



EURO CERAMICS LTD.

**Annual Report
2009-2010**



Corporate Information

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BOARD OF DIRECTORS

Mr. Nenshi L. Shah
Chairman & Managing Director

Mr. Talakshi L. Nandu
Whole-time Director

Mr. Kumar P. Shah
Whole-time Director

Mr. Paresh K. Shah
Whole-time Director

Mr. Shantilal L. Shah
Non Executive Director

Mr. Pravin D. Gala
Non Executive Director

Mr. Shivji K. Vikamsey
Independent Director

Mr. Raichand K. Shah
Independent Director

Mr. Anil M. Mandavia
Independent Director

Mr. Amit G. Shah
Independent Director

Mr. Jatin R. Chhadva
Independent Director

Mr. Deepak G. Savla
Independent director

Ms. Jayshree D. Soni
Company Secretary

Mr. Chandresh Rambhia
General Manager- Accounts and Finance

Mr. Rajesh Kakkad
General Manager- Sales

Mr. Parag Shah
Vice President-Exports

Mr. Viral Nandu
Vice President-Sanitary Ware

Mr. Pratik Shah
Vice President-Tile-o-Bond

Mr. Anish K. Shah
Vice President Resin Plant

Auditors

M/s. Deepak Maru & Co.
Chartered Accountants

Bankers

State Bank of India
The Cosmos Co-op. Bank Ltd.
ICICI Bank Limited.
Bank of India
Indusind Bank
HDFC Bank Limited

Registered Office

Euro House,
CTS No. 1406 A25/6A,
Chincholi Bunder Road,
Behind Inorbit Mall, Malad (West),
Mumbai – 400 064

Factory

Survey No. 510,511,
512,517/1,
Bhachau Dudhai Road,
Bhachau (Kutch)
Gujarat – 370 140

Registrar & Share Transfer Agent

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

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NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of Euro Ceramics Limited will be held on Wednesday, 22nd day of December 2010 at 10.00 a.m. at Sir Pochkanwala Bankers Training (SPBT) College, J.V.P.D. Scheme, Vile Parle (West), Mumbai – 400056 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet for the year ended March 31, 2010 and the Profit & Loss Account as on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Jatin R. Chhadva, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Deepak G. Savla, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Deepak Maru & Co., Chartered Accountants as Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof, for the time being in force) and the Articles of Association of the Company and subject to such approvals or sanctions as may be necessary, the Company hereby accords its consent and approval for the re-appointment of Mr. Nenshi L. Shah, as Managing Director of the Company for a further period of five years with effect from December 1, 2010 at a remuneration of Rs. 2,00,000/- (Rupees Two Lacs only) per month inclusive of salary, perquisites and allowances on the terms and conditions as set out in the Explanatory Statement attached to notice of this Annual General Meeting, with the liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and/or remuneration in such manner as may be agreed to between the Company and Mr. Nenshi L. Shah.

RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year of the Company during the term of office of Mr. Nenshi L. Shah as Managing Director, the remuneration as approved hereinabove be paid to him as minimum remuneration as per Clause 1(A) of Section II to Part II of the Schedule XIII to the Companies Act, 1956, as amended from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take such steps and do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 314(1) (b) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the appointment of Mr. Anish K. Shah, relative of Mr. Kumar P. Shah, Whole-time Director of the Company, to hold an office or place of profit, as a Vice President (Resin Plant) of the Company for a period of five years with effect from November 1, 2010 on the terms and conditions as embodied in the appointment letter, a copy of which was placed before the meeting, at a remuneration of Rs. 50,000/- (Rupees Fifty Thousand only) per month or Rs. 6,00,000/- (Rupees Six Lacs only) per annum inclusive of all amenities and perquisites payable to him.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps and do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to this resolution.”

