

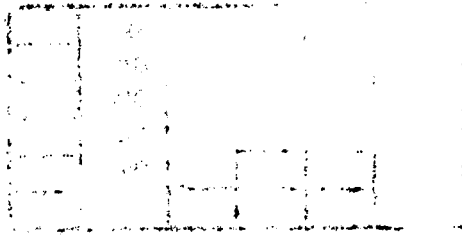


**MURUDESHWAR
CERAMICS LTD.**

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15th ANNUAL REPORT 1997-98





BOARD OF DIRECTORS

Mr. R. N. SHETTY *Chairman*

Dr. K. SANDIP MALLI

Mr. K. JEEVAN SHETTY

Mr. K. P. SURENDRANATH

Mr. N. G. PAI *Nominee (ICICI)*

Mr. B. K. DAS, IAS *Nominee (KSIIDC)*

Mr. SATISH R. SHETTY *Managing Director*

Mr. SUNIL R. SHETTY *Joint Managing Director*

Mr. NAVEEN R. SHETTY *Technical Director*

Mr. B. G. ARUNKUMAR

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	NA	✓	AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

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Company Secretary

Mr. P. A. RAVISH

Auditors

M/s M. A. NARASIMHAN & CO.

Chartered Accountants

Bangalore

General Manager (Finance)

Mr. N. M. HEGDE

Registered Office

Murudeshwar Bhavan

Gokul Road

HUBLI - 580 030

Legal Advisers

M/s N. JAYARAMAN

Advocates

Bangalore

Plant

Krishnapur Village

HUBLI - 580 024

Bankers

CANARA BANK

BANK OF BARODA

STATE BANK OF INDIA

THE LAKSHMI VILAS BANK LTD.

THE SIRSI URBAN CO. OP. BANK LTD.

Chalmatti Village

Taluk: Kalghatgi

Dist. : Dharwad



NOTICE

To

**The Members,
Murudeshwar Ceramics Limited.**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the members of the Company will be held at Shri R.N. Shetty Kalyan Mantap, Opp. Glass House, Hubli on Monday, the 28th day of September 1998, at 4 p.m. to transact the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Statements of Accounts of the Company for the year ended 31st March, 1998 together with Directors' and Auditors' Reports thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Sri B. G. Arunkumar, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Sri K. P. Surendranath, 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 and Co., Chartered Accountants, Bangalore, be and are hereby reappointed as Auditors of the Company for the financial year 1998-99 to hold office until conclusion of the next Annual General Meeting and the Board of Directors be and are hereby authorised to fix the remuneration for auditors.

SPECIAL BUSINESS

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

RESOLVED THAT Sri B. K. Das, IAS who was appointed as an Additional Director on the Board of Directors of the Company effective from 9-12-1997 and whose term of office as an Additional Director is valid upto the date of this Annual General Meeting and in respect of whom a Notice u/s 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Sri B. K. Das, as a Director of the Company, be and is hereby appointed as a Director on the Board of Directors of the Company and that the period of office of Sri B. K. Das, IAS as a Director of the Company will be liable to be determined by retirement by rotation.



NOTICE (Contd.)

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

RESOLVED THAT the Board of Directors of the Company be and are hereby authorised, pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to hypothecate/ mortgage and/or create charge on any movable and/or immovable asset/s of the Company, wheresoever situate, present and/or future and the whole or substantially the whole of the undertaking of the Company together with power to takeover the management of the business and concern of the Company in certain events, in favour of any financial institution/s and/or bank/s, either as exclusive charge or on pari passu basis, and to agree to such of the terms and conditions as may be prescribed by such lenders to secure the loan/s and/or any kind of financial assistance that may be lent and advanced to the Company from time to time by any Lending Financial Institution(s)/Bank(s) etc., togetherwith interest, enhanced interest and such other consequential liabilities as may be agreed to by and between the Lending Institutions/Banks and the Board of Directors.

