

BOARD OF DIRECTORS

Dr. R N SHETTY

Chairman

Shri K P SURENDRANATH

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

Vice President (Legal),
Company Secretary & Compliance Officer

Shri P A RAVISH

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.,
HDFC BANK LTD.,

I N D E X

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Registered Office

Murudeshwar Bhavan
Gokul Road
HUBLI - 580 030
Ph : (0836-2331615-18)
Fax : (0836-4252583)

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

N OTICE

To ,

The Members**Murudeshwar Ceramics Limited**

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Members of the Company will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli 580 029 on Saturday the June 19, 2010 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, 2010 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. Sadanand V Nadig, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sunil 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 resolutions as Ordinary Resolutions :**

RESOLVED that pursuant to provisions of Section 16, 94 and other applicable provisions of The Companies Act, 1956 the present Authorised Share Capital of the Company of Rs.71,62,00,000/- (Rupees Seventy one crores and sixty two lakhs only) divided into 2,40,00,000 Equity Shares of Rs.10/- each, 16,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each and 25,50,000 Cumulative Convertible Preference Shares of Rs.124/- each, be and are hereby consolidated, reorganized/reclassified into 5,56,20,000 (Five crores fifty six lakh and twenty thousand) equity shares of Rs.10/- each amounting to Rs.55,62,00,000/- (Rupees Fifty five crores sixty two lakhs only) and 16,00,000 (Sixteen lakhs) Redeemable Cumulative Preference Shares of Rs.100/- each amounting to Rs.16,00,00,000/- (Rupees Sixteen Crores only) ;

RESOLVED FURTHER that consequent upon aforesaid decision to consolidate, reorganize/reclassify the Authorised Share Capital, approval be and is hereby accorded for amendment of Memorandum of Association of the Company by alteration of Clause V of the Memorandum of Association which shall hence forth be read as hereunder :

"V. The Authorised Share Capital of the Company is Rs.71,62,00,000/- (Rupees Seventy one crores and Sixty two lakhs only) divided into 5,56,20,000 (Five crores fifty six lakhs and twenty thousand) Equity shares of Rs.10/- (Rupees Ten only) each amounting to Rs.55,62,00,000/- (Rupees Fifty five crores and sixty two lakhs only) and 16,00,000 (Sixteen lakhs) Redeemable Cumulative Preference Shares of Rs.100/- (Rupees One hundred only) each amounting to Rs.16,00,00,000/- (Rupees Sixteen crores only) and the Board of Directors is authorised to convert all or any part of the said Equity share Capital into Preference Share capital and/or to convert all or any part of the said Preference Share capital into Equity share capital, subject to compliance with provisions of law and/or any regulations as may be applicable from time to time for such conversion."

6. **To consider and if thought fit to pass with or without modification/s the following resolutions as Special Resolutions :**

"RESOLVED THAT subject to provisions of Section 81(1A) of the Companies Act, 1956 (including any amendments to or re-enactment thereof) and other applicable provisions, if any, and in accordance with the provisions of the Memorandum and Articles of Association of the Company and applicable regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), and subject to such approvals, consents, permissions and sanctions as may be necessary from SEBI, the stock exchanges, the Reserve Bank of India ("RBI") and all other appropriate statutory, governmental and other authorities and departments in this regard and subject to such conditions and modifications as may be prescribed by respective statutory, governmental and other authorities and departments while granting such approvals, sanctions, consents and permissions, the Board of Directors of the Company



N OTICE (Contd.)

("Board") be and is hereby authorised to issue equity shares of value not exceeding Rs.75,00,00,000/- (Rupees Seventy five crores only) including share premium amount in accordance with regulations prescribed by SEBI to individuals, companies, banks, financial institutions, employees, QIBs, NRIs, FIIs and other persons, whether resident in India or otherwise and whether they are members or promoters of the Company or otherwise through a Rights Issue and / or any other route and / or means, as may be decided by the Board of Directors in consultation with its merchant bankers.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized in its discretion to accept such conditions and modifications as may be prescribed by SEBI, RBI and/or any other authorities while according consent or sanction to the proposed issue of the said equity shares including variation, if any, in ratio of rights entitlement, the proposed amount of premium, including application monies to be collected in one or more calls, reservations and take such consequential and expedient actions thereon, including the authority to revise / adjust the rights ratio / value / quantum of equity shares reserved for any category or any portion thereof in such manner as may be beneficial to the Company / members in the event of such variation being considered expedient.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer and allotment of equity shares as stated above and utilisation of the issue proceeds as it may deem fit and to give such directions and / or instructions as it may from time to time deem fit and to accept and give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, including the ratio of rights entitlement, premium to be charged on the equity shares, application monies to be collected in one or more calls, to vary the size of the issue, appoint Lead Managers, Managers, Bankers, Registrars, Underwriters, Printers of Issue Stationery, Advertising Agency, Practising Company Secretary, Consultant or other agencies or authorities or concerned or as the Board may *suo moto* decide in its absolute discretion in the best interests of the Company / members without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution to the Board of Directors to do all such acts, deeds, matters and things whatsoever, including settlement of any questions, doubts or difficulty that may arise with regard to or in relation to raising of monies through Rights Issue dealt with in this resolution or otherwise, as authorised herein ;

RESOLVED FURTHER THAT the new equity shares arising out of abovesaid Rights issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT Board/Committee of Directors of the Board be and is hereby authorised to do all acts, deeds and things as may be necessary to give effect to the above resolutions."

Place : Bangalore
Date : May 05, 2010

By Order of the Board
For Murudeshwar Ceramics Limited
P A RAVISH
Vice President (Legal) & 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.

NOTICE (Contd.)

- (5) Register of Members/Transfer books of the Company will be closed from June 14, 2010 to June 19, 2010 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2009-10 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 : May 05, 2010

By Order of the Board
For Murudeshwar Ceramics Limited
P A RAVISH
Vice President (Legal) & Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**5) Amendment to Clause V of Memorandum of Association - for increasing the Authorised Share Capital of the Company.**

Board has taken a decision to retire certain high cost debts and implement certain new strategies in the financial matters to economise operating costs. In this context, issue of further equity share capital by way of Rights Issue was considered to be feasible solution, which helps the Company to reduce the debt burden to some extent on one hand and improve liquidity position on the other. The present authorized share capital of the Company is Rs.7,162.00 lakhs consisting of equity share capital of Rs.2,400.00 lakhs. Against the said authorized equity share capital of Rs.2,400.00 lakhs, the paid-up equity share capital is Rs.1,750.97 lakhs consisting of 1,75,01,961 fully paid equity shares of Rs.10/- each. Also the existing authorized share capital consists of Cumulative Convertible Preference Shares of Rs.124/- each amounting to Rs.31,62,00,000 which is redundant now. In order to make provisions for proposed issue of equity share capital through Rights issue, approval of members is requested for consolidation, reorganization/reclassification of the existing share capital by replacing the existing Cumulative Convertible Preference Shares of Rs.124/- each with 3,16,20,000 new equity shares of Rs.10/- each, so that, there will be no increase or decrease in the overall existing authorized share capital.

6) Issue of Equity Share capital on Rights basis.

Members are aware that the economic recession that prevailed for about two years has badly affected the industrial progress and economies. Even though recession seems to have receded and the industries started to recover, the after effect of the recession is far from over for construction industry in general and the real estate sector in particular. The financial crunch suffered by your Company also was significant and the working of the Company was badly affected. In spite of various measures being undertaken by the Company, high cost of servicing of debt is affecting the economic planning. In order to improve the liquidity position, Board has taken a decision to raise some finance by way of issue of additional share capital and utilize the same for its economic planning. In the present market conditions, it was considered that the issue of further equity share capital on Rights basis could be a feasible solution. Management is hopeful that the drastic measures being taken in all aspects of administration will yield positive results and the Company will be back on sound financial track within a year or two.

