MURUDESHWAR CERAMICS LTD.,

NAVEEN CERAMIC TILES

BOARD OF DIRECTORS

Dr. R N SHETTY
Chairman

Shri K. SUNDER NAIK

Dr. S.S. HIREMATH

Shri ANNAPPAYYA K

Shri SANKAPPA K SHETTY

Shri SUNIL R SHETTY

Shri NAVEEN R SHETTY

Shri SATISH R SHETTY
Managing Director & C.E.O.

Company Secretary & Compliance Officer
Shri LAKSHMISHA BABU S

Vice President (Finance) & C.F.O.
Shri N M HEGDE

Auditors

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

Bankers

CANARA BANK

STATE BANK OF INDIA

BANK OF BARODA

THE LAKSHMI VILAS BANK LTD

AXIS BANK LTD

ORIENTAL BANK OF COMMERCE

I N D E X

Particulars	Page No.
NOTICE OF THE MEETING	02
Directors' Report	03 - 06
Management Discussion & Analysis Report	07 - 08
Corporate Governance Report	09 - 15
Auditors' Certificate on Corporate Governance provisions	16
Auditors' Report	17 - 19
Statement of Accounts with Notes Forming Part of Financial Statements	20 - 42
Cash Flow Statement	43 - 44

Registered Office
604/B, Murudeshwar Bhavan
Gokul Road
HUBLI - 580 030
Ph : 0836-2331615-18
Fax : 0836-2330436/4252583

Plant
Krishnapur Village
HUBLI - 580 024
Ph : 0836-2206741
Fax : 0836-2206773

Kallabalu Village & Post
Via Bannerghatta
Jigani Industrial Area II Phase
Bangalore - 560 083
Ph : 080-27826946
Fax : 080-27826956

143, Ilayancudy Road
Devamapuram Village
Thirunallar Commune
KARAIKAL - 609 607
Pondicherry (U.T.)
Ph : 04368-236899 / 236599
Fax : 04368-236805

NOTICE

To ,

The Members
Murudeshwar Ceramics Limited

NOTICE is hereby given that the Thirtieth Annual General Meeting of the Members of the Company will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli 580 029 on Saturday 28th day of September, 2013 at 4.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To consider, approve and adopt the Audited Balance Sheet of the Company as at 31st day of March, 2013 and the Profit and Loss Account for the year ended on the said date together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Annappayya K, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Dr. S S Hiremath, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

By Order of the Board
For Murudeshwar Ceramics Limited
LAKSHMISHA BABU S
Company Secretary

Place : Bangalore
Date : July 30, 2013

NOTE:

(1) Any Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend the meeting and vote on behalf of such member at such meeting and such a proxy need not be a member of the Company.

(2) Any document / Proxy Form in connection with the Annual General Meeting of the Company signed by any person for and on behalf of any Institution, Bank, Body Corporate etc., will be valid, only if such document/proxy form is supported by a duly authenticated copy of the Resolution of the Board of Directors authorising such person to sign such document and/or to represent such Institution, Bank, Body Corporate etc., as the case may be.

(3) Documents pertaining to items referred to in the Notice are available for inspection by any member/s at the Registered Office of the Company on any working day from 2 p.m. to 6 p.m. upto the date of Annual General Meeting.

(4) Brief resume of directors proposed to be appointed/reappointed is furnished in the Corporate Governance Report forming part of this Annual Report.

(5) Register of Members/Transfer books of the Company will be closed from September 21, 2013 to September 28, 2013 (both days inclusive).

(6) Members seeking any information/clarification concerning the Accounts for the year 2012-13 are requested to send their specific request addressed to the Company Secretary at 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 and also to handover their attendance slips signed by the members/valid proxies at the entrance of the meeting hall.

(8) Please also refer "General Information to Shareholders" in the annexure to Corporate Governance Report forming part of this Annual Report.

