EURO CERAMICS LTD.

ANNUAL REPORT
2012-13

Vitrified Tiles
Agglomerated Marble
Sanitaryware
Wall Tiles

Corporate Information

BOARD OF DIRECTORS

1. **Mr. Nenshi L. Shah**
   Chairman & Managing Director

2. **Mr. Talakshi L. Nandu**
   Whole-time Director
   (Upto April 24, 2013)

3. **Mr. Kumar P. Shah**
   Whole-time Director
   (Upto April 24, 2013)

4. **Mr. Paresh K. Shah**
   Whole-time Director

5. **Mr. Anil M. Mandevia**
   Independent Director

6. **Mr. Amit G. Shah**
   Independent Director
   (Upto April 24, 2013)

7. **Mr. Mahendra V. Modi**
   Independent director

8. **Mr. Ajit Nalwaya**
   Independent Director

General Manager- Sales
Mr. Rajesh Kakkad

General Manager- Accounts and Finance
Mr. Chandresh Rambhia

Auditors
M/s. Deepak Maru & Co.
Chartered Accountants

Vice President-Sanitary Ware
Mr. Viral Nandu

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

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

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 Agents
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 Eleventh Annual General Meeting of the Members of Euro Ceramics Limited will be held on Thursday, 22nd day of August, 2013 at 11.30 a.m. at Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400095 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Statement of Profit & Loss for the financial year ended on that date together with the Reports of Board of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Anil M. Mandevia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/s. Deepak Maru & Co., Chartered Accountants (FRN: 115678W), Mumbai as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 ('the Act') (including any modification(s) or re-enactment(s) thereof for the time being in force) and subject to the approval of the Central Government and all other permissions, sanctions and approvals as may be necessary in this regard, the re-appointment of Mr. Paresh K. Shah, as a Whole-time Director of the Company for a further period of five years with effect from April 1, 2013, at a remuneration of ₹ 2,00,000/- (Rupees Two Lakhs only) per month inclusive of salary, perquisites and allowances as per the terms and conditions as set out in the Explanatory Statement attached to this notice, be and is hereby approved.

   RESOLVED FURTHER THAT in the event of inadequacy or absence of profit in any financial year during the tenure of Mr. Paresh K. Shah as Whole-time Director, the remuneration as approved hereinabove shall be paid as minimum remuneration in terms of Schedule XIII to the Act.

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

By Order of the Board of Directors

Place: Mumbai
Date: May 30, 2013

Nenshi L. Shah
Chairman & Managing Director

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 VOTE INSTEAD OF HIMSELF / HERSELF ON POLL ONLY. 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 Register of Members and Share Transfer Books of the Company will remain closed from Monday, August 19, 2013 to Thursday, August 22, 2013 (both days inclusive).
3. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto and forms part of this notice.
4. Corporate members are requested to send a duly certified copy of the Board Resolution authorising their representatives pursuant to the provisions of section 187 of the Companies Act, 1956 to attend and vote on their behalf at the Annual General Meeting.
5. Members/Proxies 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 shareholding, if any.
7. Members 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. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company is required to be transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government and no claims lie against the said fund or the Company for the amount of dividend so transferred to the fund. Shareholders who have yet not encashed their dividend warrant(s) for dividend declared for the financial year ended March 31, 2007 or for any subsequent financial years are requested to make their claims to the Company.

In Pursuance of the Clause 49 (IV)(G) of the Listing Agreement, the details of directors seeking re-appointment at the ensuing Annual General Meeting to be held on Thursday, 22nd day of August, 2013 are as follows:

Name of Director	Mr. Anil M. Mandevia	Mr. Paresh K. Shah
Date of Birth	August 5, 1950	March 7, 1969
Nationality	Indian	Indian
Date of appointment on the Board	November 2, 2005	April 16, 2002
Designation	Independent Director	Whole Time Director
Qualification	LLB, Solicitor	M. Com
Expertise in specific functional areas	He has more than 25 years of experience in the Legal field.	He has more than 20 years of experience in the retail business.
No. of shares held of the Company on March 31, 2013	Nil	1183360 (4.14%)
List of other Directorships held as on March 31, 2013	1. Euro Multivision Limited	1. Euro Glass Private Limited 2. Subhnen Sanitaryware Private Limited
Member of the Committees of companies in which he is a Director as on March 31, 2013	1. Member: - Audit Committee & Remuneration Committee of the Company - Remuneration Committee of Euro Multivision Limited 2. Chairman : Nil	Nil
Relationship with existing Directors of the company	None	None

