Hubli

Date : May 28, 2011

For M.A.NARASIMHAN & CO.,

Chartered Accountants

ICAI FIRM REG NO:002347S

M.A. PARTHANARAYAN

Partner

Membership No:028994

NOTES