By Order of the Board of Directors

Jayshree D. Soni
Company Secretary

Place: Mumbai
Date: October 29, 2010

Registered Office:

Euro House, CTS No. 1406, A25/6,
Chincholi Bunder Road,
Behind Inorbit Mall,
Malad (West),
Mumbai – 400 064

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIMSELF / HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business is annexed here with and forms part of this notice.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the December 16, 2010 to Wednesday, the December 22, 2010 (both days inclusive).
4. Corporate members are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote on their behalf at the Annual General Meeting.
5. Members are requested to bring their Attendance Slip duly filled in for attending the meeting, along with their copy of Annual Report.
6. Members are requested to notify immediately any change in their address / bank mandate to their respective depositories participants (DPs) in respect of their electronic account and to the Registrar and Share Transfer Agents of the Company, Link Intime India Private Limited at C - 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078 in respect of their physical share folios, if any.
7. Member desirous of getting any information relating to the accounts and operations of the Company are requested to address their queries at least 7 days in advance of the meeting so that the information required may be made available at the meeting.
8. Brief resume of the Directors retiring by rotation and seeking appointment & re-appointment and other details as stipulated under clause 49 (IV) (G) of the Listing Agreement are provided as an annexure to the Notice.

Details of the Directors seeking appointment/re-appointment in the forthcoming Annual General Meeting:

(In pursuance of Clause 49 [IV][G] of the Listing Agreement)

Name of Director	Mr. Nenshi L. Shah	Mr. Deepak G. Savla	Mr. Jatin R. Chhadva
Date of Birth	26 th September 1969	1 st September 1966	11 th December, 1972
Expertise in specific functional areas	Business Administration	Chartered Accountant	Business Administration
No. of shares held of the Company on March 31, 2010	1490125	Nil	Nil
List of other Directorships held as on March 31, 2010 (excluding private & foreign Companies)	<ul style="list-style-type: none"> • Euro Multivision Limited • Euro Glass Limited • Euro India Cylinders limited • Euro Merchandise (India) Limited 	Euro Multivision Ltd.	Euro Multivision Ltd.
Member of the Committees of other Companies on which he is a Director as on March 31, 2010	Euro Multivision Limited (Chairman of Shareholder/Investor Grievance Committee)	-	Euro Multivision Limited (Member of Audit Committee)

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

ITEM NO. 5

The tenure of Mr. Nenshi L. Shah as Managing Director of the Company expires on November 30, 2010. The Board of Directors at its meeting held on October 29, 2010, after receiving recommendation from the Remuneration Committee of the Company, re-appointed him as Managing Director of the Company for a further period of 5 (five) years with effect from December 1, 2010, subject to approval of the members of the Company in their general meeting.

Mr. Nenshi L. Shah, aged 51 years, is the Chairman of your Company. He started his career in the year 1987 and commenced the business of trading in plywood and other allied items. After gaining experience in marketing, he then shifted to manufacturing. He is the founder of Euro Group and our Company. He has more than 23 years of experience in trading and manufacturing. Mr. Shah has also been the recipient of the prestigious Customer Appreciation Award from the then, Union Cabinet Minister, Hon'ble Shri Sharad Pawar, which was organised by The Cosmos Co-operative Bank Limited in the year 2000-2001. He has also been awarded the Industry Award for his exceptional achievement in the field of Tiles Industry from Bruhad Mumbai Gujarati Samaj on December 30, 2006.

The principal terms and conditions of his re-appointment are as follows:

I. Period of re-appointment: 5 years with effect from December 1, 2010.

II. Remuneration:

1. Salary: Salary of Rs. 2,00,000/- (Rupees Two Lakhs only) per month (including dearness allowance, house-rent and all other allowances)
2. Commission: Commission computed in the manner laid down in Section 309 (5) of the Companies Act, 1956 and subject to a maximum as may be fixed by the Board from time to time on the basis of the performance of the Company but within the limit prescribed by the Companies Act, 1956.
3. Perquisites: Perquisites shall be payable within the overall limit of Salary.
4. The salary and perquisites as mentioned at 1, 2 and 3 above shall be exclusive of:
 - a. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income tax Act, 1961.
 - b. Gratuity as per the rules of the Company.
 - c. Leave as per the rules of the Company including encashment of leave at the end of the tenure.
5. Apart from above mentioned remuneration, he shall be entitled to:
 - d. Medical Expenses actually and properly incurred for him and his family.
 - e. Entertainment expenses actually and properly incurred by him in the

course of legitimate business of the Company.

