

MCL: SEC: 2018-19

OCTOBER 03, 2018

To,
National Stock Exchange of India Limited,
Exchange Plaza,
BandraKurla Complex, Bandra (East),
MUMBAI 400 051,
Stock Code: MURUDCERA.EQ

To,
Bombay Stock Exchange Limited,
Floor 25, P J Towers,
Dalal Street,
MUMBAI 400 001,
Stock Code: 515037

Dear Sir/ Madam,

Sub.: Annual Report for the Financial Year 2017-18 of the Company.

This is With reference to the above captioned subject, we hereby have enclosed the Annual Report for the Financial Year ended 31st March, 2018 which has been considered and adopted by the members at the 35th Annual General Meeting of the Company held on 28th September, 2018 at 4:00 P.M. at R N Shetty Kalyan Mantap, Near Indira Glass House, Hubballi -580029, Karnataka.

You are requested to take the above in your records and oblige the same.

Thanking you.

Yours faithfully.

For MURUDESHWAR CERAMICS LIMITED


ASHOK KUMAR

CS & COMPLIANCE OFFICER



Encl.: As Above

BOARD OF DIRECTORS

Dr. R N SHETTY

Chairman

Dr. S.S. HIEMATH

Shri ANNAPPAYYA K

Shri SANKAPPA K SHETTY

Smt. SARVANI ALVA

Shri SUNIL R SHETTY

Shri NAVEEN R SHETTY

Shri SATISH R SHETTY

Managing Director & C.E.O.

Company Secretary & Compliance Officer

Shri ASHOK KUMAR

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

Shri N M HEGDE

Auditors

M/s. K A RAGHUPATHY & CO.

Chartered Accountants
Bengaluru

Bankers

CANARA BANK

STATE BANK OF INDIA

BANK OF BARODA

THE LAKSHMI VILAS BANK LTD

AXIS BANK LTD

ORIENTAL BANK OF COMMERCE

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Registered Office

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

Plant

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

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

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

Sy. No. 139, 141/1
Huildore Village, Bukkapatna Hobli
Tal : Sira, Dist : Tumkur
Pin Code : 572 137

NOTICE

To,
The Members, Murudeshwar Ceramics Limited

NOTICE is hereby given that the 35th (Thirty Fifth) Annual General Meeting of the Members of Murudeshwar Ceramics Limited will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli – 580 029 on Friday 28th day of September, 2018 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, 2018 and the Profit and Loss Account for the year ended on the said date and the Cash Flow Statement together with Directors' Report, Auditors' Report and notes thereon.
2. To appoint a Director in place of Shri Sunil Rama Shetty (DIN 00037572), who retires by rotation and being eligible, offers himself for reappointment.
3. To ratify the appointment of M/s. K.A. Raghupathy & Co., (Firm Registration No.011573S) Chartered Accountants, Bengaluru, as the Statutory Auditors of the Company.

To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof), pursuant to the recommendations of the Audit Committee of the Board of Directors and pursuant to the resolution passed by the members at the AGM held on 22nd September, 2017, the appointment of M/s. K.A. Raghupathy & Co., (Firm Registration No.011573S) having office at No. 81, "SRI GURUKRUPA", 2nd Main, 3rd A Cross, Nanjappa Layout, Vidyanarayapura, Bengaluru – 560 097, as the Statutory Auditors of the Company to hold office till the conclusion of the next AGM be and is hereby ratified and that the Board of Directors be and is hereby authorised to fix the remuneration payable to them for the financial year ending March 31st 2019, as may be determined by the Audit Committee in consultation with the Auditors."

SPECIAL BUSINESS

4. **To Regularisation of Additional Director, Mr. Karan Satish Shetty, by appointing him as Director (Executive Director) of the Company :**

To consider and if thought fit, to pass with or without modification(s), the following Resolution as Ordinary Resolution(s):

"RESOLVED THAT pursuant to the provisions of Section 149, 152, 160 and all other applicable provisions of the Companies Act, 2013 ("Act"), Articles of Association of the Company and other applicable laws, Mr. Karan Satish Shetty (DIN: 0008168200), who was appointed as an Additional Director on the Board of Directors ('Board') of the Company with effect from 10th August, 2018, in terms of Section 161 (1) of the Companies Act, 2013 and who holds office upto the date of this Annual General Meeting, be and is hereby appointed as a Director (Executive) of the Company whose period of office shall not be liable to retirement by rotation.