Place : Bangalore
Date : May 05, 2010

By Order of the Board
For Murudeshwar Ceramics Limited
P A RAVISH
Vice President (Legal) & Company Secretary



DIRECTORS' REPORT

To : The Members,
Murudeshwar Ceramics Limited

Your directors present the 27th Annual Report of the Company for the year ended on March 31, 2010 :

FINANCIAL RESULTS

Particulars	(Rs. In Lakhs)	
Sales income	13,839.32	
Other Income	55.96	
Increase/(Decrease) in stock	1,191.24	
Total income		15,086.52
Operational Expenditure	11,750.89	
Interest	2,446.30	
Depreciation	2,466.24	
Total Expenditure		16,663.43
Profit/(Loss) for the year		(1,576.91)
Add : Deferred Tax Assets	29.50	
Excess provision of Income		
Tax written back	16.64	
Sub total		46.14
Profit/(Loss) after tax adjustments.		(1,530.77)
Balance of Profit brought forward		447.51
Profit/(Loss) carried to Balance Sheet		(1,083.26)

OPERATIONAL PERFORMANCE

The order book position of the Company during the first three quarters was very badly affected due to various factors beyond control of the management. Even though demand for tiles is encouraging, too many market players, particularly in the unorganised sector and cheaper imported tiles have lead to difficulties in balancing the price for the product by medium to large scale companies matching with its quality and cost. On the other hand the economic crisis seems to be over, but the after effect of it still continues to have its effect on the financial stability of companies connected with the construction industry. Even though the order book position from the last quarter of the year under report indicates that the economic crisis has ended and signals that the positive trend shall prevail in times ahead, the weak market condition and very low off take during the first three quarters of 2009-10 has significantly affected the final figures for the year under report.

During the year under report the Company has produced 30,13,184 Sq.mtrs. of Vitrified tiles and 21,07,084 Sq.mtrs. of Ceramic tiles. Compared to previous year even though Ceramic tile production has improved by about 14.58%, Vitrified tile production has reduced by 21.69%. The sales income from Vitrified tiles has reduced by 28.94% at Rs.10,344.70 lakhs compared to Rs.14,557.65 lakhs for the previous year. Sales income from Ceramic tile segment has improved by 8.03% at Rs.3,292.31 lakhs.

The granite division which is a 100% EOU has achieved sales income of Rs.202.31 lakhs against Rs.301.78 lakhs for the previous year. The granite business continues to be mostly dominated by unorganized entities rendering it difficult for corporate entities in the organized sector to effectively compete in the market. The Company is also finding it difficult to get quality granite blocks at reasonable prices.

On account of reasons stated above the Company has sustained loss of Rs.1530.77 lakhs for the year under report. With the result your directors have been constrained to skip the dividend for the year 2009-10 for the very first time in about 20 years. Considering the present market trends and the steps being taken by the Company to improve the economies of operation, your directors hope that the Company will be able to present better performance for the year 2010-11.

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

The last quarter of the year has given indications that the financial stability of the Company will be restored in a short period of time. The Order book position during the last quarter has been good and on expected lines. The new and aesthetic products introduced by the Company are better accepted in the market. Various cost cutting measures undertaken by the Company both by reducing the operating cost on one hand and improving the working efficiency on the other are producing encouraging results.

Also efforts taken by the Chairman to impress upon the Central Government for gas connection to the manufacturing unit at Hubli has yielded results and the Hubli unit is expected to get gas connection by 2012. The Company also hopes to get increase in gas allocation to Karaikal unit. Housing loans are becoming cheaper on account of reduced interest rates. This will be a boost to the construction industry which in turn helps growth of tiles market.

RIGHTS ISSUE

On the financial side, your directors are seriously planning to reduce the repayment burden so that the other cost cutting measures will be more effective. In this direction Board of Directors have proposed to increase the paid up share capital by issue of shares on rights basis for an amount not exceeding Rs.75 crores including premium which will be utilized for retiring high cost debts on priority and also to effectively implement certain other plans to economise operating costs. This will also improve liquidity position to a considerable level.

MARKETING STRATEGY

The Management is taking every possible step to improve operating margins. Even though there is committed professional management team in place, the marketing department has been given emphasis to meet new challenges being faced in the market. Dealer net work has been further expanded. Trained marketing personnel have been assigned to reach door to door to broaden the marketing net work. The advertisement and publicity is under the control of professional team with commitment to take the brand name and the product to reach every section of the society even into rural areas. Value added products like Granite and special marble series in Vitrified tile segment are being well accepted in the market especially by commercial centres. The CEGRESS variety tiles newly introduced by the Company has become fast moving product in a very short period. In ceramic tiles segment larger sizes of 600 x 600 mm have been introduced.

With a view to reduce transportation and other operating costs to reach distant markets within in shortest possible time, the Company has started outsourcing production of select varieties of Vitrified tiles under our regular brand name to other distant manufacturing units and started its trading activity. This will provide some cushion to price the product a little more competitively.

As a result of above steps taken by the management and also keeping in view some other measures being planned to improve market efficiency, your Directors are hopeful of achieving better results in the year 2010-11.

RESEARCH AND DEVELOPMENT

The R & D wing of the Company 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.

DIRECTORS

Dr Sadanand V Nadig and Shri Sunil R Shetty retire by rotation and being eligible offer themselves for reappointment. Brief personal details of abovesaid 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.



DIRECTORS ' REPORT (Contd.)

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.

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

The present composition of the Audit Committee has three non-executive directors namely Dr. R N Shetty, Shri.K P Surendranath and Dr.Sadanand V Nadig. Shri K P Surendranath is the Chairman. Shri K P Surendranath and Dr.Sadanand V Nadig are independent directors. Shri P A Ravish, Company Secretary is the Secretary of the Committee.

DEPOSITS

As at the end of the year under report the Company had 24 deposit accounts for Rs.32.75 lakhs. As on 31.03.2010, one (1) account for Rs.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

Particulars of employees pursuant to provisions of Section 217(2A) of The Companies Act, 1956 read with The Companies (particulars of employees) Rules 1975 is furnished in the annexure forming part of this report.

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 2009-10, the Company has, subject to Note No.4 (c) of Schedule 21 in the Statement of accounts, 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 judgements 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 of 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 : May 05, 2010

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

DIRECTORS' REPORT (Contd.)

ADDENDUM PURSUANT TO SECTION 217(3) OF THE COMPANIES ACT, 1956

Auditors have noted in Paragraph (iv) of the Audit Report that non-provision of excise duty on finished goods lying at the factory amounting to Rs.184.36 lakhs as not in accordance with the Accounting Standard AS-2 issued by the ICAI. Your Directors wish to clarify that the Excise duty is payable at the time of removal of goods from godown or on stock transfer. There is bound to be variation between value of Stock at godown and value of sales at the time of removal of stock from godown. Hence making provision for excise duty on value of stock at godown will be misleading. To avoid such mismatch in the Central Excise account, the Company adopted the practice of valuing the stock at factory godowns without making provision for excise duty. In any case such non-provision for excise duty on stock at godown will have no impact on the Profit and Loss Account of the Company.

Place : Bangalore
Date : May 05, 2010

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

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

Name of Employee	Designation	Remuneration received	Nature of employment	Nature of duties
1	2	3	4	5
Mr.Satish R Shetty	Managing Director	Rs.30,69,360	Reappointed for a period of 5 years w.e.f. 27.06.2007	Overall administration subject to supervision and control of Board of Directors.

Other terms & conditions	Qualification & Experience	Date of commencement of employment	Age of employee	Last employment before joining the Company	No. of Equity shares held
6	7	8	9	10	11
Non-retiring	B.E. Experience : 22 years	01.07.1988	48 years	Nil	5,55,201 Eq. shares (3.17%)

Note :

- 1) Remuneration includes value of perquisites and amenities.
- 2) Above director is relative of directors namely Dr R N Shetty, Shri Sunil R Shetty & Shri Naveen R Shetty.

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 :

Coal burning Hot Air Generator for Second Spray Dryer [ATM-65] at Hubli Plant for vitrified powder preparation of 14 Tons / Hr capacity.

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

- (i) Coal gas burner control system for vitrified tiles production Kiln of 2500 M² / Day.
- (ii) Coal Gas burner System for Vertical Dryers for enhanced production capacity.

