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14th ANNUAL REPORT 1996-97





BOARD OF DIRECTORS

Mr. R. N. SHETTY	<i>Chairman</i>
Mr. SATISH R. SHETTY	<i>Managing Director</i>
Mr. SUNIL R. SHETTY	<i>Joint Managing Director</i>
Mr. NAVEEN R. SHETTY	<i>Technical Director</i>
Mr. N. G. PAI	<i>Nominee (ICICI)</i>
Mr. C. GOPAL REDDY	
Mr. K. P. SURENDRANATH	
Mr. K. JEEVAN SHETTY	
Dr. K. SANDIP MALLI	
Mr. B. G. ARUN KUMAR	

Company Secretary

Mr. P. A. RAVISH

General Manager (Finance)

Mr. N. M. HEGDE

Registered Office

Murudeshwar Bhavan
Gokul Road
HUBLI – 580 030

Plant

Krishnapur Village
Hubli – 580 024

Chalmatti Village
Taluk: Kalghatgi
Dist. : Dharwad

Auditors

M/s M. A. NARASIMHAN & CO.
Chartered Accountants
Bangalore

Legal Advisers

M/s N. JAYARAMAN
Advocates
Bangalore

Bankers

CANARA BANK
BANK OF BARODA
STATE BANK OF INDIA
VIJAYA BANK
THE LAKSHMI VILAS BANK LTD.

NOTICE

To
The Members
Murudeshwar Ceramics Limited

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held at Shri R. N. Shetty Kalyan Mantap, Opp.: Glass House, Hubli, at 4.00 p.m. on Monday, the 29th day of September, 1997, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Statements of Accounts of the Company for the year ended 31st March, 1997 together with Directors' and Auditors' Reports thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Dr. K. Sandip Malli, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri Naveen R. Shetty, who retires by rotation and is eligible for reappointment.
5. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the Provisions of Section 224-A and other applicable provisions of the Companies Act, 1956, the retiring Auditors M/s M.A. Narasimhan & Co., Chartered Accountants, Bangalore, be and are hereby reappointed as Auditors of the Company to hold office until conclusion of the next Annual General Meeting and the Board of Directors be and are hereby authorised to fix their remuneration."

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereunder, approval is hereby accorded for the appointment of Shri Satish R. Shetty as the Managing Director of the Company for a period of 5 years effective from June 27, 1997 on the following remuneration and perquisites:

- | | | |
|-------------------------|---|---|
| 1. SALARY | : | Rs. 50,000/- (Rupees Fifty Thousand) only per month. |
| 2. HOUSING | : | House Rent Allowance upto 20% of the salary. |
| 3. PROVIDENT FUND | : | Employer's contribution not exceeding 12% of the salary. |
| 4. SUPER ANNUATION FUND | : | As per Company's Rules subject to non-taxable maximum limits. |



NOTICE (Contd.)

5. GRATUITY : As applicable to other personnel of the Company subject to non-taxable statutory limitations.
6. LEAVE & LEAVE ENCASHMENT : As per leave rules of the Company.
7. LEAVE TRAVEL CONCESSION : For self, wife and dependant children once in a year in accordance with the rules of the Company.
8. MEDICAL REIMBURSEMENT : Actual expenses incurred for self, wife and dependant children subject to maximum of one month's salary per year.
9. Fees for Membership of any two Clubs excluding life Membership.
10. Company's car with driver for use in connection with official purposes of the Company.
11. Free telephone facility at residence for use in connection with official purposes of the Company :

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to determine and/or vary from time to time any terms and conditions including the above said remuneration and perquisites to Shri Satish R. Shetty as Managing Director, subject to the condition that the said terms and conditions shall not be derogatory to or in contravention of or in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956 ;

FURTHER RESOLVED THAT Shri Satish R. Shetty will not be liable to retire by rotation during his tenure of office as Managing Director."

7. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereunder, approval is hereby accorded for the appointment of Shri Sunil R. Shetty as wholetime Director designated as Joint Managing Director of the Company for a period of 5 years effective from June 27, 1997 on the following remuneration and perquisites:

1. SALARY : Rs. 30,000/- (Rupees Thirty Thousand) only per month.
2. HOUSING : House Rent Allowance upto 20% of the salary.
3. PROVIDENT FUND : Employer's contribution not exceeding 12% of the salary.
4. SUPER ANNUATION FUND : As per Company's Rules subject to non-taxable maximum limits.
5. GRATUITY : As applicable to other personnel of the Company subject to non-taxable statutory limitations.

NOTICE (Contd.)