"RESOLVED FURTHER THAT Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give complete effect to this resolution."

5. **To appoint and fix remuneration of Mr. Karan Satish Shetty (DIN: 0008168200) as the Whole Time Director of the Company:**

"RESOLVED FURTHER THAT in accordance with the provisions of Sections 196, 197, 198 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of members be and is hereby accorded to the appointment of Mr. Karan Satish Shetty (DIN: 0008168200), as the Whole Time Director of the Company with effect from 10th August, 2018 for a period of five years, at a remuneration and on the terms and conditions of appointment as contained in the explanatory statement to this resolution, with authority to the Board of Directors and the Nomination and Remuneration Committee to alter and vary the remuneration as it may deem fit, within the limits specified in Section 197 read with Schedule V of the Companies Act, 2013."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give complete effect to this resolution."

Place : Bengaluru
Date : August 10, 2018

By Order of the Board
For Murudeshwar Ceramics Limited
ASHOK KUMAR
Company Secretary

NOTICE (Contd.)**NOTE:**

- (1) Any Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on behalf of such member at such meeting and such a proxy need not be a member. Proxy in order to be effective must be received at the Company's Regd. Office not less than 48 hours before the meeting.
- (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 propose 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 Saturday, September 22, 2018 to Friday, September 28, 2018 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2017-18 are requested to send their specific request addressed to the Company Secretary at the Registered Office of the Company at least seven days before the Annual General Meeting.
- (7) Members are requested to bring their copies of Annual Reports to the meeting and also to handover their attendance slips signed by the members/valid proxies at the entrance of the meeting hall.
- (8) Please also refer "General Information to Shareholders" in the annexure to Corporate Governance Report forming part of this Annual Report.
- (9) In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all resolutions set forth in this Notice.
- (10) Please refer last page of Annual Report for AGM Location Map.

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

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

NOTICE (Contd.)

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

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

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

C. Other Instructions:

- (a) The e-voting period commences on September 25, 2018 (9.00 a.m. IST) and ends on September 27, 2018 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on September 21, 2018 (Cutoff date {record date}) may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
- (b) A member may participate in the AGM even after exercising his right to vote through remote e-voting but all not be allowed to vote again in the AGM.
- (c) The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on September 21, 2018 (Cutoff date {record date}).
- (d) Mr. Sunil J. Shah, Practicing Company Secretary (Membership No. ACS: 8717), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (e) The Scrutinizer shall after the conclusion of voting at the General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witness not in employment of the company and shall not make later than three days of the conclusion of AGM, a consolidated scrutinizer report of the total votes cast in favour or against if any to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- (f) The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.naveentiles.co.in and on the website of NSDL immediately after the declaration of the results by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to Stock exchanges.

NOTICE (Contd.)

Explanatory statement UNDER SECTION 102(1) OF THE COMPANIES ACT, 2013 :

ITEM No.4 : To Regularisation of Additional Director, Mr. Karan Satish Shetty, by appointing him as Director (Executive) of the Company:

- i) Mr. Karan Satish Shetty (DIN : 0008168200), on the recommendation of the Nomination and Remuneration Committee was appointed as an Additional Director with effect from August 10, 2018 by the Board in accordance with the Article 19 of the Articles of Association of the company and Section 161 of the Companies Act 2013 ("the Act"). As per Section 161 of the Act, Mr. Karan Satish Shetty holds office up to the date of the ensuing AGM. Mr. Karan Satish Shetty has consented to the proposed appointment and declared qualified. Mr. Karan Satish Shetty will be entitled for remuneration as per the company policy for executive directors. Mr. Karan Satish Shetty possesses requisite knowledge, experience and skill for the position of Executive Director.

Except Mr. Karan Satish Shetty and Mr. Satish Rama Shetty, no other Director, Key Managerial Personnel of the Company and their relatives thereof are interested or concerned financial or otherwise in the proposed resolution.

The Board of Directors recommend passing of the resolution set out in Item No. 4 of this Notice.