(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 : Fuel cost reduction for the production of Vitrified Tiles.

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

B. TECHNOLOGY ABSORPTION :

(e) Efforts made in technology absorption as per Form B of the Annexure : Furnished in Annexure 'B'.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

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

(g) Total foreign exchange used and earned :

Foreign Exchange Earnings : -Nil-
Foreign Exchange Outgo : Rs. 542.38 lakhs

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

- i) Development of High ware resistant glaze for Vitrified Anti-skid exterior tiles.
- ii) Group head printing technology introduced for Glazed Vitrified Tiles production.

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

Additional range of product variety to cover different segment of market.

3. Future plan of action

Proposed to produce Mettalic Glazed Floor & Vitrified Tiles.

4. Expenditure on R & D

(Rs. in lakhs)

Particulars	2009-2010	2008-2009
a) Capital	0.40	Nil
b) Recurring	2.39	15.00
c) Total	2.79	15.00
d) Total R & D expenditure as a percentage of total turnover	0.02	0.08

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Sucessful Lab & Line Trial production of Mettalic Vitrified Tiles.

2. Benefits derived as a result of the above efforts

Good response from Market for Mettalic Vitrified Anti-skid Tiles.

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 : Mettalic Glaze
- b) Year of import : 2009-2010
- c) Has technology been fully absorbed : Yes
- d) If not fully absorbed, areas where this has not taken place, reasons and future plans of action. : -

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

INDUSTRY STRUCTURE AND DEVELOPMENT

The housing sector in India has high potential to grow manifold in times ahead. The market breadth for tiles in India is yet to grow to its full potential to meet the expected growth in the housing sector. The housing sector in rural India still lags behind to adapt itself to the new dimensions available in the aesthetic floors and walls in the residential units. On the other hand the industrial/commercial sector which is taking new dimensions in their public exposure from time to time is constantly craving for newer concepts in aesthetics and presentation. Elegant interiors and aesthetic floors and walls have been much sought after even among middle class of the society even in rural areas. The existing demand pattern indicates that consumption of tiles per head per year in India is just about 0.1315 sq.mtrs which is far below 1.6 sq.mtrs. in China and 1.4 sq.mtrs. in Europe. These trends are indications for manifold growth of tiles market in India in times ahead. But simultaneously the market for tiles is also getting complex year after year both in product range, product mix, marketing strategy etc. In order to meet challenges in the market, it has become imperative for industries to explore ways and means to economise the operating cost to be more competitive in the market.

Murudeshwar Ceramics Limited started commercial production on 01.05.1988 with an installed capacity of 12,500 tonnes 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	30,00,000	42,00,000	48,00,000

OPPORTUNITIES

The order book position of the Company has been encouraging considering the figures for the last quarter of the year. New varieties introduced by the Company in both Ceramic and Vitrified tiles are getting good response in the market. The new CEGRESS variety of Vitrified tiles introduced for the first time has evoked good response in the market and is expected to improve realization.

Gas allocation to Karaikal unit is expected to be restored to normal in next few months time. With this, the Company will be able to revive normal production at Karaikal unit. As a result of efforts put in by the Company, Hubli unit is likely to get gas connection by 2012.

Also the Company has advantage of having two manufacturing units, one at Hubli and the other at Karaikal. This helps the Company to have a planned strategy for sourcing inputs viz., raw materials, power, fuel etc., from nearest sources and to have a planned production strategy between Hubli and Karaikal units. This will result in savings in cost of transportation and other related over-heads.



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

The Company has started outsourcing production of select varieties of Vitrified tiles under its brand name to other manufacturing units. This saves considerable cost of transportation and also quick accessibility to markets far off. The cost so saved will enable the Company to be more competitive in pricing the product.

Housing loans are once again becoming more attractive with rates of interest coming down in recent times. This will give boost to the market for tiles.

THREATS

The market players in the small and unorganized sector have been on increase year after year. The market share of these units has been constantly increasing. The retail market which constitutes about 60% of the tiles market depends mainly on price considerations. Eventhough tiles manufactured by medium to large units in the organized sector are superior in quality with many inherent merits, it may not get adequate response in the retail market on price considerations.

On the other hand, cheaper tiles imported from China also affect balancing the pricing strategy of medium to large units matching with the cost and quality. The anti-dumping duty imposed on tiles imported from China has been of less impact owing to many other sources of import remaining open and its insignificant impact on over all cost of such imported tiles.

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

The Segment-wise performance for the year ended on 31.03.2010 is furnished hereunder:

SEGMENT	PRODUCTION (in Sq. Mtrs.)	SALES	
		Volume (Sq.Mtrs.)	Value (Rs.in lacs)
Vitrified Tiles	30,13,184 (38,47,682)	29,54,188 (39,39,397)	10,344.70 (14,557.65)
Ceramic Tiles	21,07,084 (18,38,979)	18,85,859 (17,73,122)	3,292.31 (3,047.66)
Granite Slabs	23,042 (19,807)	16,979 (23,283)	202.31 (301.78)
Earth Work (Sales receipts)	- (-)	- (-)	- (1,134.40)

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

As may be seen from the above statement, production of Ceramic tiles and Granite has increased by 14.58% and 16.33% respectively compared to previous year. But the Vitrified tile production was reduced by 21.69%. Sales income of Vitrified tiles has dropped by 28.94% and for Ceramic tiles the same has improved by 8.03% compared to previous year. The sales revenue of the granite division has considerably reduced by about 33%. Overall sales revenue has dropped by 27.32% at Rs13,839.32 lakhs for the year under report. With the result the Company has suffered a loss of Rs.1,530.77 lakhs for the year under report compared to profit of Rs.18.08 lakhs for the previous year. Reasons for decline in sales income and the profitability has been explained in the Directors report.

OUT-LOOK

The order book position for the last quarter has improved and is satisfactory. Market indications are that, this trend is likely to continue and is on the path of revival. Construction activities are once again active. Housing loans are becoming cheaper on account of reduction in interest rates. Karaikal unit is likely get gas allocation restored to normal in a few months. Hubli unit is expected to get gas connection by 2012. New varieties of tiles in aesthetic shades and variety are getting good response in the market. Various steps undertaken by the management to economise operating costs are likely to improve revenues.

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

Also, two units of the Company, one at Karaikal and the other at Hubli enable the company to have a comprehensive production planning and also distribution planning. This adds to improved operational efficiency. The brand image established by the Company for over two decades and the quality of product and services by the Company are contributory factors for maintaining and enlarging customer base in general and corporate customers in particular.

RISKS AND CONCERNS

As already reported in the previous annual report, the gas allocation for the Karaikal unit has been reduced from 24,000 SCMD to 16,000 SCMD. Efforts made by the Company for restoration of full quota is yet to yield results. Hubli unit is being run on Coal gas fired kilns on account of which there is substantial reduction in fuel cost. But any increase in price of Coal will affect the economies of operation planned by the Company since pricing of coal is dependent on Government Policy. Importation of cheaper tiles from China continues affect the balance of pricing since, such tiles have been taking away a considerable portion of the retail market on cost considerations. Small manufacturing units in the unorganized sector have been increasing year after year. The cost of production for low quality vitrified tiles produced by such units is less which enables them to enter into price war. 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). 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 557 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 : May 05, 2010

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

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY AND CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

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

2.1 Non-Executive Directors

- | | | | |
|----|-----------------------|---|-----------------------|
| 1) | Dr. R N Shetty | : | Promoter and Chairman |
| 2) | Shri K.P.Surendranath | : | Independent Director |
| 3) | Dr. Sadanand V Nadig | : | Independent Director |
| 4) | Shri K Sundar Naik | : | Independent Director |
| 5) | Shri Sunil R Shetty | : | Director |
| 6) | Dr. S S Hiremath | : | 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 abovesaid 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. Sadanand V Nadig**, aged about 85 years is a Doctor by profession. Dr. Sadanand V Nadig has been on the Board of this Company since May 2005. Dr S V Nadig has actively involved himself in the cause of education. He is also rendering his guidance and support for the benevolent causes as a member of the governing council for Deaf and Dumb persons. He has been a member of the Company right since its IPO.