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

ITEM NO. 4

Mr. Paresh K. Shah is working as Whole time Director of the Company since April 1, 2003. He was re-appointed as Whole Time Director of the Company w.e.f. April 1, 2008 for 5 years. The tenure of Mr. Paresh K. Shah as Whole-time Director of the Company expired on March, 31, 2013. The Board of Directors at its meeting held on February 11, 2013, after receiving recommendation from the Remuneration Committee of the Company, re-appointed him as Whole-time Director of the Company for a further period of 5 (five) years with effect from April 1, 2013, subject to approval of members in general meeting and the Central Government.

Mr. Paresh K. Shah, aged 44 years, is a Whole-time Director of your Company. He has more than 20 years of experience in the retail business. Mr. Paresh K. Shah is responsible for all marketing activities of our Company such as identification of markets, expansion of product market, brand building, introduction of new value added products and designs etc. The Board proposes his re-appointment in the interest of the Company.

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

I. Period of re-appointment: 5 years with effect from April 1, 2013.

II. Remuneration:

1. Salary: Salary of ₹ 2,00,000/- (Rupees Two Lakhs only) per month (including dearness allowance, house-rent and all other allowances/perquisites)
2. Commission: Commission computed in the manner laid down in Section 309 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. The salary and perquisites as mentioned 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.
4. Apart from above mentioned remuneration, he shall be entitled to:
   a. Medical Expenses actually and properly incurred for him and his family.
   b. Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.
   c. Club Membership fees subject to a maximum of two clubs. No admission and life membership fees shall be paid.
   d. Personal Accident Insurance Policy.
   e. Provision for use of car and telephone for both official and personal use.
   f. Group Insurance Policy as per the rules of the company.

Your Directors recommend the Ordinary Resolution as set out at Item No. 4 of the notice for your approval.

Except Mr. Paresh K. Shah, no other directors are interested or concerned in the said resolution.

By Order of the Board of Directors

Place: Mumbai
Date: May 30, 2013

Nenshi L. Shah
Chairman & Managing Director

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

Management Discussion And Analysis

Global Tiles Industry:

Ceramic tile is essence of construction industry for interior and exterior architectural applications. Ceramics Industry constitute a high unpredictable market influenced by various factors including GDP growth of the global and regional economies, consumer purchasing power, prospective economic outlook, health of the industrial construction and housing industry. Recently, the global economic slowdown and decline in net housing demand in the developed countries like US and Europe, had a negative impact on the global ceramic tiles market. However, going forward, post recession, the industry seems to move in positive direction with strong fundamentals coupled with technological innovations, revival of consumer interest. Technology innovations such as digital printing which will give desired look to tiles from wallpaper to wood, will reenergize the demand patterns.

The global market for ceramic tiles is being driven by the continuous urbanization, economic development, infrastructure development and emerging housing demand. Therefore, developing BRIC economies (Brazil, Russia, India, and China) represent the market engine capable of driving growth in the short-to-medium term period. The huge spending in the infrastructure sector is expected to generate large scale demand for ceramic tiles from the BRIC nations. Moreover, the major sports events scheduled in Brazil and Russia make the prospects more attractive, with additional infrastructure projects pushing up the demand for ceramic tiles.

The worldwide ceramic tile market is projected to reach 92.78 billion square feet by 2015, due in part to the anticipated economy recovery in the medium term and the ensuing resurgence in construction activity, as well as new product innovations, according to a new report of analyst. The report states that Asia-Pacific and Europe collectively accounts for more than 80% share of the global market.

Indian Tiles Industry:

Indian tiles industry is growing year on year and matching with the global growth rate of tiles industry, and continues to grow at a healthy growth rate of 15% p.a. India's position in global tile market is improved from fifth position to third position, due to growing construction industry, both in urban and rural sector of India. There is a huge urban housing shortage for migrating community; young people at early age own houses with their disposable income. Even today the per capita consumption of tiles in India is as low as 0.15 sq.mtr., against 6 sq.mtr. of Europe and 2 sq.mtr. of China.