- f. Club Membership fees subject to a maximum of two clubs. No admission and life membership fees shall be paid.
- g. Personal Accident Insurance Policy.
- h. Provision for use of car and telephone for both official and personal use.
- i. Group Insurance Policy as per the rules of the company.

The above may also be treated as an abstract in terms of Section 302 of the Companies Act, 1956.

None of the Directors other than Mr. Nenshi L. Shah and Mr. Shantilal L. Shah of the Company is interested or concerned in the said resolution.

Your Directors recommend the Ordinary Resolution as set out at Item No. 5 of the notice for your approval.

ITEM NO. 6

The Board of Directors at its meeting held on October 29, 2010 has appointed Mr. Anish K. Shah as Vice President (Resin Plant) w.e.f. November 1, 2010 at a remuneration of Rs. 50,000/- per month or Rs. 6,00,000/- per annum inclusive of all amenities and perquisites payable to him. Mr. Anish K. Shah is a relative of Mr. Kumar Shah, Whole-time Director of the Company. As per the provision of Section 314 (1) (b) of the Companies Act, 1956, no relative of a Director should hold or continue to hold any office or place of profit in company which carries a remuneration exceeding Rupees 10,000/- per month, except with the consent of the Company accorded by passing a Special Resolution.

Mr. Anish K. Shah holds a degree of B. E. in Electronics. Presently he is responsible for all the manufacturing activities of Resin Plant. The Board has appointed him in the interest of the Company.

Except Mr. Kumar P. Shah none of the Directors of the Company are interested in the said resolution.

Your Directors recommend the Special Resolution set out at Item No. 6 of the notice for your approval.

By Order of the Board of Directors

Jayshree D. Soni
Company Secretary

Place: Mumbai
Date: October 29, 2010

Registered Office:
Euro House, CTS No. 1406, A25/6,
Chincholi Bunder Road,
Behind Inorbit Mall,
Malad (West),
Mumbai – 400 064

Management Discussion and Analysis

Industry Overview

Global Overview for Tiles Industry:

The world economic situation has been improving since the second quarter of 2009. International trade and global industrial production have also been recovering noticeably with an increasing number of countries registering positive quarterly growth of gross domestic product (GDP).

The global ceramic tile industry (worth US\$ 36 billion) is growing at 6% annually. Production is dominated by Brazil, Italy, Spain and China (production 40% and consumption 34% of the global ceramic tiles output). (Source: theceramic.com, March 2010)

Asia, Latin America and European Union (EU) are the three major regions in the world that produce and export ceramic tiles in bulk. China accounts for 40% of the global ceramic production making it the largest ceramic tile producer. Spain and Italy occupies the second and third largest producer position, while India ranks fifth position with production of more than 390 million sq. mtr., and accounts for 4.6% of world's production.

The ratio between consumption and production has been stable at around 94% which shows robust future growth rate.

Indian Overview for Tiles Industry:

India ranks among the world's top five ceramic tiles producing countries with a total annual production of around 450 million sq.mtr. as on March 2010.

Indian ceramic tiles industry is large, rapid growing and populated by organized and unorganized manufacturers. The subdued performance specially in real estate and infrastructure industry was the result of global recession and economic meltdown. However the environment turned favorable due to a combination of various factors like economic upturn, growing demand from the construction and real estate sectors as well as a decline in dumping from other countries due to anti dumping duty on imports of vitrified tiles.

The industry can be classified into two segments, viz., Wall tiles and Floor tiles, contributing to the market sharing ratio of 30:70.

Global Overview for Sanitaryware:

The Global Sanitaryware Industry is estimated to be 187 million pieces and growing at about 7% Y-O-Y. The main sanitaryware producing countries in the world are China, Italy, Mexico, Brazil and Spain, which together account for about 35% of global production. Italy is the largest market in the EU for sanitaryware and ceramic tiles which amounted to 3.6 billion Euro after achieving a growth of 4.6% p.a. since 2004.