Brief profile of Mr. Karan Satish Shetty

DIN	0008168200
Date of Birth	May 12, 1993
Age	25 Years
Date of first appointment on the Board	10th August, 2018
Qualifications	Bachelors in Mechanical Engineering from P.E.S. Institute of Technology, Bangalore and Masters in International Management Studies from the University of Texas at Dallas
Expertise in specific functional areas	Management and Administration function
Details of remuneration last drawn	NIL
Directorships in other Public Limited Companies (excluding foreign companies, private companies & Section 8 companies)	NIL
Membership of Committees/ Chairmanship in other Public Limited Companies	NIL
No. of Board meetings attended during the year	NIL
No. of shares held: (a) Own (b) For other persons on a beneficial basis	9800 Equity Shares

ITEM No. 5 : To appoint and fix remuneration of Mr. Karan Satish Shetty (DIN: 0008168200) as the Whole Time Director of the Company and Terms and Conditions of appointment:

- i) The Board is of the view that the appointment of Mr. Karan Satish Shetty on the Company's Board as the Whole Time Director is desirable and would be beneficial to the Company and hence it recommends the said Resolution No. 5 for approval by the members of the Company.
- ii) Mr. Karan Satish Shetty was appointed Additional Director (Executive) at the meeting of the Board held on August 10, 2018. The tenure of his appointment is for the period of five years.

The terms of appointment and remuneration for Mr. Karan Satish Shetty, as determined by the Nomination & Remuneration Committee of the Board and approved by the Board of Directors at the Board Meeting held on August 10, 2018 as set out below.

NOTICE (Contd.)

- iii) The Whole Time Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and / or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the Boards of such associated companies and / or subsidiaries or any other Executive Body or any Committee of such a company.
- iv) The Whole Time Director undertakes to employ the best of his skill and ability to make his utmost endeavors to promote the interests and welfare of the Company and to conform to and comply with the directions and regulations of the Company and all such orders and directions as may be given to him from time to time by the Board.

v) Remuneration:

- a. Consolidated Salary : ₹2,00,000/- (Rupees Two Lakhs only) per month;
- b. One month basic salary per annum towards Medical Reimbursement;
- vi) None of the Directors/Key Managerial Personnel of the Company/their relatives, except Shri Satish Rama Shetty and Mr. Karan Satish Shetty himself, is in any way concerned or interested, in the said resolution. The Board recommends the said resolution to be passed as an ordinary resolution.

In pursuance to Schedule V, Part II, Section II Part (B), proviso (iv), a Statement containing following information is reproduced:

I. General Information :

(1) Nature of the Industry:

Murudeshwar Ceramics Limited (MCL) is engaged in the business of manufacture and sale of a wide range of Ceramic and Vitrified tiles.

(2) Incorporation Details

The Company was incorporated pursuant to a Certificate of Incorporation dated June 29, 1983 (bearing Registration No. 5401 and Corporate Identification Number L26914KA1983PLC005401 issued by Registrar of Companies, Karnataka, as a Public Limited Company under the provisions of the Companies Act, 1956, as amended under the name Murudeshwar Ceramics Limited. The Company commenced its business pursuant to a Certificate of the Commencement of Business dated July 19, 1983 issued by the Registrar of Companies, Karnataka. The name of the Company was changed to Murudeshwar Ceramics Limited pursuant to a Fresh Certificate of Incorporation Consequent to Change of Name dated December 2, 1987.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable

(4) Financial Performance

The financial performance (standalone) of the company for the past 3 years is given below : (₹ in lakhs)

Particulars	2017-18	2016-17	2015-16
Turnover	11,938.86	10,524.53	11,502.23
Profit /(Loss) Before Tax	510.09	246.56	169.28
Profit /(Loss) After Tax	508.96	135.00	157.03
Dividend (%)	Nil	Nil	Nil

(5) Foreign Investment or collaborations, if any : Not Applicable

Place : Bengaluru
Date : August 10, 2018

By Order of the Board
For Murudeshwar Ceramics Limited
ASHOK KUMAR
Company Secretary

DIRECTORS' REPORT

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

Your Directors have pleasure in presenting their 35th (Thirty Fifth) Annual Report on the business and operations of the Company and the accounts for the financial year ended March 31, 2018.