By Order of the Board
For Murudeshwar Ceramics Limited
LAKSHMISHA BABU S
Company Secretary

Place : Bangalore
Date : July 30, 2013

DIRECTORS' REPORT

To : The Members,
Murudeshwar Ceramics Limited

Your directors present the 30th Annual Report of the Company for the year ended on March 31, 2013 :

FINANCIAL RESULTS

Particulars		(₹ In Lacs)
Sales income	14413.55	
Other Income	62.40	
Total income		**14475.95**
Operational Expenditure	11629.81	
Increase/(Decrease) in stock	(301.16)	
Interest	2155.77	
Depreciation	903.12	
Total Expenditure		14387.54
Profit/(Loss) for the year		**88.41**
Less Provision for tax	11.45	
Less MAT Credit	(11.45)	
Less Current Tax Expenses	(1.06)	
Add Deferred Tax Assets	5.76	
Sub total		4.70
Profit/(Loss) after tax		**83.71**
Profit available for appropriation		**83.71**

OPERATIONAL PERFORMANCE

The unhealthy competition from various unorganized sector are increasing day by day. Even though construction industry has recovered the cost of input and various taxes has gone up during the year which has lead to reduction in profits margins.

During the year under report the Company has produced 31,05,861 Sq.mtrs., of Vitrified tiles and 2,68,968 Sq.mtrs., of Ceramic tiles. Compared to previous year Ceramic tile production has reduced by about 56.98%, Vitrified tile production has reduced by 10.60%. The sales income from Vitrified tiles has reduced by 7.68% at ₹12,030.95 lakhs compared to ₹13,031.50 lakhs for the previous year. Sales income from Ceramic tile segment has decreased by 46.17% at ₹1,528.98 lakhs compared to ₹2,840.15 lakhs for the previous year. The granite division did not produce any slabs during the year. The Company is finding it difficult to get quality granite blocks at reasonable prices.

In spite of the above hurdles the Company has managed to earn a profit of ₹83.71 lakhs during the year through various cost cutting measures and by adopting good marketing strategies. Since the Profits of the Company has decreased drastically and the Company is very keen to repay its debts, your Directors have decided to skip the dividend for the year 2012-13. Your directors are working towards achieving higher results during the forth coming years.

PROSPECTS

Demand for Vitrified tiles has been increased in Tier-II and III Cities. New Technology such as Digital tiles Technology Production where as Digital printing is used in printing technology which gives a very rich look. Such a technology leads to faster production in an economical way. Tiles while look exactly like stone, wood, granite etc can be printed using

DIRECTORS' REPORT (Contd.)

such technology. Such Tiles can be used both on wall and floors which shall be maintenance free in future years. Nano Technology goes well with Vitrified tiles double and multi charge tiles are moving fast in the market. Water Get Technology offers varies shapes like circles, waves etc on the tiles. Consumer likes such complex shapes. Cladding in a technology which is picking up very fast in the market. This tiles goes well on exteriors such as lobby or staircases. The Somerset Rustic & Wood Series Ceramic Tiles in bigger formats and Cegress Series are also been well accepted in the market.

The Karaikal unit is functioned with improved gas allocation. Gas allocation for Hubli Unit is expected to arrive at December 2013. The Company is expecting a better growth in the mere future.

MARKETING STRATEGY

Periodical review of the performance of the sales staff and SWOT analysis of the sales staff and dealers are being carried out and attempts are made to convert the weakness to strength and improve our brand image. Target are set at the beginning of each year of operation based on the past performance and future market growth and potential. All Sales staff particularly of southern state have been instructed to identify new potential market and develop the same so that our distribution network will be widened. Sales of high margin items are to be identified and concentrated. Apart from big builders for bulk orders, we are now concentrating on small builders and dealers also, as Vitrified tile is no more considered as a luxury item and is commonly used by the middle class people. The sales team has developed personal contact with Architects and Builders who influence the decision making. The rapport built shows the attitude and reaction of the Architect towards our product.

