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BOARD OF DIRECTORS

Mr. R. N. SHETTY	<i>Chairman</i>
Dr. K. SANDIP MALLI	
Mr. K. JEEVAN SHETTY	
Mr. K. P. SURENDRANATH	
Mr. N. G. PAI	<i>Nominee ICICI</i>
Mr. B. K. DAS, IAS	<i>Nominee KSIIDC</i>
Mr. SATISH R. SHETTY	<i>Managing Director</i>
Mr. SUNIL R. SHETTY	<i>Jt. Managing Director</i>
Mr. NAVEEN R. SHETTY	<i>Technical Director</i>
Mr. B. G. ARUNKUMAR	

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
STATE BANK OF INDIA
BANK OF BARODA
THE LAKSHMI VILAS BANK LTD.
THE SIRSI URBAN CO-OP. BANK LTD.



NOTICE

To

The Members

Murudeshwar Ceramics Limited

NOTICE is hereby given that the Sixteenth Annual General Meeting of the members of the Company will be held at Shri R. N. Shetty Kalyan Mantap, Opp. Glass House, Hubli on Saturday the 25th of September 1999, 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, 1999 together with Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri K. Jeevan Shetty, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri Sunil 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 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 for the financial year 1999-2000 to hold office until conclusion of the next Annual General Meeting on such remuneration and out-of pocket expenses as may be fixed by the Board of Directors.

Place: HUBLI
Date : 29-7-1999

By Order of the Board
For **MURUDESHWAR CERAMICS LIMITED**
P. A. RAVISH
Company Secretary

**NOTICE (Contd.)****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. 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.
3. Register of Members of the Company will remain closed from 16-09-1999 to 25-09-1999 (both days inclusive).
4. Dividends remained unclaimed upto 31-03-1994 have been transferred to General Revenue Account of the Central Government within respective due dates, as per provisions of law. Concerned shareholders 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 Secretary at the Registered Office of the Company, if any guidance is required.
5. Members may please furnish their Bank Account Numbers and the name and address of the concerned Bank to enable the Company to draw the instruments on Payee's Account, in case of any payments, to avoid fraudulent encashments etc.
6. Members desirous of seeking any information/clarification concerning the Accounts for the year 1998-99 are requested to send their specific request to the Registered Office of the Company atleast seven days before the Annual General Meeting.
7. Members are requested to bring their copies of Annual Reports to the meeting. Attendance slips signed by the Members/Valid proxies have to be handed over at the entrance of the meeting hall before attending the meeting.



DIRECTORS' REPORT

To
The Members
Murudeshwar Ceramics Limited

Your Directors are happy to present the 16th Annual Report of the Company for the year ended 31-03-1999. The financial results are as follows:

FINANCIAL RESULTS

	Rs. in lakhs
Sales and other Income	7519.99
Profit before Interest and Depreciation	2834.00
Less: Interest	571.34
Depreciation	761.93
Profit before tax	1500.73
Provision for tax	168.25
Income tax adjusted for earlier year	7.84
Profit after tax	1324.64
Add: Profit of previous year brought forward	396.88
Profit available for appropriation	1721.52
Transfer to debenture redemption reserve	179.95
Proposed Dividend (Incl. of tax)	249.76
Transfer to General Reserve	700.00
Balance carried to Balance Sheet	591.81

DIVIDEND

Your Directors recommend a dividend of 15% on the paid up equity share capital of the Company for the year 1998-99. The said dividend, subject to approval of members, will be paid to members whose names appear on the register of members as on the date of Annual General Meeting.

PRODUCTION

The Production results of the Company during the year is as under:

	Current year 1998-99 (Sq.Mtrs.)	Previous year 1997-98 (Sq.Mtrs.)
Ceramic tiles	16,71,527	15,17,753
Vitrified tiles	7,32,253	5,05,243
Granite slabs	24,080	27,085



DIRECTORS' REPORT (Contd.)

It is evident from the above that while production of tiles has increased by about 19%, the production of vitrified tiles in particular has increased by about 45% compared to previous year. This is the result of encouraging response in the market for vitrified tiles. At the same time due to stiff competition from Non-corporate entities, there is slight shrinkage in the granite business of the Company.

SALES

During the year under report the domestic sales realisation from tiles is as follows :

	Volume (Sq. Mtrs.)	Value (Rs. in lakhs)
Ceramic tiles	16,67,668 (15,46,475)	2633.80 (2390.13)
Vitrified tiles	6,93,532 (4,73,639)	3352.21 (2198.84)

(Figures in brackets indicate corresponding volume/value for the previous year).

As may be seen from the above statement, the realisation on ceramic tiles has increased by about 10.2% and the realisation on vitrified tiles has increased by about 53%. Customers are found to be evincing keen interest in vitrified tiles, more particularly, the larger size vitrified tiles. Encouraged by this response, the Company is proposing to increase the capacity to manufacture vitrified tiles of larger sizes.