Dr Sadanand V Nadig is also a member of 4 subcommittees of the Board namely (1) Audit Committee, (2) Remuneration Committee, (3) Share holders and Investors Grievance Committee and (4) Executive Committee of Directors. He is also a director on the Board of Directors of (1) RNS Infrastructure Limited (2) Naveen Hotels Limited (3) Murdeshwar Power Corporation Ltd., and (4) Gangolli Tile Works Pvt Ltd. Dr Sadanand V Nadig is a holder of 700 equity shares (0.004%) of Rs.10/- each in the Company.

CORPORATE GOVERNANCE REPORT (Contd.)

2.3(b) **Shri Sunil R Shetty** aged about 46 years, is a Civil Engineer. Shri Sunil R Shetty has been on the Board of Murudeshwar Ceramics Ltd., since November 1993. He has taken active part in many expansion projects of the Company. Apart from Murudeshwar Ceramics Limited, he is also actively involved in successful functioning of other industrial units of the group named in succeeding paragraph. He has also involved himself in expansion projects of Naveen Hotels Limited, which has four units, one at Hubli and three at Murudeshwar. He has also been a part of expansion of business of RNS Motors Limited, dealers for Maruti Suzuki India Limited and the said business has six units in Karnataka. Shri Sunil R Shetty holds 5,55,551 equity shares of Rs.10/- each (3.17%) in the Company.

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

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

2.4 Meetings, Attendance and Membership of Committees

During the year under report six (6) Board Meetings were held on 23.05.2009, 27.06.2009, 27.07.2009, 25.09.2009, 30.10.2009, 28.01.2010 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 ended on 31.03.2010 :

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	4	No	3	1	10
2	Shri. K.P.Surendranath	6	6	Yes	3	3	2
3	Dr.Sadanand V Nadig	6	3	Yes	4	Nil	4
4	Shri.K Sundar Naik	6	6	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	11
7	Shri Sunil R Shetty	6	2	No	1	Nil	10
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 31.03.2010 and necessary declaration from CEO is annexed forming part of this report.

4. AUDIT COMMITTEE

The present members of the Audit Committee are:

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

CORPORATE GOVERNANCE REPORT (Contd.)

All the three members of the Audit Committee are non-executive directors and two of them are independent directors. The Chairman, Shri K.P.Surendranath is an independent non-executive director and having knowledge of financial and accounting matters. Shri P A Ravish, Company Secretary is the Secretary of the Committee.

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

During the year under report four meetings of the Committee were held on 27.06.2009, 27.07.2009, 30.10.2009 and 28.01.2010. Shri K P Surendranath attended all the meetings. Dr R N Shetty and Dr Sadanand V Nadig did not attend one meeting each held on 30.10.2009 and 28.01.2010 respectively. The meeting held on 27.06.2009 was for the purpose of considering audited accounts for the year ended on 31.03.2009.

5. REMUNERATION COMMITTEE

5.1 Composition : The present members of the Remuneration Committee are as follows :

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

All the three members including the Chairman of the Committee are non-executive and independent directors. Mr. P A Ravish, Company Secretary is the Secretary of the Committee. The terms of reference include scrutinising and recommending from time to time all aspects of remuneration and/or any other payments/allowances to Executive Directors.

During the year the Remuneration Committee met once on 27.07.2009. Shri K.P.Surendranath and Dr Sadanand V Nadig attended.

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 31.03.2010 :

	Salary (Rs.)	Perquisites & Amenities (Rs.)	TOTAL (Rs.)
Shri Satish R Shetty, Managing Director	24,00,000	6,69,360	30,69,360
Shri Naveen R Shetty, Jt. Managing Director	12,00,000	1,71,360	13,71,360
Total	36,00,000	8,40,720	44,40,720

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 Rs.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 Rs.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 are 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, 2010

Name of Director	Nature of office of Director	Shares held	Percentage to Eq. Cap.
Dr R N Shetty	Non-Executive	13,404	0.08
Shri Satish R Shetty	Executive	5,55,201	3.17
Shri Sunil R Shetty	Non-Executive	5,55,551	3.17
Shri Naveen R Shetty	Executive	5,55,251	3.17
Shri K P Surendranath	Non-Executive	200	0.001
Dr. Sadanand V Nadig	Non-Executive	700	0.004
Shri K Sundar Naik	Non-Executive	Nil	N A
Dr S S Hiremath	Non-Executive	650	0.004

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

6. SHAREHOLDERS GRIEVANCE COMMITTEE

6.1 Composition : The following are the members:

- | | |
|---------------------------|------------|
| 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 is the Chairman of the Committee. Shri. P A Ravish, Company Secretary is the Secretary of the Committee.

6.2 STATUS OF INVESTORS COMPLAINTS

During the year under report the Company has not received any valid Investor complaints. Investor grievances were attended on top priority. As on 31.03.2010 there were no complaints pending redressal. Share transfers were attended within the prescribed time limits.

7. OTHER COMMITTEES

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

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



CORPORATE GOVERNANCE REPORT (Contd.)

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
2008 - 2009	25.09.2009	4 p.m.
2007 - 2008	27.09.2008	4 p.m.
2006 - 2007	28.09.2007	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

a) **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.

b) **Qualification from Auditors:** Auditors have vide Para (iv) of the Audit Report stated that non-provision of excise duty on finished goods lying at the factory amounting to Rs.184.36 lakhs is not in accordance with AS-2. The Directors have clarified on this point and member's attention is invited to the Addendum forming part of the Director's Report.

Place : Bangalore
Date : May 05, 2010

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 : June 19, 2010 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 : June 14, 2010 to June 19, 2010 (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 Rs.	Lowest Rs.	Highest Rs.	Lowest Rs.
April 2009	20.15	16.00	23.90	15.00
May "	32.90	19.10	34.20	15.75
June "	38.15	29.35	40.90	28.40
July "	31.45	25.00	32.40	24.00
August "	34.75	28.30	35.65	28.00
September "	36.00	32.30	38.65	32.00
October "	35.60	29.15	38.40	29.15
November "	44.65	27.60	45.85	27.20
December "	39.35	36.25	41.45	36.00
January 2010	40.90	35.85	47.00	34.55
February "	36.60	34.15	37.90	32.70
March "	37.70	34.75	38.40	32.60

11.7 Share Transfer System and Dematerialisation

- a) As at the end of March 31, 2010 the Company had 13,769 share holders holding 1,75,01,961 equity shares of the Company. Out of the above 12,016 members (87.27%) held 1,69,08,254 shares (96.61%) in dematerialized form. The Balance of 1,753 members (12.73%) held 5,93,707 equity shares (3.39%) in physical form.

From the records it is clear that 1,753 (12.73%) of the total number of members holding in all 5,93,707 (3.39%) 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 31.03.2010

Nominal Value of Shares			No. of Holders	Share Amount	
				in Rs.	% to Paid-up Capital
Upto	5,000		11,925	1,73,08,970	9.89
5,001	- 10,000		961	78,90,860	4.51
10,001	- 20,000		439	68,21,440	3.90
20,001	- 30,000		161	41,14,000	2.35
30,001	- 40,000		57	20,38,050	1.16
40,001	- 50,000		60	28,68,110	1.64
50,001	- 1,00,000		88	65,08,840	3.72
1,00,001	- & Above		78	12,74,69,340	72.83
T O T A L			13,769	17,50,19,610	100.00

ANNEXURE TO CORPORATE GOVERNANCE REPORT (Contd.)