FINANCIAL SUMMARY OR HIGHLIGHTS / PERFORMANCE OF THE COMPANY

The Board's Report shall be prepared based on the standalone financial statements of the company.

	(₹ In lakhs)	
Particulars	2018	2017
Sales Income	11,938.86	10,524.53
Other Income	123.26	94.16
Total Income	12,062.12	10,618.69
Operational Expenditure	9,295.92	8,189.37
Increase/(Decrease) in stock	(517.57)	(295.44)
Finance Costs	1,871.00	1,685.30
Depreciation and amortization Expenses	902.68	792.90
Total Expenditure	11,552.03	10,372.13
Profit / (Loss) for the year	510.09	246.56
Tax Expense :		
Current Tax	107.51	66.25
Prior period Tax	-	-
Deferred Tax	9.37	114.86
Less MAT Credit Entitlement	(99.00)	(66.25)
Total Tax Expenses	17.88	114.86
Profit / (Loss) after tax	492.21	131.70
Other Comprehensive Income :		
a. Items that will not be reclassified to profit or loss	24.24	4.78
b. Income Tax relating to items that will not be reclassified to Profit or loss	(7.49)	(1.48)
Profit available for appropriation	508.96	135.00

OPERATIONAL PERFORMANCE

During the year under report the Company has produced 17,48,706 Sq.mtrs., of Vitrified tiles and has not produced any Ceramic tiles. Whereas compared to previous year production of Vitrified tiles is increased by 11.42% The sales income from Vitrified tiles has increased by 9.84% at ₹7,189.91 lakhs compared to ₹6,546.01 lacs of the previous year. Sales income from Ceramic tile segment including Gujarat Wall tiles segment has decreased by 26.44% at ₹500.29 lakhs compared to ₹680.12 lakhs of the previous year. The Granite division did not produce any slabs during the year due to non-availability of quality blocks.

In spite of the above increase and decrease in sales of the products, the Company has managed to earn a profit of ₹508.96 lakhs (Previous year ₹135.00 lakhs) which leads to an increase of 277% as compared to previous year 2016-17.

DIVIDEND

Despite of good profit, your Directors intent to reduce the finance cost as early as possible. Your Directors have decided to skip the dividend for the financial year 2017-18. Your directors are working towards achieving higher results during the forth coming years.

DIRECTORS' REPORT (Contd.)

BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING THE YEAR / STATE OF COMPANY'S AFFAIR PROSPECTS

During the year under review, there are no any material changes and commitments affecting the financial position of the Company and also no change in the nature of business of the Company. Rising awareness towards personal hygiene along with massive schemes launched by the Government of India, the industry is expecting a positive growth in the near future. India's domestic consumer market, increase in working-age population and urbanization is envisaged to augur well for the aesthetically and technically superior high-end Ceramic tiles in the urban segment than in the past. All the Vitrified and Ceramic Tiles are value-added products in the urban areas. There is increasing penetration of Ceramic tile as a preferred option in rural areas. Our Company has started producing the Vitrified tiles of double and multi charge tiles in its new unit and our Karaikal unit is functioning with improved gas allocation. The new unit at Sira Taluk, Tumkur District may fetch better market for quality products. The Company is expecting a better growth in the near future.

MARKETING STRATEGY

The Company continues the strategy of both project and retail marketing. The company is continuously penetrating new markets and developing new products. The company primarily focuses on local market where it can gain and the company has opened various showrooms. The Showroom sales is yielding satisfactory return in major urban and rural areas. The places where showrooms are not feasible the Company has expanded the dealership network. Depots located at various parts of the Country are providing quick services to the customers. The Company is focusing on Brand building according advertisements are given on regular basis to increase the sales. The incentive based payment to the marketing staff are fetching better returns to the company. Advertisements in newspapers and on hoardings are given on regular basis. Your Directors are hopeful of achieving better results in the year 2018-19.

RESEARCH AND DEVELOPMENT

Active team of ceramist to challenge customer demand & device cost effective input recipe solutions, The R & D wing of the Company is always trying to give new look and design of company's products and has successfully developed new varieties of tiles with improved body matrix, quality and cost effective product range. Efforts to upgrade variety, body matrix, shades and designs to suit market sentiments is being consistently pursued. R&D wing is also exploring ways and means to improve operating efficiency.