Overall the bullish growth estimates in the Indian economy has significantly influenced the growth of the Indian Ceramic tile industry in past. The main product segments are the Wall tile, Floor tile, Vitrified tile and Industrial tile segments, having market shares (in value terms) as 20%, 23% 50%, and 7% respectively. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills, infrastructural facilities despite being fairly capital intensive.

Indian tile industry also emphasis on the technology and innovations. The new digital printing technology is grabbing the market in India.

In fact most modern houses throughout use Ceramic tiles for their bathrooms and kitchens and in every vital area of the premise. Ceramic tiles are also the choice of industry, where walls and floors must resist chemicals.

The global recession, economic slowdown, liquidity crisis and low off take by the end use segment especially by real estate segment, coupled with the government policies has certainly affected the tiles industry in India, in short run to medium run, where as in long run the industry will grow in positive directions with demand drivers.

Sanitaryware – Global Market

Improving sanitation levels, low energy, and labor costs are driving the market for sanitary ware products. Also, changing consumer preferences is boosting the development of new luxury sanitary wares like private spas, shower systems, saunas, and larger baths among others. Asia Pacific leads in the production of ceramic sanitary wares due to low cost manufacturing and presence of large number of small and medium players in these regions.

Asian region holds the maximum market share followed by Europe, South America and North America. China, Turkey, Brazil, Mexico, and Columbia are among the top manufacturing countries of ceramic sanitary ware products. Asia is expected to continue its dominance on the global market due to the steady growth of ceramic sanitary ware industry in China, India, and Thailand.

The global market for ceramic sanitary ware is set to grow due to the changing lifestyle, increasing spending on hygiene, and growth of real estate market. With the passing time, ceramic sanitary products are valued as life style products. The global ceramic sanitary ware production is expected to grow from 325 million units in 2012 to 443 million units by 2016, at an estimated CAGR of 6.39% for the same period. However, restraints such as low penetration of pressure casting technology and environmental effects of ceramic sanitary ware hamper the growth of the global ceramic sanitary ware market.

Sanitaryware – Indian Market

In the past few years, the sanitation conditions have improved a lot in India. The standard of living in country is improving due to improving rate of literacy and increasing disposable income of the consumers resulting from the economic growth in the country. The improved standard of living is driving the demand growth of sanitary ware products in India. The sanitary ware market in developing countries like India and China has been growing tremendously for the past 5-6 years. However, in comparison the growth is stagnant in the matured markets like US and Europe. The construction growth in China made it the largest toilet market globally in 2012.

Sanitaryware demand comes from new projects as well as from replacement market. According to 'India Sanitary Ware Market Forecast & Opportunities, 2017', in the coming years India will witness huge improvements in the sanitation level. India is set to become the second largest consumer of sanitary ware products in Asia-Pacific region. Research says that the sanitary ware market in India is expected to grow immensely given the rising level of middle class, with growing disposable income in hand along with better education levels in the country. The government initiatives and boom in the real estate sector are further expected to contribute in the growing demand of sanitary ware products in the country in long run.

Global Marble Industry:

Globally Italy, Turkey, Spain, Middle East and India are the major producer & exporter of the Marble. There are organized players over the globe for this trade. Italy probably, is the world leader in marble, granite and other stone sector. It is leading with 17% of the total world's production.

Almost 50% of the world's marble output is consumed in the Middle East, Far East and European countries; therefore, there is a great demand for marble in these regions.

China and Italy are the two major countries producing the Agglomerated Marble and exporting to the world. The induction of modern technology, creation of awareness about the product, scientifically designed products and steady & consistent supply made Agglomerated Mable industry growing in organized manner and will continue in near future worldwide.

Indian Marble Industry:

The marble industry in India has been flourishing ever since ages, which has made India the fourth largest producer of marbles in the world after Belgium, France and Greece. The Indian marble industry is not only confined at production or supply of the marbles but 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 has also been its important part. The bulk of the Indian marbles are being produced in the states of Rajasthan, Gujarat, Tamilnadu, Karnataka, Andhra Pradesh and several others. About 90% of the marble is produced alone in Rajasthan, and Gujarat including few other states of Southern India produces granite at larger scale.