Company's representatives are on door to door leg work to enhance sales. On the product range the Company has introduced new varieties of Vitrified tiles and the Company has also introduced innovative shades and colors in Ceramic tile segment.

Your Directors are hopeful of achieving better results in the year 2013-14.

RESEARCH AND DEVELOPMENT

The R & D wing of the Company is successful in introducing New Fluxing material [Soap Stone] to reduce firing temperature and firing cycle. The R & D wing is continuously concentrating on reduction of power and fuel in the manufacturing process. The R & D wing is also concentrating on inventing new products, upgrade variety, body matrix, shades and designs to suit market sentiments.

INCREASE IN THE SHARE CAPITAL

During the year the Company had allotted 19,35,000 Equity Shares upon conversion of its first trenche of 19,35,000 Convertible Share Warrants into 19,35,000 Equity Shares to Murdeshwar Power Corporation Limited a promoter and promoter group Company, hence the Paid up Equity share capital of the Company increased from ₹3686.88 lakhs to ₹3880.38 lakhs.

DIRECTORS

Shri Annappayya Kundapur and Dr. S S Hiremath retire by rotation and being eligible offer themselves for reappointment. Brief personal details of above said Directors are furnished in the Corporate Governance Report which forms part of this Annual Report.

AUDITORS

The present auditors M/s. M A Narasimhan & Co., Chartered Accountants, Bangalore, will be holding office as Auditors of the Company until conclusion of the ensuing Annual General Meeting. The said Auditors being eligible have consented to be reappointed. Necessary resolution will be placed before members for approval.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as per requirements of Clause 49 of the Listing Agreement is furnished in the annexure forming part of this Report. In the said report management has also discussed opportunities, threats and risk factors.

DIRECTORS' REPORT (Contd.)

COST COMPLIANCE REPORT

As per the requirement of The Companies (Cost Accounting Records) Rules, 2011 your Company has obtained Cost Compliance Report from Mr. Suresh R Gunjalli, Practicing Cost Accountant (Membership No.22121).

CORPORATE GOVERNANCE PROVISIONS

Your Company has complied with mandatory requirements of Corporate Governance provisions prescribed under Clause 49 of the Listing Agreement with Stock Exchanges. Corporate Governance Report is furnished forming part of this Annual Report.

AUDIT COMMITTEE

During the year under report the Audit Committee consist of three non-executive directors namely Dr. R N Shetty, Shri K Sunder Naik and Shri Annappayya. K. Shri K Sunder Naik was the Chairman and Shri Lakshmisha Babu S, Company Secretary was the Secretary of the Committee.

DEPOSITS

As at the end of the year under report the Company had 7 deposit accounts for ₹13.40 lakhs. As on 31.03.2013, one (1) account for ₹25,000/- remained not claimed by the concerned depositor. Efforts are being made to locate the party and advise him to claim repayment by surrendering the original deposit receipt.

PARTICULARS OF DISCLOSURE UNDER SECTION 217(1)(e)

As per requirements of 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, necessary particulars are furnished in the annexure forming part of this report.

PARTICULARS OF EMPLOYEES

Pursuant to the provisions of The Companies (particulars of employees) Rules 1975 read with Notification bearing No. F.No.2/29/1988-DL.V dated 31.03.2011 issued by Ministry of Corporate Affairs, New Delhi. The particulars of employees as required to be submitted under Section 217(2A) of The Companies Act, 1956 are not applicable to the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, your directors hereby state that :

1) In preparation of the annual accounts for the year 2012-13, the Company has followed the applicable accounting standards prescribed under Secn.211 (3C) of The Companies Act, 1956 and there is no material departure from the same ;

2) Your Directors have selected and consistently applied such of the accounting policies and made judgments and estimates thereon, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss of the Company for that period ;

3) Your Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the applicable provisions of The Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;

4) The Company has prepared the annual accounts ongoing concern basis.