EXPORTS

Due to unhealthy competition and also on account of inflationary trends prevailing in the major export markets for tiles, the Company could not do better in export market in 1998-99. Nevertheless the Company has made an overall export realisation of about Rs. 168 lakhs during 1998-99.

SALES PROMOTION

The Company is seriously concerned about customer satisfaction. In order to ensure easy access to customers and quick deliveries, depots are being opened at various places. The Company is penetrating its market network deeper into Northern parts of the Country.

The Company has taken to a novel marketing strategy of imparting knowledge about our tiles laying and also maintenance of tiles to the customers through trained marketing personnel. Wherever so desired, Company is taking up laying job also through the trained workers of the Company. These steps are yielding results.

RESEARCH & DEVELOPMENT

The in-house R & D wing is consistently working on composition, newer designs and aesthetic shades on the tiles. New designs introduced with Soluble Salt printing on vitrified tiles have been productive. Use of imported clay instead of indigenous clay in vitrified tiles has shown better results by minimising wastages at Green tile level and better output in firing.



DIRECTORS' REPORT (Contd.)

GRANITE DIVISION

The unhealthy competition from the non-corporate sector has affected the viability in the granite business of the Company. Even export market is also not encouraging for the same reason. Nevertheless, the Company has made a sales realisation of about Rs. 207 lakhs during the year under report in granite sales.

PROSPECTS FOR THE CURRENT YEAR

Keeping in view the trends in the market, the Company has been concentrating more on the vitrified tiles. In course of time vitrified tiles are expected to be the tiles of the day. Big corporate entities have evinced keen interest in the vitrified tiles and during the year many large corporates have been among the customers of the Company.

At the same time despite the ongoing cut-throat competition, the Company has been maintaining its market share in ceramic tile segment. With the construction activity being steady in the country, the Company hopes to do still better during 1999-2000.

DIRECTORS

Shri K. Jeevan Shetty and Shri Sunil R. Shetty will retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS

M/s M. A. Narasimhan & Co., Chartered Accountants, Bangalore, will hold office as Auditors of the Company until conclusion of the ensuing Annual General Meeting. The said Auditors seek reappointment. Your Directors recommend for reappointment of M/s M. A. Narasimhan & Co., as Auditors for the year 1999-2000.

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.



DIRECTORS' REPORT (Contd.)

PARTICULARS PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT

The variation in performance against projections made in the Letter of Offer are that the Income for the year has been Rs. 7519.99 lakhs as against the projected income of Rs. 10452 lakhs and the profit after tax has been Rs. 1324.64 lakhs against Rs. 2298 lakhs of projected profit after tax. The said variation is on account of rise in cost of inputs beyond expected levels during 1997-98, highly competitive market condition and general recessionary trends prevailing for the Ceramic Industry.

STATUS ON Y2K PREPAREDNESS

The Company is Y2K compliant. No additional cost is incurred as the application software is developed in-house. Additionally the Company is proposing to switch over to RDBMS software which may cost around Rs. 30 lakhs.

ACKNOWLEDGEMENTS

Your Directors acknowledge with appreciation, the support and co-operation extended to the Company by the Central Government, the Government of Karnataka, Financial Institutions, KSIIDC, Canara Bank, State Bank of India, Bank of Baroda, The Lakshmi Vilas Bank Limited, The Sirsi Urban Co-operative Bank Limited and all members of the Company. Your Directors also wish to place on record their appreciation for the co-operation extended by M/s Sacmi, Italy and M/s Breton, Italy. Your Directors also note with pleasure the services rendered by every one in the Company in the day to day affairs of the Company.

Place : HUBLI
Date : 29-07-1999

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

ADDENDUM

With reference to the observation in Auditors Report at para No. (v) regarding non-provision of depreciation to the extent of Rs. 27,68,800/- on idle machineries, your Directors wish to state that the said non-provision was due to non-utilisation of two cutting machines for the whole year and the polishing machine which could not be utilised to the full extent, in the Granite Division.

Place : HUBLI
Date : 29-07-1999

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



ANNEXURE TO DIRECTORS' REPORT

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO, AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken;

Installation of imported heat recovery system for utilisation of waste heat from kiln for drying of tiles in vertical drier.

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

– NIL –

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods;

i) LPG consumption for drying of tiles and electrical energy for grinding are reduced.

ii) Energy cost per unit of finished product has been reduced.

d) Total energy consumption and energy consumption per unit of production;

– Not applicable –

B. TECHNOLOGY ABSORPTION

e) Efforts made in technology absorption as per Form B of the Annexure;

Furnished in Form 'B' annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Company is exporting tiles, granite slabs and granite blocks to Middle East, Sri Lanka, Singapore, Mauritius, Japan and China.

g) Total foreign exchange used and earned;

Foreign exchange earnings : Rs. 162.62 lakhs

Foreign exchange outgo : Rs. 2.17 lakhs