Indian Overview for Sanitaryware:

India, with a size of 6.75 million pieces, accounts for about 3.3% of the total global production. Penetration of Sanitaryware in India is about 30% which is much lower than neighboring Asian countries, indicating significant growth potential for this sector in Indian market. The Indian sanitary ware market has been growing at about 10% a year, as compared to the global average growth of about 7%.

The market size for sanitaryware and bathroom solutions within India is estimated to be US\$ 500 million. The branded segment accounts for a larger share of 55% and is growing at the rate of 20% p. a.

Global Overview for Marble Industry:

Globally, Italy is the major player in the production of marble and granite. World's production and consumption of marble stone have increased due to technical advancement which has also given rise to the agglomerated stone. Italy exported 38% of the dimensional stone's export, while its imports were 18% of the international imports. Other major exporters include Spain, Turkey and Portugal. Other major importers were USA, China, Germany, Hong Kong and India.

The market for agglomerated marble is increasing due to the advantages over the natural marble. China is one of the largest manufacturer of agglomerated marble.

Indian Overview for Agglomerated Marble:

The marble industry in India has been flourishing ever since ages, which has made India as one of the largest producer of marbles in the world after Italy, Belgium, France and Greece. The Indian marble industry is not only confined to production or supply of marbles but also export of highly acclaimed stones such as blocks, flooring, calibrated (ready to fix tiles), monuments, slabs, structural slabs, tomb stones, cobbles, cubes, sculptures, artifacts, pebbles, kerbs and landscape garden stones.

Government of India has introduced many laws in order to promote and expand Indian marble industry, especially the agglomerated marble as it has banned the import of block. Further marble import also requires special licenses. The Government of India has set a target of raising Indian stone industry by more than 50% in the next five years from the current level.

Global Overview for Aluminium Industry:

In FY 2009-10, globally the aluminium business was lower due to global meltdown and price fluctuation at LME. LME was lower by around 16% compared to previous financial year.

However aluminium extrusion industry, globally has average growth rate of

Management Discussion and Analysis

around 5% p.a. China has shown robust growth in extrusion Industry in the last 15 years whereas the scenario is not the same for the extrusion industry in UK. USA has also shown a growth in aluminium and allied industry due to sharp change in automotive industry. In USA nearly 36% of the total aluminium dealing firms are engaged in extrusion industry.

Indian Aluminium Industry:

The Indian economy has shown a sharp recovery in FY 2009-10, backed by the stimulus packages by the Government of India. The Indian aluminium industry and its allied industries like extrusion, witnessed a recovery, especially from the second half of FY 2009-10, due to turnaround in the end user industry such as power, automobile, construction and infrastructure.

Growth Drivers of our Industry

Tiles, Sanitaryware, Aluminium Extruded Sections are integral part of the real estate and infrastructure industry. The growth of the said industries depends on various factors including few of the following:

1. Real Estate Market in India:

The national players and FDI in real estate segment of India made a huge investment thus creating a positive outlook towards the supply chain industry like tiles, cement, aluminium, etc. The Indian real estate segment is expected to grow at CAGR of 25 % in next five years. Both residential and commercial spaces are in demand and are expected to increase at a rapid pace.

Investments and Demand in the End- User Segments	
Particulars	
Housing	
Urban Housing Shortages by FY14 (Mn units)	21.7
Rural Housing Shortages by FY14 (Mn units)	53.8
Hospitals	
Additional beds needed by FY13	3,49,321
Investments by FY13 (Rs. Bn)	873
Hotels	
Expected room additions by FY12	7,045
Investments by FY12 (Rs. Bn)	42.3
Airport Modernization	
Expansion & Upgradation in Metros (Rs. Bn)	147
Greenfield & Upgradation in Non- Metros (Rs. Bn)	98

Source: Crisil Research

2. Retail Sector:

India's retail sector is wearing new clothes and with a three year compounded annual growth rate of 46.64%, retail is the fastest growing sector in the Indian economy. The organized retail is at a very nascent stage and expects to increase its proportion by 9-10% by the year 2010 bringing a huge opportunity. Indian retail market is estimated at US\$ 350 billion and organized retail at US\$ 8 billion. (Source: ASSOCHAM). India is currently the ninth largest retail market in the world. Organized retail in India has the potential to add over Rs. 2000 billion (US\$ 45 billion) business by the year 2010. It is estimated that it will cross the US\$ 650 billion mark by 2011, with an already estimated investment of around US\$ 421 billion slated for the next four years. (Source: www.cci.in)