11.8(b) Shareholding Pattern as on 31.03.2010

Sl. No.	Category of Shareholder	No. of Shares	Percentage to Eq. Cap.
1	Financial Institutions & Insurance Companies	2,13,827	1.22
2	Mutual Funds	700	0.01
3	Banks	400	0.00
4	Other Bodies Corporate	20,39,798	11.65
5	Non-resident Indians	16,67,815	9.53
6	Foreign Institutional Investors	900	0.01
7	Directors & their Relatives	32,11,623	18.35
8	Associated Companies / Trusts	57,02,528	32.58
9	Resident Individuals	46,64,910	26.65
	TOTAL	1,75,01,961	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 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 : May 05, 2010

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

AUDITORS' CERTIFICATE ON 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 2010 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 05, 2010

For **M.A. NARASIMHAN & CO.,**
Chartered Accountants
(M.A. PARTHANARAYAN)
Partner
M.No. 28994



AUDITORS' REPORT

To
The Members
MURUDESHWAR CERAMICS LIMITED

We have audited the attached Balance Sheet of MURUDESHWAR CERAMICS LIMITED, as at 31st March 2010, 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.

Note No 4(c) regarding non-Provision of Excise Duty on finished goods lying in the factory amounting to Rs 184.36 lakhs, which is not in accordance with Accounting Standard -2 issued by the Institute of Chartered Accountants of India. The same has no impact on the Profits for the year under review.

- (v) On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the director is disqualified as on 31st March 2010 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 2010.
 - (b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Place : Bangalore
Date : 05-05-2010

For M.A.NARASIMHAN & CO.,
Chartered Accountants
(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. In our opinion, the company is in the process of updating records to show full particulars including quantitative details and situation of its Fixed Assets.
2. A part of the fixed assets have been physically verified by the Management during the year, however there exists a programme of verification of the assets over a period. In our opinion, the frequency of verification of the fixed assets by the management is at reasonable intervals having regard to the size of the Company and nature of the assets and no material discrepancies were noticed between the book records and the physical inventory in respect of the assets physically verified.
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 : 05.05.2010

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 31.03.2010.

Place : Bangalore
Date : May 05, 2010

SATISH R SHETTY
Managing Director and CEO

BALANCE SHEET AS AT 31-03-2010

PARTICULARS	Schedule No.		As at 31-03-2010	As at 31-03-2009
SOURCES OF FUNDS :		Rs. in lacs	Rs. in lacs	Rs. in lacs
Shareholders Funds				
(a) Share Capital	1			
i) Equity Shares		1,750.97		1,750.97
(b) Reserves & Surplus	2	23,438.50		24,969.27
(c) Deferred Tax	3	827.38		856.88
			26,016.85	27,577.12
LOAN FUNDS				
Secured Loans	4	16,936.99		18,099.88
Unsecured Loans	5	606.11		977.00
			17,543.10	19,076.88
TOTAL			43,559.95	46,654.00
APPLICATION OF FUNDS :				
Fixed Assets	6			
Gross Block		52,069.24		50,882.88
Less : Depreciation		21,431.75		18,995.90
		30,637.49		31,886.98
Add : Capital Work in Progress including Advances		72.71		982.93
			30,710.20	32,869.91
Investments	7		300.39	300.54
Current Assets, Loans & Advances				
(a) Inventories	8	12,079.16		10,452.67
(b) Sundry Debtors	9	2,252.25		4,472.01
(c) Cash and Bank Balances	10	470.12		423.99
(d) Loans and Advances	11	1,083.71		1,270.96
(e) Interest Accrued on Deposits		32.97		25.79
		15,918.21		16,645.42
Current Liabilities and Provisions				
(a) Current Liabilities	12	3,368.85		3,011.99
(b) Provisions	13	-		158.32
		3,368.85		3,170.31
Net Current Assets			12,549.36	13,475.11
Miscellaneous Expenditure to the extent not written off or adjusted	14		-	8.44
TOTAL			43,559.95	46,654.00
As per our report of even date annexed R.N.SHETTY SATISH R. SHETTY SUNIL R. SHETTY NAVEEN R. SHETTY For M. A. NARASIMHAN & CO <i>Chairman</i> <i>Managing Director & CEO</i> <i>Director</i> <i>Jt. Mg. Director</i> <i>Chartered Accountants</i> M. A. PARTHANARAYAN K.P. SURENDRANATH SADANAND V. NADIG K.SUNDAR NAIK S.S. HIREMATH <i>Partner</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i> Place : Bangalore P.A. RAVISH N.M. HEGDE Date : 05-05-2010 <i>Vice President (Legal) & Company Secretary</i> <i>Vice President (Finance) & CFO</i>				



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2010

PARTICULARS	Schedule No.	FOR THE YEAR ENDED 31-03-2010	FOR THE YEAR ENDED 31-03-2009
INCOME :		Rs. in lacs	Rs. in lacs
Operational Income		13,839.32	19,041.49
Other Income	15	55.96	36.35
Increase/(Decrease) in Stock	16	1,191.24	(237.47)
			18,840.37
EXPENDITURE :		Rs. in lacs	Rs. in lacs
Raw Materials Consumed		3,048.65	4,042.06
Purchases of Trading Goods		62.32	-
Excise Duty paid		847.06	1,031.51
Power and Fuel		2,942.10	3,323.60
Production Consumables		539.02	715.48
Salaries, Wages & Amenities	17	1,356.98	1,318.19
Repairs & Maintenance	18	574.48	614.77
Administration, Selling and other Expenses	19	2,380.28	2,773.18
Interest	20	2,446.30	2,547.60
Depreciation		2,466.24	2,402.13
			18,768.52
PROFIT/(LOSS) BEFORE TAX :		16,663.43	71.85
Less : Provision for Taxation		-	7.41
Less : Provision for Deferred Tax		-	27.48
Less : Provision for Fringe Benefit Tax		-	11.62
Less : Income Tax paid for earlier year		-	7.26
Add : Deferred Tax Assets		29.50	-
Add : Excess Provision for Income Tax Written Back		16.64	-
PROFIT/(LOSS) AFTER TAX :		(1,530.77)	18.08
Balance of Profit brought forward		447.51	552.29
Profit available for Appropriation		(1,083.26)	570.37
APPROPRIATION :			
i) Dividend on Equity Shares		-	105.01
ii) Corporate Dividend Tax		-	17.85
		-	122.86
Transfer to General Reserve		-	-
Surplus/(Loss) carried to Balance Sheet		(1,083.26)	447.51

The Schedules referred to above and the Notes to Accounts (Schedule 21) form an integral part of the Balance Sheet as on 31/03/2010 and Profit & Loss Account for the year ended 31/03/2010. Significant Accounting Policies refer Schedule 22.

As per our report of even date annexed	R.N.SHETTY Chairman	SATISH R. SHETTY Managing Director & CEO	SUNIL R. SHETTY Director	NAVEEN R. SHETTY Jt. Mg. Director
For M. A. NARASIMHAN & CO Chartered Accountants				
M. A. PARTHANARAYAN Partner	K.P. SURENDRANATH Director	SADANAND V. NADIG Director	K.SUNDAR NAIK Director	S.S. HIREMATH Director
Place : Bangalore	P.A. RAVISH Vice President (Legal) & Company Secretary		N.M. HEGDE Vice President (Finance) & CFO	
Date : 05-05-2010				

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2010

PARTICULARS		As at 31-03-2010	As at 31-03-2009
	Rs. in lacs	Rs. in lacs	Rs. in lacs
SCHEDULE 1 :			
SHARE CAPITAL			
Authorised :			
2,40,00,000 (2,40,00,000) Equity Shares of Rs.10/- each		2,400.00	2,400.00
16,00,000 (16,00,000) - 10% Redeemable Cum. Pref. Shares of Rs.100/- each		1,600.00	1,600.00
25,50,000 (25,50,000) - 10% Cum. Convertible Pref. Shares of Rs.124/- each		3,162.00	3,162.00
Total Authorised Capital		7,162.00	7,162.00
Issued, Called up and Subscribed :			
1,75,26,818 (1,75,26,818) Equity Shares of Rs.10/- each	1,752.68		1,752.68
		1,752.68	1,752.68
Paid up Capital :			
Equity Share Capital :			
1,75,26,818 (1,75,26,818) Equity Shares of Rs.10/- each	1,752.68		1,752.68
		1,752.68	1,752.68
Less : 24,857 (24,857) Equity Shares of Rs.10/- each forfeited		2.49	2.49
		1,750.19	1,750.19
Add : Amount received on 24,857 (24,857) Equity Shares forfeited		0.78	0.78
Total Paid up Share Capital		1,750.97	1,750.97
SCHEDULE 2 :			
RESERVE			
General Reserve :			
Opening Balance	13,879.10		13,879.10
Less : Debit Balance in Profit & Loss Account	1,083.26		-
		12,795.84	13,879.10
Share Premium			
Opening Balance	9,027.64		9,027.64
		9,027.64	9,027.64
Capital Redemption Reserve			
Capital Reserve - Central Subsidy	15.00	1,600.00	1,600.00
Debentures forfeited	0.02		15.00
		15.02	15.02
Profit & Loss Account			
		-	447.51
		23,438.50	24,969.27
SCHEDULE 3 :			
DEFERRED TAX			
Opening Balance	856.88		829.40
Add : Provision during the year	-		27.48
		856.88	856.88
Less : Deferred Tax Assets		29.50	-
		827.38	856.88

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2010 (Contd.)