6. LEAVE & LEAVE ENCASHMENT : As per leave rules of the Company.
7. LEAVE TRAVEL CONCESSION : For self, wife and dependant children once in a year in accordance with the rules of the Company.
8. MEDICAL REIMBURSEMENT : Actual expenses incurred for self, wife and dependant children subject to maximum of one month's salary per year.
9. Fees for Membership of any two Clubs excluding life Membership.
10. Company's car with driver for use in connection with official purposes of the Company.
11. Free telephone facility at residence for use in connection with official purposes of the Company ;

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to determine and/or vary from time to time any terms and conditions including the above said remuneration and perquisites to Shri Sunil R. Shetty as Joint Managing Director, subject to the condition that the said terms and conditions shall not be derogatory to or in contravention of or in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956 ;

FURTHER RESOLVED THAT Shri Sunil R. Shetty will not be liable to retire by rotation during his tenure of office as Joint Managing Director."

8. To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereunder, approval is hereby accorded for the appointment of Shri Naveen R. Shetty as whole time Director designated as Technical Director of the Company for a period of 5 years effective from June 27, 1997 on the following remuneration and perquisites:

1. SALARY : Rs. 30,000/- (Rupees Thirty Thousand) only per month.
2. HOUSING : House Rent Allowance upto 20% of the salary.
3. PROVIDENT FUND : Employer's contribution not exceeding 12% of the salary.
4. SUPER ANNUATION FUND : As per Company's Rules subject to non-taxable maximum limits.
5. GRATUITY : As applicable to other personnel of the Company subject to non-taxable statutory limitations.
6. LEAVE & LEAVE ENCASHMENT : As per leave rules of the Company.



NOTICE (Contd.)

7. LEAVE TRAVEL CONCESSION : For self, wife and dependant children once in a year in accordance with the rules of the Company.
8. MEDICAL REIMBURSEMENT : Actual expenses incurred for self, wife and dependant children subject to maximum of one month's salary per year.
9. Fees for Membership of any two Clubs excluding life Membership.
10. Company's car with driver for use in connection with official purposes of the Company.
11. Free telephone facility at residence for use in connection with official purposes of the Company ,

FURTHER RESOLVED THAT the Board of Directors be and are hereby authorised to determine and/or vary from time to time any terms and conditions including the above said remuneration and perquisites to Shri Naveen R. Shetty as Technical Director, subject to the condition that the said terms and conditions shall not be derogatory to or in contravention of or in excess of the limits prescribed under Schedule XIII of the Companies Act, 1956 ;

FURTHER RESOLVED THAT Shri Naveen R. Shetty shall be liable to retire by rotation during his tenure of office as Technical Director."

9. To consider and if thought fit to pass with or without modification the following resolutions as Ordinary Resolutions:

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the movable and immovable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the Company togetherwith power to take over the management of the business and concern of the Company in certain events, to or in favour of the following, namely:

'Industrial Development Bank of India (IDBI): to secure its Rupee Loan of Rs. 500 lakhs sanctioned under Corporate Loan Scheme, agreed to be lent and advanced by IDBI to the Company, togetherwith interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and other moneys payable by the Company to IDBI, under Loan Agreement/Letter of Sanction entered into/to be entered into by the Company in respect of the said term loan';

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI, the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

NOTICE (Contd.)

10. To consider and if thought fit to pass with or without modification the following Resolutions as Special Resolutions:

"RESOLVED that pursuant to Section 370(1)(a) of the Companies Act, 1956 the Board of Directors of the Company be and are hereby authorised to make any loan/s or advance/s to any body/ies corporate whether under the same management or not as the Company, notwithstanding that the aggregate of such loan/s or advance/s made to all such bodies corporate may exceed the limit of 30% of the subscribed share capital of the Company and its free reserves or such percentage as may be further prescribed by the Central Government from time to time subject to approval of the Central Government if and wherever necessary; AND

RESOLVED FURTHER that pursuant to Section 370(1)(b) of the Companies Act, 1956, the Board of Directors of the Company be and are hereby authorised to furnish guarantee/s or provide any security in favour of any Bank/s, Financial Institution/s, Body/ies Corporate (hereinafter called 'the said Lender/s') to secure any loan/s or advance/s that may be lent or advanced by the said lender/s to any other Body/ies Corporate (hereinafter called 'the borrower/s') whether or not such borrower/s is/are under the same management as the Company, provided that the aggregate of all such loan/s or advance/s in respect of which guarantee/s is/are furnished or security/ies provided shall not exceed Rs. 50 (Fifty) crores only."

By Order of the Board
For MURUDESHWAR CERAMICS LIMITED

Place: Hubli
Date : June 27, 1997

P. A. RAVISH
Company Secretary

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf and such a proxy need not be a member of the Company.
2. The Relative Explanatory Statement as required under Section 173 of the Companies Act, 1956 in respect of special business/resolutions to be transacted as set out in this Notice is annexed herewith.
3. Documents pertaining to items referred to in the Notice are available for inspection at the Registered Office of the Company on any working day between 3 p.m. to 6 p.m. upto the date of Annual General Meeting.
4. Register of Members of the Company will remain closed from 16-9-1997 to 29-9-1997 (both days inclusive).
5. Unclaimed dividends, in pursuance of Section 205 A of the Companies Act, 1956 have since been transferred to General Revenue Account of the Central Government within respective due dates. Shareholders whose dividends for the year upto 31-3-1993 remaining unclaimed may submit their claims to the Registrar of Companies, Karnataka, Kendriya Sadan, II Floor, 'E' Wing, Koramangala, BANGALORE - 560 034.
6. Members may please furnish their Bank Account Numbers and the name and address of the concerned branch to avoid fraudulent encashments etc.
7. Members desirous of seeking any information/clarification concerning the Accounts for the year 1996-97, or on the operational performances of the Company, are requested to send their specific request to the Registered Office of the Company atleast seven days before the Annual General Meeting.
8. Members are requested to bring their copies of Annual Reports to the meeting.