3. Hospitality Sector:

The Indian Hospitality Industry is one of the fastest growing sectors of the Indian economy. The current market size is US\$ 23 billion, accounting for 2.2% of India's GDP. The growth in this sector is the result of heightened awareness of consumers towards introduction of 'medical tourism' 'eco-tourism' and 'agri-tourism'. Currently 'medical-tourism' is US\$ 533 million and is expected to grow to US\$ 3.29 billion by 2018. (Source: technopak perspective)

As per an analysis by the Economy Survey of India and Technopak (2008), the Indian Hotel industry is estimated at US\$ 17 billion, despite a dip in the year 2009, an upward trend in growth of the overall hotel sector is expected whereby the industry is expected to grow to US\$ 36 billion by 2018. (source: technopak perspective)

The global economic slowdown severely impacted the hospitality industry in FY 2008-09. During FY 2009-10 the foreign tourist arrivals increased by 0.10 million, aggregating to 5.2 million. The demand and capital investment in the travel and tourism sector is likely to grow at around 8% in another nine years.

City	Existing Supply	Proposed Supply	Increased over 5 years	% of Proposed supply being developed
Bangalore	3889	10784	277%	58%
Chennai	3307	4945	150%	67%
Delhi(NCR)	8625	16560	192%	53%
Mumbai	7948	13386	168%	73%
All INDIA	48475	94115	194%	60%

Source: HVS Hospitality Services, businesstoday.intoday.in/

Management Discussion and Analysis

4. Healthcare sector:

The market size of healthcare industry is more than US\$ 34 billion. India's healthcare sector has been growing rapidly and estimated to grow to nearly US\$ 40 billion. (Source:www.indialawoffices.com). Revenues from the healthcare sector accounts for 5.2% of the GDP, making it the third largest growth segment in India.

The Indian healthcare market is currently estimated at US\$ 34.2 billion. The market has grown from US\$ 22.8 billion in the year 2005, at a CAGR of 16% and is expected to grow to US\$ 50.2 billion and US\$ 78.60 billion by 2011 and 2016 respectively. (Source:IBEF.org)

India has only 0.7 beds per 1000 people, far below the global average of 2.6 beds. India needs to add 2 million beds to the existing 1.1 million by 2027, and requires immediate investment of US\$ 82 billion to make up for its infrastructure deficit.

5. India's affluent space:

India's rapid economic growth has set the stage for fundamental change among the country's consumers. The same energy which has lifted hundreds of millions of Indians out of desperate poverty is now creating a massive middle class centered in the cities. A new study by the McKinsey Global Institute (MGI) suggests that if India continues its recent growth, average household incomes will triple over the next two decades and it will become the world's fifth largest consumer economy by 2025, up from twelfth now. (Source: www.mckinseyquarterly.com)

As the economy treads the development path, households' discretionary spend rises. An individual who accounted for an estimated cumulative liquid wealth of US\$ 203 billion in 2005 is expected to go up to US\$ 322 billion by 2009, growing annually at 12.2%. (Source: www.thehindubusinessline.com) Based on this study, Nielsen estimated a total of 2.5 million affluent households in India, of which 2.2 million belong to the "upper middle" segment; 200,000 in the "upper upper middle" segment and about 100,000 in the "rich" segment. Delhi ranked as the most affluent city in the country, followed by Bangalore and Greater Mumbai. (Source:www.nielsen.com) Discretionary spending in lifestyle and premium products is expected to increase to around 70% of most of the household expense pie by 2025.

Human Capital

Our Company has best manpower in all segments and divisions. The Company continued to maintain its low labour turnover ratio in the current financial year and maintained the relationship with its human assets of more than 1200 people.

Internal Control

A strong internal control system is culture of the Company. Internal Audits in all segments are undertaken regularly with proper standards and procedures. Audits are done by internal team of senior management as well as independent professionals and the audit observations are reported and discussed by the management for necessary actions required if any. The aim of the internal control system is to manage the business risks, maximize the value of stakeholders and safeguard the revenue and assets of the Company.