By Order of the Board
For **MURUDESHWAR CERAMICS LIMITED**

Place: HUBLI

Date : 29-06-1998

P. A. RAVISH
Company Secretary

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NOTE:

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(2) of the Companies Act, 1956 in respect of the 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 16-9-1998 to 28-9-1998 (both days inclusive).
5. Unclaimed dividends, in pursuance of Section 205A of the Companies Act, 1956 have been transferred to General Revenue Account of the Central Government within respective due dates. Shareholders whose dividends for the year/s upto 31-3-1994 remaining unclaimed may submit their claims to the Registrar of Companies, Karnataka, Kendriya Sadan, II Floor, 'E' Wing, Koramangala, Bangalore-560 034. Such claimants may also contact the Company's Registered Office for guidance if need be.
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 1997-98 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 and also to handover the attendance slip signed by the members/proxies at the entrance of the meeting hall.



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

Item No. 5: Reappointment of Auditors:

Shareholding of Financial Institutions/Banks 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 and Co., Chartered Accountants have furnished a Certificate stating that the reappointment of their firm if approved at the Annual General Meeting will be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Item No. 6: Appointment of Sri B. K. Das as a Director:

Sri B. K. Das, I.A.S., was appointed as an Additional Director of the Company by the Board of Directors effective from 9-12-1997. Pursuant to Section 260 of the Companies Act, 1956 Sri B. K. Das holds office upto the date of the ensuing Annual General Meeting. A Notice u/s 257 of the Companies Act, 1956, has been received from KSIIDC proposing the candidature of Sri B. K. Das to the office of Director.

None of the Directors of the Company excepting Sri B. K. Das may be deemed as concerned or interested in the resolution for this item.

Item No. 7: Creating Charge on the Asset/s of the Company:

The day-to-day administration of the Company necessitates borrowing of loan/s from various sources of finance, sometimes at a short notice. The lenders insist on providing security for the loan/s and/or advance/s by creation of charge on the asset/s of the Company. Approval of members u/s 293(1) (a) is necessary for creation of charge on the asset/s of the Company. Hence the proposed resolution.

By Order of the Board
For **MURUDESHWAR CERAMICS LIMITED**

Place: HUBLI
Date : 29-6-1998

P. A. RAVISH
Company Secretary



DIRECTORS' REPORT

To
The Members
Murudeshwar Ceramics Limited

Your Directors are happy to present the 15th Annual Report of the Company for the year ended 31st March, 1998. The financial results are summarised as follows:

FINANCIAL RESULTS

	Rs. in lacs
Sales and other Income	5,417.65
Profit before Interest and Depreciation	1,898.47
Less: Interest	696.11
Depreciation	593.12
Profit before tax	609.24
Provision for tax	56.75
Income tax adjusted for earlier year	2.08
Profit after tax	550.41
Add: Profit of previous year brought forward	391.47
Profit available for appropriation	941.88
Transfer to debenture redemption reserve	180.00
Proposed dividends	150.00
Corporate tax on dividends	15.00
Transfer to General Reserve.	200.00
Balance carried to Balance Sheet	396.88

DIVIDEND

Your Directors recommend a dividend of 10% on the paid up equity share capital of the Company. At this proposed rate of dividend the liability towards dividend togetherwith corporate tax on dividends amounts to about Rs. 165 lakhs. Subject to approval of members, the dividend will be paid to members whose names appear on the register of members as on the date of Annual General Meeting.

PRODUCTION

During the year 1997 – 98 the production of Ceramic/Vitrified tiles and granite slabs are as follows:

	Current year 1997 – 98 (Sq. Mtrs.)	Previous Year 1996 – 97 (Sq. Mtrs.)
Ceramic tiles	15,17,753	21,26,821
Vitrified tiles	5,05,243	4,48,010
Granite slabs	27,085	9,335

As may be noticed from the figures furnished above, Company has been trying to gradually increase reliance on vitrified tiles. This is due to the reason that vitrified tile is value added product and at the same time there are less market players in this field. Contrarily, market for ceramic tiles has grown highly competitive with expansion of existing capacities and also on account of new entrants into the market. At the same time production of granite slabs has been increased to 27,085 sq. mtrs. i.e. about three fold increase compared to previous year.



DIRECTORS' REPORT (Contd.)

SALES

During the year the realisation on domestic sale of ceramic and vitrified tiles have been at Rs. 2390.13 lakhs and Rs. 2196.84 lakhs respectively against Rs. 3025.13 lakhs and Rs. 2255.17 lakhs for the previous year. The lower realisation is significantly because, while the Ceramic tile industry was crippled with recessionary trends in the country, there was expansion of capacity by several units. Added to this several new manufacturers have also entered the market. This has resulted in wide gap between supply and demand. Such a trend of supply exceeding demand has resulted in drastic under-cutting in margins by several market players in their market capturing exercise. At the same time export market for Indian ceramic tiles industry is also not encouraging for the reasons stated elsewhere in this report.