PARTICULARS	As at 31-03-2010	As at 31-03-2009
	Rs. in lacs	Rs. in lacs
SCHEDULE 4 :		
SECURED LOANS		
A. Rupee Loan :		
State Bank of India , Hubli	2,851.10	3,116.46
The Lakshmi Vilas Bank Ltd., Hubli	217.53	237.48
Canara Bank, Prime Corporate Branch, B'lore	3,929.08	4,146.26
Bank of Baroda, Hubli	1,416.14	1,462.36
Development Credit Bank Ltd., B'lore	-	294.50
Indian Bank, Hubli	525.15	530.62
Axis Bank Ltd., B'lore	-	251.13
B. Cash Credit :		
Cash Credit from Canara Bank	2,003.88	1,950.63
Cash Credit from Bank of Baroda	1,045.19	1,159.73
Cash Credit from State Bank of India	1,393.73	1,267.42
Cash Credit from The Lakshmi Vilas Bank Ltd.,	337.30	400.97
Cash Credit from Citi Bank	-	418.26
Cash Credit from HDFC Bank Ltd.,	595.85	589.55
Cash Credit from Axis Bank Ltd.,	2,450.19	1,937.89
C. Other Secured Loans :		
ICICI Bank Ltd.,	11.15	26.65
Axis Bank Ltd.,	5.46	8.60
HDFC Bank Ltd., (Formerly Centurian Bank of Punjab)	0.02	6.83
Sundaram Finance Ltd.,	38.53	74.90
HDFC Bank Ltd.,	60.89	139.83
Sheba Properties Ltd.,	0.15	0.15
Tata Finance Ltd.,	55.65	79.66
	16,936.99	18,099.88
SCHEDULE 5 :		
UNSECURED LOANS		
Public Deposits	32.75	165.67
L I C of India	101.00	-
IDBI Bank Ltd.,	20.91	312.53
Bills discounted	337.00	372.23
Dhanalakshmi Bank Ltd.,	-	126.57
I C I C I Bank Ltd.,	114.45	-
	606.11	977.00

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2010 (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., Axis Bank 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. (a) 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., 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.
- (b) The Working Capital facilities (including Cash Credit) availed from HDFC Bank Limited are secured by way of hypothecation of Raw Material, Stock in Process, Finished goods, Book-debts & goods meant for exports. A further security is subject to ceding of second charge on the whole of immovable / Fixed Assets of the company by the consortium of Bankers as mentioned in 2(a) above.
3. Loans from ICICI Bank Ltd., Tata Finance Ltd., 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, 2010 (Contd.)									
SCHEDULE 6 : SCHEDULE OF FIXED ASSETS									
NAME OF THE ASSET	GROSS BLOCK			DEPRECIATION BLOCK				NET BLOCK	
	As on 01-4-2009	Additions 2009-10	Deletions 2009-10	As on 31-3-2010	up to 31-3-2009	For the Year 2009-10	Deletions 2009-10	Up to 31-3-2010	As at 31-3-2010
LAND	231.00	—	—	231.00	—	—	—	—	231.00
QUARRY LAND	7.51	—	—	7.51	—	—	—	—	7.51
BUILDING	7,374.63	1,072.08	—	8,446.71	1,445.89	208.17	—	1,654.06	6,792.65
PLANT AND MACHINERY	42,054.65	120.71	35.43	42,139.93	16,921.14	2,180.23	11.33	19,090.04	23,049.89
FURNITURE & FIXTURES	635.08	28.61	—	663.69	270.67	36.78	—	307.45	356.24
MOTOR VEHICLES	399.04	6.84	28.12	377.76	203.14	30.81	19.06	214.89	162.87
COMPUTERS	180.97	21.67	—	202.64	155.06	10.25	—	165.31	37.33
TOTAL	50,882.88	1,249.91	63.55	52,069.24	18,995.90	2,466.24	30.39	21,431.75	30,637.49
									31,886.98
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, 2010 (Contd.)

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE 7 :	Rs. in lacs	Rs. in lacs
INVESTMENTS : (Non Trade, Unquoted - at Cost)		
National Savings Certificate	0.51	0.66
Equity Shares :		
Murudeshwar Decor Limited : 20,000 Equity Shares of Rs.10/- each	2.00	2.00
Murudeshwar Power Corporation Ltd :		
14,89,400 Fully paid Unquoted Equity Shares of Rs.10/- each	297.88	297.88
	300.39	300.54
SCHEDULE 8 :		
INVENTORIES (as per Inventory taken and value certified by the Management)		
Raw Materials (at cost)	3,049.08	2,910.71
Work-in-Progress (at cost)	2,524.07	2,035.86
Finished Goods (at lower of cost or net realisable value)	4,694.89	3,991.86
Stores (at cost)	887.61	598.45
Spares & Tools	923.51	915.79
	12,079.16	10,452.67
SCHEDULE 9 :		
SUNDRY DEBTORS : (Unsecured considered good)		
Debts outstanding for a period exceeding six months	517.22	579.21
Other Debts	1,735.03	3,892.80
	2,252.25	4,472.01
SCHEDULE 10 :		
CASH AND BANK BALANCES		
Cash on hand	32.16	29.71
Balance with Scheduled Banks :		
Current Accounts	240.54	177.23
Fixed Deposits - (Rs.152.07 lakhs (Rs.200.77 lakhs) held by Banks as margin money against Letters of Credit and Guarantees)	197.42	217.05
	470.12	423.99
SCHEDULE 11 :		
LOANS AND ADVANCES : (Unsecured considered good)		
Advances (recoverable in cash or in kind or for value to be received)	483.55	484.86
Deposits	574.99	749.08
Advance Payment of Tax	-	8.61
Tax Deducted at source	25.17	28.41
	1,083.71	1,270.96
SCHEDULE 12 :		
CURRENT LIABILITIES		
Sundry Creditors for Expenses, Trade and Others	2,919.33	2,523.16
Advances received against Sales	349.05	388.22
Security Deposits from Dealers	95.35	96.00
Interest charges accrued but not due	5.12	4.61
	3,368.85	3,011.99

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH, 2010 (Contd.)