DETAILS OF SUBSIDIARY / JOINT VENTURES / ASSOCIATE COMPANIES

The Company does not have any Subsidiary Joint ventures and associate Companies

RESERVES

The net movement in the major reserves of the Company for FY18 and the previous year are as follows :

Particulars	(₹ In lakhs)	
	FY18	FY17
Capital Reserve	15.02	15.02
Capital Redemption reserve	1,600.00	1,600.00
Securities premium account	12,194.23	11,676.73
General Reserve	12,795.85	12,795.85
Profit and Loss Account	2,457.11	2,052.51

CHANGE IN THE NATURE OF BUSINESS, IF ANY

No Change in the nature of the business of the Company done during the year.

RISK MANAGEMENT

A statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

DIRECTORS' REPORT (Contd.)**DIRECTORS AND KEY MANAGERIAL PERSONNEL**

In terms of Section 149 of the Companies Act, 2013 the Members, at their meeting held on 27th September 2014, appointed the following as Independent Directors of the Company :

- Dr. S S Hiremath
- Shri Annappayya K
- Shri Sankappa Keremane Shetty
- Smt Sarvani Alva

In terms of Section 203 of the said Act, the following were designated as Key Managerial Personnel of your Company by the Board :

- Shri Satish Rama Shetty, Managing Director
- Shri N M Hegde, Chief Financial Officer
- Shri Lakshmisha Babu S, Company Secretary

The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the Act and SEBI (LODR) Regulation 2015.

EVALUATION OF THE BOARD'S PERFORMANCE

Your Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which include criteria for performance evaluation of the Non-Executive Directors and Executive Director. Pursuant to the provisions of Companies Act, 2013 and Regulation 25 of the Listing Regulations, the Board and the Nomination and Remuneration Committee have carried out annual performance evaluation of its own performance, the directors individually as well the evaluation of the working of its Audit, Nomination & Remuneration and Stakeholder Committee. Each Board member completed a questionnaire providing feedback on the functioning and overall engagement of the Board and its committees on various parameters such as the composition, execution of specific duties, quality, quantity and timelines of flow of information, deliberations at the meeting etc., Besides this, one meeting of the individual directors with the Chairman of the Board was also conducted as a part of self-appraisal and peer group evaluation. The Directors were also asked to provide their valuable feedback and suggestions about the overall functioning of the Board and its committees. In a separate meeting of independent Directors, performance of non-independent Directors and the board as a whole was evaluated. Performance evaluation of Independent Directors was done by the entire Board, excluding the independent Director being evaluated.

PARTICULARS OF EMPLOYEES AND REMUNERATION

The information required under Section 197(12) of the Act read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended hereto and forms part of this Report as Annexure-1. The information required under Rule 5 (2) and (3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in the Annexure forming part of this Report. None of the Company's employees were covered by the disclosure requirement. In terms of the first proviso to Section 136 of the Act, the Report and Accounts are being sent to the members excluding the aforesaid Annexure. Any member interested in obtaining the same may write to the Company Secretary at the Registered Office of the Company. None of the employees listed in the said Annexure is related to any Director of the Company.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

Five Board Meetings were held during the year. For further details, please refer Report on Corporate Governance.

COMMITTEES OF THE BOARD

The Committees of the Board focus on certain specific areas and make informed decisions in line with the delegated authority. The following substantive Committees constituted by the Board function according to their respective roles and defined scope:

- Audit Committee of Directors
- Nomination and Remuneration Committee
- Stakeholders Grievance Committee
- Executive Committee of the Board

DIRECTORS' REPORT (Contd.)

Details of composition, terms of reference and number of meetings held for respective committees are given in the Report on Corporate Governance.

The familiarization programs for Independent Directors were conducted by the Practicing Chartered Accountant Mr. B.C.Shetty and other Company's professionals during the year.

The Board has laid down separate Code of Conduct for Non-Executive Directors and Senior Management personnel of the Company and the same are posted on the Company's website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. The Managing Director has also confirmed and certified the same. The certification is enclosed at the end of the Report on Corporate Governance.

THE DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO ARE AS FOLLOWS :

The information required to be furnished pursuant to Section 134(3) (m) of the Companies Act, 2013, is appended hereto and forms part of this Report as Annexure-2.

REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

In terms of the provisions of Section 178(3) of the Companies Act, 2013 and SEBI (LODR) Regulation 2015, the Nomination and Remuneration Committee (NRC) is responsible for formulating the criteria for determining qualification, positive attributes and independence of a Director. The NRC is also responsible for recommending to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees.

In line with this requirement, the Board has adopted the Policy on Board Diversity and Remuneration Policy for Directors, Key Managerial Personnel and other employees of the Company. The copy of policy's are available on the company website www.naveentiles.co.in

RELATED PARTY TRANSACTIONS

All related party transactions, that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. The Company present a statement of all related party transactions before the Audit Committee. Prior approval of the Audit Committee is obtained for the transactions which are of foreseen and repetitive nature. Further, there are no significant related party transactions during the year under review made by the Company with promoters, Directors, Key Managerial Personnel or designated persons which may have a potential conflict with the interest of the Company at a large. The details of which is given as AOC-2 in Annexure-3.

DEPOSITS

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

LOANS, SECURITIES OR INVESTMENTS

During the year under report the Company has not provided any Loans, guarantees and securities under Section 186 of the Companies Act, 2013. The details of investments are provided in the schedules to the financial statements.

EXTRACT OF THE ANNUAL RETURN

Pursuant to Section 92 of the Companies Act, 2013 and Rule 12 of The Companies (Management and Administration) Rules, 2014, the extract of Annual Return in Form MGT-9, is appended hereto and forms part of this Report as Annexure-4.

STATUTORY AUDITORS

The present auditors M/s. K. A. Raghupathy & Co., Chartered Accountants (ICAI Registration No.011573S), No. 81, "SRI GURUKRUPA", 2nd Main, 3rd A Cross, Nanjappa Layout, Vidyananyapura, Bengaluru – 560 097, is holding office as the Statutory Auditors of the Company.

DIRECTORS' REPORT (Contd.)**AUDITOR'S REPORT**

No qualification, adverse remarks or disclaimer have been made by the Statutory Auditors with regard to the financial statements for the financial year 2017-18. The Statutory Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Companies Act, 2013.

INDIAN ACCOUNTING STANDARDS

Pursuant to the notification, issued by the Ministry of Corporate Affairs dated February 16, 2015 relating to the Companies (Indian Accounting Standard) Rules, 2015, your Company has adopted "Ind AS" with effect from April 01, 2017. The implementation of Ind AS is a major change process for which the Company had dedicated considerable resources. The impact of the Change on adoption of Ind AS has been assessed and the Company has adopted Ind AS from the financial year 2017-18.

SECRETARIAL AUDIT REPORT

Pursuant to the Provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Hemanth & Co., Practicing Company Secretaries to undertake the secretarial audit of the Company. The Secretarial Audit Report is appended hereto and forms part of this Report as Annexure-5.

CORPORATE GOVERNANCE

Pursuant to relevant regulations of SEBI (LODR) Regulations 2015 and relevant sections of the Companies Act, 2013, a Management Discussion and Analysis Statement, Report on Corporate Governance and Auditors' Certificate are included in the Annual Report. The Compliance certificate from the auditors regarding compliance of conditions of Corporate Governance as stipulated in SEBI (LODR) Regulation, 2015 from the period 01.04.2017 to 31.03.2018 is annexed with the report.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. In line with the Code of Conduct, any actual or potential violation, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the employees in pointing out such violations cannot be undermined. Pursuant to Section 177(9) of the Companies Act, 2013, a vigil mechanism was established for directors and employees to report to the management instances of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy. The Vigil Mechanism provides a mechanism for employees of the Company to approach the Chairman of the Audit Committee of the Company.

DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROL

Pursuant to Sec.134 (5)(c) your Company has proper and adequate system of internal controls. All transactions are authorized, recorded and reported correctly. In addition there are operational controls and fraud risk controls, covering the entire spectrum of internal financial control. The ERP system which the company has implemented has helped in further strengthening the Internal Financial Control.

FAMILIRISATION PROGRAM

With a view to familiarize the Independent Directors with the company's operations, as required under listing regulation 25(7) the company has held various programmes ongoing basis which inter alia includes various presentation by practicing professionals, business heads and KMPs of the Company.