The constant growth of Indian marble industry also encourages the Agglomerated Marble. Beautiful look, price competitiveness, eco friendliness, organized and steady supplies are reasons for switching to the Agglomerated Marble for many end users. The industry is also equipped with state of the art resource of machinery and tool manufacturers who cater very well to the rising demands of this sector. The Government of India has set a target of raising Indian stone industry to 50% in the next 5 years.

Global Overview of Aluminum Industry:

Major aluminium exporting countries are Germany, Russia and Canada, while major aluminium importing countries are USA, Germany and China.

Global demand growth expectations have moderated significantly and further downgrades to growth expectations are likely. As in the recent past, China and India would lead Asia's demand growth. Elsewhere, North America is expected to grow at a healthy 4-5% rate, while Europe having lost the way is expected to register a negative growth rate. Of late concerns over slower growth in China, and the debt crisis in the euro zone have cast their shadow on the market.

Indian Aluminum Industry:

India is one of the biggest producer and consumer of the Aluminum. Aluminum demand was expected to grow at around 5 % in 2012. Overall economic slowdown and low off take has affected Indian aluminum industry too. Despite all these, the physical demand continues to remain robust. Aluminum production is expected to increase in line with the rising demand in India, from electrical sector, automobile sector, packaging industry and construction and infrastructure sector. Strong prices and uninterrupted raw material supply have led many smelters to restart their production in last one year.

Growth Drivers of our Industry

The Ceramic Tile, Sanitaryware and Marble Industry in India are showing remarkable growth owing to the booming real estate sector along with the rising disposable income of the consumers. The key growth drivers for the industry are briefed below ;

Booming Housing Demand : The housing demand in India is increasing due to urbanization and migration of population from rural to urban sectors. There is a need to develop the housing to cater the population in each city of the country.

Growing infrastructure : Requirements from the sectors such as education, healthcare, hospitality and hotel and tourism are providing numerous opportunities in the infrastructure sector and thereby to the marble, tiles and sanitaryware Industry.

Increasing demand of office space : India is going to produce an estimated two million new graduates from various Indian universities during this year, creating demand for 100 million square feet of office and industrial space. In addition, presence of a large number of Fortune 500 and other reputed companies will attract more companies to initiate their operational bases in India thus, creating more demand for corporate space. [Source: IBEF]

Change in Consumer preference : Consumers are becoming style conscious and this aesthetic sense of the consumers is leading to its increased consumption. The literacy made the consumer more of hygiene conscious and made to use the standard quality product.

Price Competitiveness : The Indian ceramics products are giving the tough price competition to the cheap imported products. The Indian players are producing the cost competitive product without affecting the quality, with the various in house research and cost control measures. Further Indian Marbles are also replacing the imported marble market on the ground of price and its beautiful look. The availability of the products with various designs at various different price points makes tough competition for imported product.

Quality product with latest technology: The growing awareness about the technology in Indian tiles industry has lead to increase the demand. The innovative products especially in tiles like digital printing and double charge, will revive the consumers interest.

Human Capital

The Company has well managed its human resources and maintained a cordial and healthy relationship with manpower. The Company keeps training programs, safety programs and social events for motivating its manpower and succeeded in retaining the talented manpower.

Internal Control

The Company has adequate internal control system and internal audit, commensurate with the size of the business. All the transactions are recorded in proper manner duly authorized and verified by the concern authorities and reported accordingly.

Internal audit and statutory audit are part of internal control system and done by independent auditors and audit committee regularly reviews the same.

SWOT Analysis

Strengths

- Plant is ideally located in the upcoming state of Gujarat, having abandoned natural resources.
- State of art manufacturing facility with latest technology.
- Multi product Company offering complete tiling and bathroom solutions.
- Quality product and established brand.

Weakness

- The rising fuel cost which is not controllable, affecting the product cost.
- Stressed working capital.
- Low Capacity utilization affecting the cost.

Opportunities

- Growing demand in housing sectors and service sector
- Urbanization and development of tier II and tier III cities in India Changing pattern of consumers on increase of per capita income
- Increasing literacy rate improving sanitation level.