The Audit Committee of the Board meets regularly and reviews the audit findings, compliance of accounting standards and adequacy of internal controls and system of the Company.

Operational Review

In FY 2009-10, the Company was able to maintain its market share in the Vitrified Tiles Division and was able to successfully ramp up the capacity utilization in the Calcareous Tiles (Agglomerated Marble) Division. The Company has expanded the production capacity in the Calcareous Tiles Division at the end of the year and sales from the said plant are expected in the next financial year. Tiles Division (Vitrified Tiles and Calcareous Tiles) continued to contribute more than 80% of the total revenue.

Sanitaryware products under the Brand name of Euro have started picking up the market, showing a remarkable growth in the turnover over previous year. Net sales from Sanitaryware Division grew by around 175% over the previous year which contributed around 7% in the total revenues of the current year.

Aluminium Division performed satisfactorily with the capacity utilized of more than 100 % in the current financial year.

SWOT Analysis

SWOT analysis identifies and analyses the factors which affect the performance of the Company's business and strategic position.

Strengths

- High-tech production plants with imported technologies in all segments.
- Wide range of products to cater all the categories of customers.
- Multi-layered distribution channel with Pan India presence.
- Accreditation with the ISO 9001:2008, an endorsement of quality commitment.

Management Discussion and Analysis

- Empowered management marked by innovation, branding and growth.
- Exceptional infrastructure with utilities like power, fuel, water, manpower which are essential thereby reducing the external dependency.

Weakness

- Highly capital intensive Industry.
- High degree of industrial fragmentation.

Opportunities

- Booming real estate sector and infrastructure development in India.
- Scope for tie-ups with global players with high-tech quality products.
- Supportive Government measures for the growth of ceramic industry in India.
- Discretionary spending in lifestyle and diversion towards niche & branded quality products.
- Positive sign of recovery of economy at Global level.
- Sharp recovery of IT industry in India will drive infrastructure and allied industry increasing per capita income.

Threats

- Influx of low cost tiles from Chinese manufacturers.
- Threats from unorganized sector.

Conclusion and Future Outlook

With the sound business policy of delivering the best, the Company was able to maintain its turnover of more than Rs. 200 Crores in the volatile FY 2009-10. To increase the market share in agglomerated marble and to create the market for Sanitaryware in highly competitive established market, were the two challenges for the Company at the beginning of the FY 2009-10. But with the dedicated continuous efforts, focus on quality and brand, Company was able to achieve the target to a certain extent. Further the Company has implemented the manufacturing plant of polyester resin, which is the essential ingredient raw material for manufacturing of agglomerated marble. The quality of the agglomerated marble depends on the quality of the resin.

The Company is implementing the wall tiles manufacturing plant at Bhachau Kutch, Gujarat, which will not only add the revenues in the Company in FY 2010 -11, but also add the advantage over its competitors.

However with the Global economy recovery and booming real estate and infrastructure segment, the Company is expecting to increase the market share of Agglomerated Marble with the expanded capacity and will establish Sanitaryware market as core competitor.

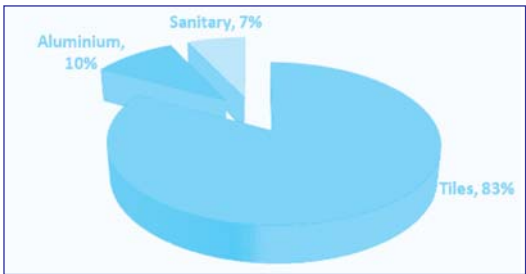
Financial Analysis: 2009-10 vs. 2008-09

Key Financial Information

- Net sales declined by 6.46% from Rs. 21717.98 Lacs in FY 2008-09 to Rs. 20313.42 Lacs in FY 2009-10.
- EBDITA margin for the year was 13.04%, declined from Rs. 4029.13 Lacs in FY 2008-09 to Rs. 2662.83 Lacs in FY 2009-10.
- The Company has reported the financial Loss of Rs. 4144.84 Lacs at PAT level, during the year, as compared to loss of Rs. 2281.55 Lacs during the previous financial year.