PARTICULARS	As at 31-03-2010	As at 31-03-2009
SCHEDULE 13 :	Rs. in lacs	Rs. in lacs
PROVISIONS :		
Taxation	-	35.46
Proposed Dividend including tax thereon	-	122.86
	-	158.32
SCHEDULE 14 :		
MISCELLANEOUS EXPENDITURE		
Preliminary and Public Issue Expenses :		
Opening Balance	8.44	16.88
Less : Written off during the year	(8.44)	(8.44)
	-	8.44

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

PARTICULARS	For the year ended 31-03-2010	For the year ended 31-03-2009
SCHEDULE 15 :	Rs. in lacs	Rs. in lacs
OTHER INCOME		
Dividend Received	7.45	-
Interest	32.18	22.68
Profit on sale of Asset	0.12	0.33
Miscellaneous Income	16.21	13.34
	55.96	36.35
SCHEDULE 16 :		
INCREASE (DECREASE) IN STOCK		
OPENING STOCK		
Finished Goods	3,991.86	4,177.39
Work in process	2,035.86	2,087.80
	6,027.72	6,265.19
CLOSING STOCK		
Finished Goods	4,694.89	3,991.86
Work in process	2,524.07	2,035.86
	7,218.96	6,027.72
Increase/(Decrease)	1,191.24	(237.47)

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010		
PARTICULARS	For the year ended 31-03-2010	For the year ended 31-03-2009
SCHEDULE 17 :	Rs. in lacs	Rs. in lacs
SALARIES, WAGES & AMENITIES		
Salaries and Wages	967.62	869.44
Staff and Labour Welfare	300.21	342.25
Company's Contribution to Funds	59.14	71.00
Bonus	17.16	18.62
Gratuity Fund Contribution	12.85	16.88
	1,356.98	1,318.19
SCHEDULE 18 :		
REPAIRS & MAINTENANCE		
Plant and Machinery	316.29	423.73
Buildings	23.29	23.41
Others	234.90	167.63
	574.48	614.77
SCHEDULE 19 :		
ADMINISTRATION, SELLING & OTHER EXPENSES		
Rent	203.29	231.57
Rates, Taxes and Licences	65.36	64.56
Insurance	112.64	75.81
Communication	63.34	86.45
Travelling Expenses	294.46	335.25
Audit Fees	1.50	1.30
Printing and Stationery	29.05	61.20
Consultancy and Professional Fees	27.74	55.19
Directors Sitting Fees	1.20	1.35
Advertisement and Publicity	13.13	21.20
Selling Expenses	1,349.84	1,591.04
Bank and Finance Charges	149.30	186.16
Export Expenses	1.51	3.61
Miscellaneous Expenses	35.76	49.09
Preliminary & Public Issue Expenses Written off	8.44	8.44
Donation	0.70	0.96
Loss on Sale of Assets	23.02	-
	2,380.28	2,773.18
SCHEDULE 20 :		
INTEREST		
On Fixed Loans	1,289.38	1,519.36
On Others	1,156.92	1,028.24
	2,446.30	2,547.60

SCHEDULE 21 :

NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF BALANCE SHEET AS ON 31.03.2010 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010.

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 **Rs.43.40 lakhs** (Rs.88.08 lakhs)
 - b) Guarantees given by Banks on behalf of the Company **Rs.81.22 lakhs** (Rs.125.96 lakhs)
 - c) Letters of Credit established with Banks **Rs.1,039.72 lakhs** (Rs.64.26 lakhs)
3. Details of Raw Materials Consumed :

Particulars	Unit of Measurement	CURRENT YEAR		PREVIOUS YEAR	
		Quantity	Value (Rs. in lakhs)	Quantity	Value (Rs. in lakhs)
Clay	Tonnes	149876.89	1,942.55	144329.70	2,690.86
Glaze Material & Pigment	Tonnes	4846.36	747.90	1955.55	776.42
Packing Cartons / Box	Nos.	4517476	291.11	5813519	334.37
Natural Granite Blocks	Cub.Mtrs.	448.66	54.60	1700.74	199.92
Others	-	-	12.49	-	40.49
			3,048.65		4,042.06

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	1,02,426	1,15,791
Polished Granite Slabs (Sq.Mtrs.)	72,000	72,000	72,000	72,000	23,043	19,807

*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 (Rs.in lakhs)	Qty.	Value (Rs.in lakhs)	Qty.	Value (Rs.in lakhs)
Ceramic Glazed & Unglazed Vitrified Tiles (Tonnes)	25,640 (25,374)	3,900.33 (3,974.04)	96,167 (1,15,525)	13,637.01 (17,605.32)	31,899 (25,640)	4,479.54* (3,900.33)
Polished Granite Slabs (Sq.Mtrs.)	4,482 (9,958)	92.00 (203.35)	16,979 (25,283)	202.31 (301.77)	10,546 (4,482)	215.35* (0.92)
Earth Work & Maintenance Receipts (Cub.Mtrs.)				- (1,134.40)		

(* Exclusive of Excise Duty element of **Rs.184.36 lakhs** on Finished Goods lying at factory.)

- c) The Company has consistently valued Finished Goods lying at factory exclusive of excise duty amounting to **Rs.184.36 lakhs**. This is not in conformity with Mandatory Accounting Standard AS-2 issued by Institute of Chartered Accountants of India. However, the non-provision of excise duty has no impact on the profit for the year under review. Closing stock at branches and stock in transit of **Rs.2,268.12 lakhs** are inclusive of Excise Duty.

SCHEDULE 21 : (Contd.)

	Current Year (Rs. in lakhs)	Previous Year (Rs. in lakhs)
d) CIF Value of Imports		
Capital Goods	18.65	295.32
Raw Materials	138.71	1,059.00
Spares and Consumables	385.02	511.34
e) Expenditure in Foreign Currency : Travel	4.45	7.80
f) Earnings in Foreign Exchange : FOB Value of Exports	-	36.01
g) Value of Imported and Indigenous Raw Materials consumed and the percentage of each to total consumption.		

	Current Year		Previous Year	
	Rs. in lakhs	%	Rs. in lakhs	%
Imported	804.49	26	1,309.21	32
Indigenous	2,244.16	74	2,732.85	68
	3,048.65	100	4,042.06	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 (Rs. in lakhs)	Previous Year (Rs. in lakhs)
Salary	36.00	36.00
Perquisites	1.92	1.92
Contribution to PF & SAF	5.59	6.49

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

	Current Year (Rs. in lakhs)	Previous Year (Rs. in lakhs)
a) Tax Audit	0.50	0.40
b) Expenses	1.45	1.45
TOTAL	1.95	1.85

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.
7. No Provision for Tax has been made in view of the losses for the year as per 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 **Rs.90.49 lakhs** (Rs.45.78 lakhs) due to Small Scale and Ancillary Undertakings.
b) List of Small Scale Industrial Undertakings to whom the Company owes a sum exceeding Rs.1 lakh, which is outstanding for more than 30 days :
01. Ashapura China Clay Company, Bhuj 02. Bharat Minerals, Cuddapah
03. Hari Belts & Conveyors Pvt. Ltd., Bangalore 04. Hi-Tech Ceramics, Jaipur
05. M.S. Traders, Namakkal 06. N R Industries, Belgaum
07. SB International, Coimbatore 08. Shri Abirami Enterprises, Namakkal
09. Yesha Industries, Hubli.
9. Balances of sundry debtors, loans and advances and sundry creditors to the extent unconfirmed as on 31.3.2010 are subject to reconciliation and settlement wherever necessary. Sundry Debtors includes a sum of Rs. 83.40 lacs from Group Companies.
a) M/s. Naveen Hotels Ltd., : Rs. 44.77 lacs b) M/s. R.N.S. Motors : Rs. 8.71 lacs,
c) M/s. R.N. Shetty Trust : Rs. 29.92 lacs
10. Deferred tax liability has been shown net of deferred tax asset. The Company has recognized Deferred tax asset of **Rs.29.50 lakhs** (Rs.27.48 lakhs) 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. DISCLOSURE OF RELATED PARTIES AS REQUIRED BY ACCOUNTING STANDARD -18 ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA							
(Rs. 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	2009	2010	2009	2010	2009
01.	MURDESHWAR POWER CORPORATION LTD., - Sale of Tiles - Purchase of Power - Earth Work Receipts	1.09 459.73 -	- 490.98 482.68	1.09 417.03 -	- 480.37 471.74	1.09 468.35 -	- 480.37 471.74
02.	NAVEEN HOTELS LTD., - Sale of Tiles - Services / Maintenance - Funds transferred - Receipt - Hotel Room Rentals	11.34 - 70.00 0.80	24.97 - 159.31 0.83	76.76 - 9.78 22.21	27.58 43.11 24.79 20.53	76.76 - 70.00 22.21	36.66 195.11 288.54 20.87
03.	SHRI MURUDESHWAR TILES PVT. LTD., - Purchases / Services	0.36	3.10	6.18	5.81	6.18	5.81
04.	RNS INFRASTRUCTURE LTD., - Sale of Tiles - Earth Work Receipts - Purchase of Assets - Fund Transfer	73.23 - - 376.79	195.23 651.72 147.25 -	5.97 - - 10.10	204.71 1,547.96 316.93 -	273.90 1,513.15 - 376.79	213.81 1,889.71 2,345.43 -
05.	RNS MOTORS - Sale of Tiles - Purchase of Assets & Services	8.12 2.32	40.79 12.55	24.19 15.48	16.79 13.33	24.19 17.97	40.78 25.13
06.	NAVEEN STRUCTURALS & ENGG. CO. PVT. LTD., - Purchases / Services	0.02	1.25	8.80	8.82	8.80	10.07
07.	R N SHETTY TRUST - Sale of Tiles	13.91	52.12	43.01	29.28	42.98	77.85
08.	RNS TRUST - Purchases / Services	-	0.30	13.09	13.09	13.09	74.81
09.	R N SHETTY FAMILY TRUST - Purchases / Services	-	12.42	-	-	-	12.42