Threats

- Fast changing Technology
- Growing Brand Equity of Competitor
- Competition with cheap products of China and Unorganized Sector.
- Expected Entry of MNC's.

Conclusion and Future Outlook:

Even in such a financial crises and such a stretched working capital, the Company & promoters are making strong efforts for increasing it's market shares especially in Sanitaryware and Agglomerated marble segments with its brand and quality products. Considering the immense opportunities in the market, Company will achieve its goals and target in the coming years and surpass all the hurdles with its experience and support of all associates.

Financial Analysis: 2012-13 vs. 2011-12

Key Financial Information

- The overall operations of the Company was under stress due to severe liquidity crunch and the adverse market conditions.
- The Company has not done any business in the Reality business during the year, considering the high risk and adverse market conditions, especially for real estate sector. There was no production of Wall Tiles and Aluminum Sections during the year due to overall slowdown and limited working capital. Net sales was decreased by 49.78 % from ₹ 17,647.54 Lacs in FY 2011-12 to ₹ 8,860.99 Lacs in FY 2012-13 .
- EBDITA margin of the Company is continued to be negative to ₹ 2,792.41 Lacs during the FY 2012-13, due to low capacity utilization in all the division and cost burden of unavoidable fixed expenses.
- The Company reported a Net Loss (after tax) of ₹ 10,699.98 Lacs during the year under review against the Net Loss (after tax) of ₹ 9322.10 Lacs of previous year.

Revenue (Net Sales)

- The total net sales declined by 49.78 % from ₹ 17,647.54 Lacs in FY 2011-12 to ₹ 8,860.99 Lacs in FY 2012-13, due to fall in sales from all the division.
- The below mentioned divisional sales break up shows that Tiles Division sales fall drastically due to various internal and external factors including stretched working capital.

(₹ In Lacs)

Division	FY 2012-13	FY 2011-12
Tiles	7,431.23	14,574.94
Aluminum	0.48	1,342.85
Sanitaryware	1,429.29	1,729.75

- Wall tiles and Aluminium segment could not contribute to total revenue as the Company has not operated the plants during the year due to low margins and working capital issues.
- Geographical revenue break up, shows that export revenues also decreased from ₹ 1,539.23 Lacs to ₹ 620.67 Lacs in the current year against the previous year, mainly to concentrate on the domestic market having better margins then the foreign trade.

Other Income

- Other Income of ₹ 51.81 Lacs, mainly comprises of rental income and interest on deposits. The other income declined by ₹ 315.67 lacs compared to previous year as there were no reversal / write back of any provisions in current year.

Cost Analysis

- The overall operational activity was low during the year across all the division, resulting into high cost of production on account of fixed cost.
- Total operating cost (excluding Depreciation and Interest) decreased by around 40.77 % in the FY 2012-13 to ₹ 11,642.21 Lacs against ₹ 19,729.60 Lacs in FY 2011-12, as the overall activity was down by around 50%.
- The major cost components in the total operating cost are Material Cost (after stock adjustment), Employee Cost, Power & Fuel Cost, Manufacturing Expenses and Admin and Selling Cost.

The Cost break-up year on year are given below:

(₹ In Lacs)

	FY 2012-13	FY 2011-12
Cost of Material	4,723.35	9,830.03
Employee Cost	1,668.68	2,376.22
Power & Fuel	3,010.78	4,657.66
Other Cost	2,239.40	2,865.69

Material Cost: The raw material cost as percentage of sales was marginally low.

Employee Cost: The employee cost decreased due to overall man count fall down due to non operation of wall tiles and aluminum divisions.

Power & Fuel Cost: The fuel cost in absolute terms fall due to low production, mainly in Vitrified tiles and no production in wall tiles division. The cost as percentage of sales increased due to increasing fuel prices. Further the energy cost of the Company was also high in the current year, as Company has procured from the state board, rather than from captive power plant, which was shut down due to inappropriate load.

Other Cost: Other cost mainly comprises of manufacturing overheads, administration expenses and selling and distribution expenses. The other cost as absolute number was low due to low production and sales. However the cost as percentage to sale was high , due to unabsorbed fixed cost in the nature of sales promotion, rent and taxes, travelling expenses, insurance charges etc. which are not directly linked to sales or production.