Revenue (Net Sales)

- Total Revenue declined by 6.26% in FY 2009-10 over FY 2008-09, mainly dip in sales which was affected due to economic slowdown and global recession.
- By vertical: Sales break up for the FY 2009 -10, for each segment is continued to be more or less in the same pattern as it was in the previous year. Major sales is form Tiles Division (Vitrified Tiles and Calcareous Tiles), which contributes 83% of the total sales. Sanitaryware Sales grew by almost three times of the total sales of previous year and contributed around 7% in total sales against 2% in previous year.



- By geography: Domestic Sales is almost 90% of the total sales in FY 2009-10, against 92% in FY 2008-09. Domestic sales declined by 9.06% from Rs. 20003.39 Lacs in FY 2008-09 to Rs. 18189.74 Lacs in FY 2009-10, due to drop in aluminium sales and tiles sales, as a result of pricing pressure, recession and slowdown in real estate and infrastructure segment. However Export Sales increased by 23.84% from Rs. 1714. 58 Lacs in FY 2008-09 to Rs. 2123.68 Lacs in FY 2009-10 due to positive development in Global economy in the second half of the year, which created demand for vitrified tiles.

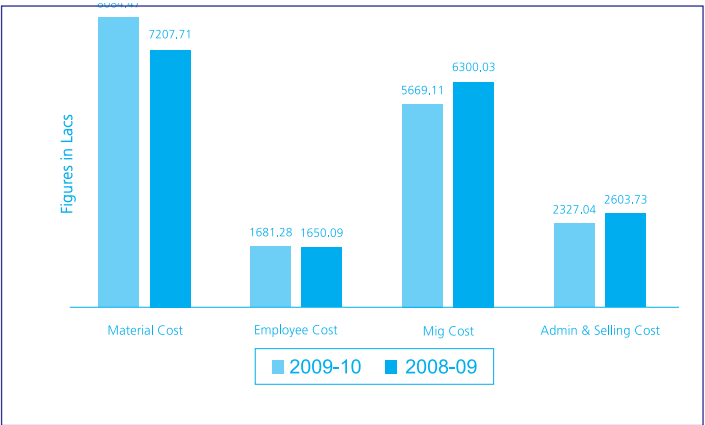
Other Income

Other income includes the rental income and foreign exchange rate

difference. Other income is higher by 53.06% from Rs. 72.73 Lacs in FY 2008-09 to Rs.111.31 Lacs in FY 2009-10 mainly because of gain in exchange rate difference in foreign currency transactions.

Cost Analysis

Total operating cost (excluding Depreciation and Interest) was almost same with no difference from Rs. 17761.57 Lacs in FY 2008-09 to Rs. 17761.91 Lacs in FY 2009-10 in absolute terms. Detailed breakup of the total cost in comparison with previous year is as under :



Material Cost: Material Cost was high on account of usage of high quality raw materials in the production of Vitrified tiles and Sanitaryware products to maintain its quality.

Employee Cost: The Company has very good manpower team of more than 1200 people, both skilled and unskilled, in the areas of manufacturing, administrative and marketing. The staff strength was same as of previous year and hence the personnel cost was in line with previous year, except some marginal increase.

Manufacturing Cost: Manufacturing cost for FY 2009-10 was Rs. 5669.11 Lacs against Rs. 6300.03 Lacs of previous year, which is lower by Rs. 630.92 Lacs, due to saving in power and fuel expenses during the year.

Administrative, Selling & Distribution Cost: Administrative, Selling & Distribution expenses declined by Rs. 276.69 Lacs from Rs. 2603.73 Lacs to Rs. 2327.04 Lacs, due to decline in sales.

Interest: The Company's interest cost increased by Rs. 324.76 Lacs from Rs. 4194.89 Lacs in FY 2008-09 to Rs. 4519.65 Lacs in FY 2009-10. This was mainly due to increase in the borrowings during the year.

Depreciation: The Company is providing depreciation on straight line method. The Depreciation is increased by Rs. 304.39 Lacs from Rs. 1983.69