At the same time in the granite business, your Company has made a comeback with domestic sales increasing by over five times compared to previous year realising Rs. 156 lakhs as against about Rs. 30 lakhs during the previous year.

EXPORTS

Your Company had earlier enjoyed a good export potential in the South East Asian Countries. But unfortunately this year the said South East Asian Countries are faced with inflationary trends due to significant crash of their local currency against U.S. Dollar. Consequently export potential for Indian Ceramic Tiles Industry also faced recession.

Even in the export sale of granite slabs, the Company could not find a better market under competitive conditions from the unorganised/non-corporate sector.

RESEARCH AND DEVELOPMENT

The inhouse R & D wing is continuing its efforts in every field of operational performance and product range. The reports are satisfactory.

PROSPECTS FOR THE CURRENT YEAR

Experts have expressed optimism that the recessionary trends in the ceramic tiles business cannot stay longer. In order to make the business more consumer friendly, the Company has established and expanding depot-based sales network. The sales network of your company has made entry into several Northern parts of the country which were not hitherto covered. In particular, in the South our sales out-lets have penetrated into taluk levels which were earlier confined to district headquarters with only dealers network beyond that.

The off-take of ceramic tiles during the year has been encouraging. The realisation on vitrified tiles also has increased. To cater to the needs, presently the Company has been operating to its full capacity and hopes that the same trend would continue. The Company also hopes to get good demand for granite slabs both in domestic and export markets. With these encouraging market conditions your directors hope for better results for the year 1998 – 99.

DIRECTORS

KSIIIDC has appointed Sri B. K. Das, IAS, as Nominee Director in place of Sri C. Gopal Reddy effective from 9-12-1997. Your Directors wish to place on record the valuable services rendered by Sri C Gopal Reddy during his tenure as a Director on the Board of Directors of this Company.

Sri B. G. Arunkumar and Sri K. P. Surendranath retire by rotation at this Annual General Meeting and are eligible for reappointment.



DIRECTORS' REPORT (Contd.)

AUDITORS

M/s M.A. Narasimhan and Co., Chartered Accountants, Bangalore who have been appointed at the last Annual General Meeting hold office as Auditors of the Company till conclusion of the 15th Annual General Meeting. The said Auditors have expressed their willingness for being reappointed. Your directors recommend that M/s M. A. Narasimhan and Co., may be reappointed as Auditors for the Year 1998-99 on a remuneration as may be fixed by the members.

PARTICULARS UNDER SECTION 217 (1) (e)

Particulars pursuant to 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 are furnished in the statement annexed forming part of this report.

PARTICULARS OF EMPLOYEES

Particulars of employees pursuant to Section 217(2A) of the Companies Act, 1956 is furnished in the statement annexed forming part of this report.

PARTICULARS PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT

The variation in performance against projections made in the Letter of Offer are that the sales for the year has been Rs. 5058 lakhs as against Rs. 9744 lakhs and the profit after tax has been Rs. 550.42 lakhs against Rs. 2651 lakhs. The variation is on account of very slow off-take for the reasons stated elsewhere in this report and due to increase in the cost of production which cannot be passed on to customers in the highly competitive market conditions.

ACKNOWLEDGEMENTS

Your Directors take on record with appreciation, the support and co-operation extended to the Company by the Central Government, the Government of Karnataka, Central Financial Institutions, KSIIDC, Canara Bank, State Bank of India, Bank of Baroda, Vijaya Bank, The Lakshmi Vilas Bank Limited and all members and all staff/employees of the Company. Your Directors also take on record with appreciation the co-operation extended by M/s Sacmi, Italy and M/s Breton, Italy.

Place: HUBLI
Date : 29-6-1998

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

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

With reference to the observation in Auditors Report at Para No. (iv) regarding non provision of depreciation to the extent of Rs. 95,39,008 on idle machinery, your directors wish to state that two old kilns and connected machineries viz. Presses, Ball-Mills, Glaze-lines, Spray-drier etc., referable to the said depreciation amount of Rs. 95,39,008 have not been used during the entire financial year 1997-98.

Place: HUBLI
Date : 29-6-1998

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