13. SEGMENT REPORTING AS REQUIRED BY ACCOUNTING STANDARD - 17 ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA										
(Rs. in lakhs)										
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	3,226.18	3,047.66	10,410.83	14,557.66	202.31	301.77	-	1,134.40	13,839.32	19,041.49
Inter Segment Sales	-	-	-	-	-	-	-	-	-	-
Total Revenue	3,226.18	3,047.66	10,410.83	14,557.66	202.31	301.77	-	1,134.40	13,839.32	19,041.49
RESULT	77.51	38.01	(1,461.16)	157.35	(240.78)	(183.13)	-	31.72	(1,624.43)	43.95
Unallocated Expenses	-	-	-	-	-	-	-	-	8.44	8.44
Operating Profit	-	-	-	-	-	-	-	-	(1,632.87)	35.51
Other Income	-	-	-	-	-	-	-	-	55.96	36.35
Income Tax	-	-	-	-	-	-	-	-	(46.14)	53.78
Profit from ordinary activities	-	-	-	-	-	-	-	-	(1,530.77)	18.08
Extra-ordinary Loss	-	-	-	-	-	-	-	-	-	-
Net Profit	-	-	-	-	-	-	-	-	(1,530.77)	18.08
Segment Assets	8,121.71	7,801.60	35,667.08	37,601.61	2,182.00	2,171.00	-	942.76	45,970.79	48,516.97
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	871.20	300.54
Total Assets	8,121.71	7,801.60	35,667.08	37,601.61	2,182.00	2,171.00	-	942.76	46,841.99	48,817.51
Segment Liabilities	4,281.36	3,659.88	16,361.24	17,974.26	269.71	227.76	-	230.30	20,912.31	22,092.20
Unallocated Corporate Liabilities	-	-	-	-	-	-	-	-	16.64	146.91
Total Liabilities	4,281.36	3,659.88	16,361.24	17,974.26	269.71	227.76	-	230.30	20,928.95	22,239.11
Capital Expenditure	-	-	72.71	982.93	-	-	-	-	-	-
Depreciation	589.91	442.44	1,764.89	1,645.50	111.54	111.51	-	202.68	2,466.34	2,402.13
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-	8.44	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.

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.

Excise Duty on Finished Goods lying at factory amounting to Rs.184.36 lacs has not been included in the closing stock, which is not in accordance with Accounting Standard - 2. However the same has no impact on the profit of the business. This has been consistently followed.

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

M. A. PARTHANARAYAN
Partner

Place : Bangalore

Date : 05-05-2010

R.N.SHETTY
Chairman

SATISH R. SHETTY
Managing Director & CEO

SUNIL R. SHETTY
Director

NAVEEN R. SHETTY
Jt. Mg. Director

K.P. SURENDRANATH
Director

SADANAND V. NADIG
Director

K.SUNDAR NAIK
Director

S.S. HIREMATH
Director

P.A. RAVISH

Vice President (Legal) & 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 Rs. Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

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

Turnover Total Expenditure
 Profit before Tax Profit after tax
 Earning per Share in Rs. (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 **R.N.SHETTY** **SATISH R. SHETTY** **SUNIL R. SHETTY** **NAVEEN R. SHETTY**
For M. A. NARASIMHAN & CO *Chairman* *Managing Director & CEO* *Director* *Jt. Mg. Director*
Chartered Accountants
M. A. PARTHANARAYAN **K.P. SURENDRANATH** **SADANAND V. NADIG** **K.SUNDAR NAIK** **S.S. HIREMATH**
Partner *Director* *Director* *Director* *Director*
 Place : Bangalore **P.A. RAVISH** **N.M. HEGDE**
 Date : 05-05-2010 *Vice President (Legal) & Company Secretary* *Vice President (Finance) & CFO*

**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET
FOR THE PERIOD FROM APRIL 2009 to MARCH 2010**

(Rs. in lakhs)

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before tax & extra - ordinary items	(1,576.90)	71.85
Adjustments for :		
Depreciation	2,466.24	2,402.13
Interest paid	2,446.30	2,547.60
Preliminary Expenses written off	8.44	8.44
Loss on Sale of Fixed Assets	23.02	2.01
Profit on Sale of Assets	(0.12)	(0.33)
Interest Income on Investments	(32.18)	(22.68)
Dividend received	(7.45)	-
Operating profit before working capital changes	3,327.35	5,009.02
Adjustments for :		
Decrease / (Increase) in Inventories	(1,626.49)	(418.40)
Decrease / (Increase) in Sundry Debtors	2,219.76	1,610.45
Increase / (decrease) in Sundry Creditors	281.61	(439.54)
Decrease/(Increase) in loans & advances	240.35	508.80
Cash generated from operations	4,442.58	6,270.33
Taxes paid	-	(392.69)
Cash flow before extra - ordinary item	4,442.58	5,877.64
Net Cash from Operating Activities	4,442.58	5,877.64
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(373.84)	(1,470.09)
Sale of fixed assets	10.26	8.00
Interest received	32.18	22.68
Dividend received	7.45	-
Purchase of Investments	-	-
Sale of Investments	0.15	-
Net cash flow from investing activities	(323.80)	(1,439.41)

**CASH FLOW STATEMENT ANNEXED TO BALANCE SHEET
FOR THE PERIOD FROM APRIL 2009 to MARCH 2010 (Contd.)**

(Rs. in lakhs)

	2009-2010	2008-2009
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Secured loans repaid	(1,162.89)	(1,098.99)
Unsecured loans paid	(370.90)	(626.75)
Dividend paid	(92.56)	(240.22)
Interest paid	(2,446.30)	(2,547.60)
Net cash used in financial activities	(4,072.65)	(4,513.56)
Net increase in Cash and Cash equivalents	46.13	(75.33)
Cash and Cash equivalents as on 01.04.2009	423.99	499.32
Cash and Cash equivalents as on 31.03.2010	470.12	423.99

**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 included in the cash flow statement comprise the following Balance Sheet amounts.

	<u>2009-10</u>	<u>2008-09</u>
Cash on hand and balances with Banks	470.12	423.99
Short term investments		
Cash and Cash Equivalents Effect of changes in Exchange rates		
Cash and Cash Equivalents as restated	470.12	423.99

By Order of the Board

For Murudeshwar Ceramics Limited

R.N.SHETTY
Chairman

SATISH R. SHETTY
Managing Director & CEO

SUNIL R. SHETTY
Director

NAVEEN R. SHETTY
Jt. Mg. Director

K.P. SURENDRANATH
Director

SADANAND V. NADIG
Director

K.SUNDAR NAIK
Director

S.S. HIREMATH
Director

Place : Bangalore

P.A. RAVISH

Date : 05-05-2010 *Vice President (Legal) & 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 31.03.2010 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 31.03.2010.

For M. A. NARASIMHAN & CO
Chartered Accountants
M. A. PARTHANARAYAN
Partner

Place : Bangalore

Date : 05-05-2010