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

Item No. 5: Reappointment of Auditors:

Shareholding of Public Financial Institutions is in excess of 25% of the Subscribed Share Capital of the Company. Hence the reappointment of Auditors is considered under Special Resolution. M/s M.A. Narasimhan & Co., Chartered Accountants have furnished a Certificate stating that the reappointment of their Firm if approved by the Annual General Meeting, will be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956.

Item No. 6: Appointment of Shri Satish R. Shetty as Managing Director:

Shri Satish R. Shetty has served the Company as Whole Time Executive Director. He has been ably assisting the Managing Director right from the year 1988. He has taken keen interest in all administrative and financial matters all these years. Considering his long drawn services to the Company in various fields of activity, the Board has appointed him as Managing Director of the Company w.e.f. 27-6-1997. The proposed resolution is placed before the Annual General Meeting for approval.

Shri R. N. Shetty, Shri Satish R. Shetty, Shri Sunil R. Shetty, Shri Naveen R. Shetty, Shri K. Jeevan Shetty and Dr. K. Sandip Malli, Directors, being relatives, may be considered as concerned or interested in the resolution relating to this item.

Item No. 7: Appointment of Shri Sunil R. Shetty as Joint Managing Director:

Shri Sunil R. Shetty has been on the Board of Directors since the year 1993. He has been continuously rendering his services and guidance in various administrative matters. He has actively associated himself with the affairs of the Company at various stages of expansion scheme. In order to strengthen the administration Shri Sunil R. Shetty has been appointed as Joint Managing Director w.e.f. 27-6-1997. The proposed resolution is placed before the Annual General Meeting for approval.

Shri R. N. Shetty, Shri Satish R. Shetty, Shri Sunil R. Shetty, Shri Naveen R. Shetty, Shri K. Jeevan Shetty and Dr. K. Sandip Malli, Directors, being relatives, may be considered as concerned or interested in the resolution relating to this item.

Item No. 8: Appointment of Shri Naveen R. Shetty as Technical Director:

In order to monitor Technical performance of the factory, Board of Directors have appointed Shri Naveen R. Shetty as a whole time Technical Director of the Company w.e.f. 27-6-1997.

Shri R. N. Shetty, Shri Satish R. Shetty, Shri Sunil R. Shetty, Shri Naveen R. Shetty, Shri K. Jeevan Shetty and Dr. K. Sandip Malli, Directors, being relatives, may be considered as concerned or interested in the resolution relating to this item.

Item No. 9: Mortgage of assets of the Company to secure Corporate Loan from IDBI:

The Company has approached Industrial Development Bank of India (IDBI) for financial assistance in the form of Corporate Loan towards margin money for working capital and normal capital expenditure.

The financial assistance from Industrial Development Bank of India has to be secured by a first mortgage of all the immovable and movable properties of the Company, present and future on pari-passu basis with other existing chargeholders.



EXPLANATORY STATEMENT (Contd.)

Section 293(1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of the Public Company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institution may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass a resolution under Section 293(1) (a) of the Companies Act, 1956 before creation of the said mortgage/charges.

Copy of the Letter of Sanction dated July 22, 1997 received from IDBI, and copies of the relevant documents/correspondence between the said institution and the Company are open for inspection at the registered office of the company, between 3 p.m. and 6 p.m. on any working day prior to the date of meeting.

None of the Directors is interested in the resolution relating to this item.

Item No. 10: Inter-Corporate Lendings/Guarantees:

Murdeswar Power Corporation Limited has been sanctioned a Term Loan by Industrial Development Bank of India. In pursuance of the terms of sanction Murdeswar Power Corporation Limited has requested the Company to furnish Corporate Guarantee. Also various developmental activities among the constituent Companies of the group may necessitate inter-corporate lendings subject to availability of funds. Under Section 370(1) such guarantee/provision of securities or lending should be subject to sanction of the members by a Special Resolution. In order to meet the present situation and also keeping in view the similar occasions that may arise in future, necessary approval of the members is sought by way of a Special Resolution.

Shri R. N. Shetty, Shri Satish R. Shetty, Shri Sunil R. Shetty, Shri Naveen R. Shetty, Dr. K. Sandip Malli, and Shri K. Jeevan Shetty, Directors may be considered as concerned/interested in the said resolution for this item.

By Order of the Board
For MURUDESHWAR CERAMICS LIMITED

Place: HUBLI
Date : June 27, 1997

P. A. RAVISH
Company Secretary