Interest: The Company's interest cost increased from ₹ 4,646.24 Lacs in FY 2011-12 to ₹ 4,989.38 Lacs in FY 2012-13, due to increase in the rate of interest as per the Corporate Debt Restructuring scheme implemented in the previous year.

Depreciation: The Company continues to provide depreciation on straight line method. The Depreciation cost slightly increased by ₹ 57.60 Lacs from ₹ 2,923.59 Lacs in FY 2011-12 to ₹ 2,981.20 in FY 2012-13.

Capital Employed

The Company's total capital employed decreased to ₹ 48,413.43 Lacs as on March 31, 2013 from ₹ 37,023.23 Lacs as on March 31, 2012, mainly due to the loss incurred by the Company during the year.

Share Capital: The Company's share capital was increased to ₹ 2,857.80 Lacs as on March 31, 2013 as compared to ₹ 2,642.81 Lacs as on March 31, 2013, as the Company has issued 21,49,878 fresh equity shares to the lender during the year, in line with Corporate Debt Restructuring scheme.

Reserves and Surplus: The Reserves and Surplus decreased by ₹ 10,389.97 Lacs from ₹ 5,801.06 Lacs as on March 31, 2012 to ₹(4,588.91) Lacs as on March 31, 2013. Decrease was net of losses incurred during the year of ₹10,699.99 Lacs and share premium received ₹ 310.01 Lacs on issue of equity shares to lender.

Long term Liabilities: Long term liabilities comprises of Secured Loans, Unsecured Loans, Deposits and Bond and Debentures issued to lenders. The long term liabilities has been decreased by ₹ 1,215. 21 Lacs due to repayment of term loans and conversion of dues into equity capital, as per the Corporate Debt Restructuring Scheme.

Deferred Tax Liability: Due to losses, there has been no change in the deferred tax liability of ₹ 1,523.92 Lacs, as on March 31, 2013.

Application of Funds

Fixed assets: The gross block of fixed assets increased by ₹191.13 Lacs from ₹ 58,699.53 Lacs to ₹ 58,890.65 Lacs, due to additions to plant and machinery and building.

Investments: The investment portfolio amounting to ₹ 277.61 Lacs remained unchanged as on March 31, 2013.

Working Capital Management: The Company's net current assets as on March 31, 2013, were decreased by ₹ 8,516.24 Lacs due to increase in current liabilities by ₹ 1,900.32 Lacs and decrease in current assets by ₹ 6,615. 92 Lacs. Current assets decreased on account of liquidation of stock and book debts due to stretched working capital. Current liabilities increased due to interest accrued and installments payable to lenders.

Risk Management:

Risk management process involves Identification, assessment and mitigation of risks. Managing risk and evaluation of its impact on the business is ongoing process.

1. **BRANDING RISK:**

The loss of brand recall in the competitive market, can affect the business of the Company.

Mitigation

- The Company continues its brand promotion through various means like exhibition, trade promotion, advertisements in all possible media.
- Increasing market reach and personal touch with the end users.
- Innovative products are launched with the same Brands.

2. **INDUSTRY RISK:**

Lower demand and low growth in end use segment may affect the ceramics industry.

Mitigation

- The expected growth in real estate and housing sector is bullish.
- The increase in urbanization and rise in disposable income will boost the demand for the industry.
- Tire II and Tier III cities are developing at a faster rate.
- Increase in hospitality and commercial space.

3. **COMPETITION RISK:**

Increased in competition from various players may affect the revenues.

Mitigation

- The delivery of quality products against low cost cheap products.
- Recognized Brand in the industry.
- Multiproduct portfolio catering all type of customers.
- Need based customized products.

4. **TECHNOLOGY OBSOLESCENCE RISK:**

The changing technology may affect the innovation and customer attrition rate.

Mitigation

- The Company has state of art manufacturing facilities.
- In house R & D team with well equipped laboratory.
- Cost effective capital expenditure to upgrade the technology.
- Customers are retained with innovative products and designs.

5. **HUMAN RESOURCE RISK:**

The loss of talented employee may affect the operations of the Company.

Mitigation

- The Company maintains a transparent and loyal relation with the employees.
- Monetary and Non-monetary motivations at regular intervals.
- Conducting regular training at all levels.