ACKNOWLEDGEMENTS

Your Directors acknowledge with appreciation, the support and co-operation extended to the Company by the Central Government, Government of Karnataka, Bankers, Financial Institutions, Dealers, Members and employees 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.

for and on behalf of the Board of Directors

Place : Bangalore

Date : July 30, 2013

Dr. R N SHETTY
Chairman

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS IN COMPLIANCE WITH PROVISIONS OF 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 MEASURES TAKEN :

(a) Energy Conservation Measures Taken :

1) Additional surface calibration heads installed in polishing line to improve productivity and quality and speed.

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

1) Modification to swing type surface calibration in polishing line.
2) New breed of Diamond Fikets to improve productivity and conserve energy.

(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:

Improved in quality and productivity and decrease in revenue expenditure.

(d) Total energy consumption and energy consumption per unit of production:

Previously from 7.0KW units /M2 to 6.7 KW units / M2 at present a marked 3% decrease in energy cost.

B. TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form B of the Annexure:

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans : - Nil -

(b) Total Foreign Exchange used and earned:

Foreign Exchange Earnings : - Nil -

Foreign Exchange Outgo : ₹ 13.08 lacs

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D was carried out by the Company

a. 100% grinding media sourced from nearby area to improve the productivity and reduce the grinding time and production cost and freight cost.

b. Feldspathic sands are introduced in place of Feldspar lumps for better grinding to reduce grinding time and cost of production.

2. Benefits derived as a result of the above R & D

a. Continuous productivity can be achieved.
b. Energy Costs reduced.

3. Future plan of action

1. Natural gas as fuel for Hubli Plant production.
2. New type of exterior tiles production in Vitrified tiles.

4. Expenditure on R & D (₹ in lacs)

Particulars	**2012-2013**	2011-2012
a) Capital	**-**	-
b) Recurring	**1.01**	1.32
c) Total	**1.01**	1.32
d) Total R & D expenditure as percentage of total turnover	**0.007**	0.007

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation.

Swing type surface calibration head introduced in Polishing Line.

2. Benefits derived as a result of above efforts

Reduction in breakages and saving in Energy Cost.

3. In case of Imported Technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

a) Technology Imported : Not done during the year
b) Year of Import : N.A.
c) Has technology been fully absorbed : N.A.
d) If not absorbed, areas where this has not taken place, reasons and future plans of action. : N.A.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF THE DIRECTORS' REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

The ceramic industry has undergone a period of significant change over the years, driven by the demands of a globalised economy. The ceramic industry is a highly energy intensive sector. Petroleum and raw material products together form the most critical component in the production of the sector. In any type of construction both dwelling and institutional, ceramic tile has become an integral as flooring and cladding material. The Indian tile industry, despite an overall slowdown of the economy continues to grow at a healthy 15% per annum. The Indian tile industry is divided into organized and unorganized sector. The organized sector comprises of approximately 14 players. The ceramic tiles industry in India has followed similar trends internationally which have been characterized by excess capacities and falling margins.The major change that took over the ceramic industry was the introduction of vitrified tiles in larger sizes with wider application specifically for floors because of less joints.

Murudeshwar Ceramics Limited started commercial production on 01.05.1988 with an installed capacity of 12,500 tons per annum (TPA) of Ceramic tiles at Hubli in Northern Karnataka. The Company undertook a major product diversification into manufacture of Vitrified tiles in the year 1993. The Vitrified tiles project was completed in a very short time and the production commenced on 01.03.1994. On considerations of quality, value addition, aesthetic looks and endurance, the said Vitrified tiles under the Brand Name of **"NAVEEN DIAMONTILE"** became very popular in domestic markets in a very short time. Encouraged by the response for Vitrified tiles in the Indian market, the company has established one more Vitrified tile manufacturing unit in Karaikal with an initial capacity of 6000 Sq.mtrs., per day which commenced its commercial production on 1st day of October 2003. Simultaneously the capacity expansion also was carried on side by side. On cost considerations the Company stopped production of Ceramic tiles in August 2002. But later on, as a support product, manufacturing of Ceramic tiles was once again started with an initial capacity of 8000 sq.mtrs per day at Hubli unit. The new Ceramic tile manufacturing unit became operational from January 2006 and the expansion project was undertaken simultaneously. New varieties of tiles in aesthetic colours, shades, body matrix and in different dimensions are being constantly added on in the product mix. On cost considerations, the Kilns in Hubli unit were modified to be fueled by Coal gas. The Coal gasification was completed in the year 2009. As on 2012-13 the Hubli Plant is under conversion process from Coal gas to Natural gas. As at the end of the financial year the installed capacity of Ceramic and Vitrified tiles are as follows:

Annual Capacity	VITRIFIED TILES		CERAMIC TILES
	Hubli	Karaikal	Hubli
Installed Capacity (in Sq. Mtrs.) per annum	24,00,000	42,00,000	48,00,000

OPPORTUNITIES

Demand for Ceramic and Vitrified tiles is going to increased at a rapid rate since there is an increased in various factors such as increase in population, burgeoning middle class, growing urbanization, affordable housing, nuclear families, Commercial Real estate, Retail sector growth, Hospitality sector Aviation sector. Improved technology and availability of Ceramic and Vitrified tiles in various shapes and sizes is providing variety of choices to the customers.

Taking advantage of the situation, we endeavour our best to achieve optimum production in our Karaikal plant, mainly concentrating on high value items such as Granite and Name Technology Production. With this we will be able to nullify the increase in cost of production due to increase of input cost particularly Gas and Electricity, both are regulated by Government. The Company has decided not to loose the market for want of supplies, we have ventured an outsourcing some varieties to retain our market share.

THREATS

Imported and unauthorized sectors are the major threats to Indian tile industry. Copying of design is also a threat to the Company. Ceramic tiles industry in India is suffering from low margin and profitability. Feldspar and quartz are rare minerals used for manufacturing of tiles. Since the industries are growing, demand for these minerals is increasing day by day. Depletion of these rare minerals will force domestic industry to relay on imports which will leads to escalation of prices. Such depictions may also lead to closure of industry for non availability of minerals which lead to loss in employment and bad return on investment.

The Ceramic Industry in highly energy intensive sector. Petroleum products and coal are most critical products for the industry. Increase in prices of such products leads to low profitability margins for ceramic Industries.

Non availability of skilled labour and increased rate of interest on borrowing is also major threat to the industries. Change in economic growth pattern and the impact of global recession is also a major concern for the industries.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING PART OF THE DIRECTORS' REPORT (Contd.)

SEGMENT-WISE PERFORMANCE AND DISCUSSION ON FINANCIAL/OPERATIONAL PERFORMANCE :

The Segment-wise performance for the year ended on 31.03.2013 is furnished hereunder:

SEGMENT	PRODUCTION (in Sq. Mtrs.)	SALES	
		Volume (Sq.Mtrs.)	Value (₹ in lacs)
Vitrified Tiles	31,05,861 (34,74,059)	33,08,602 (39,27,205)	12,030.95 (13,031.50)
Ceramic Tiles	2,68,968 (6,25,150)	5,48,654 (12,41,942)	1,528.98 (2,840.15)
Granite Slabs	- (-)	- (2,413)	- (-)
Earth Work (Sales receipts)	- (-)	- (-)	1,862.02 (3,128.98)

(Figures in brackets indicate corresponding values for the previous year).

As may be seen from the above statement, production of Ceramic tiles has been reduced by 56.98% and Vitrified tiles production by 10.60% and Granite Division has not produced any slabs during the year. The sales revenue of the ceramic division has been reduced by 46.17% and vitrified division has grown by 7.68%. Where as for granite division it has been reduced by 100%. Overall sales revenue has reduced by 18.83% which is ₹15,421.96 lakhs for the year under report. With the result, the Company has incurred a profit of ₹83.71 lakhs for the year under report compared to profit of ₹377.05 lakhs for the previous year.

OUT-LOOK

The Company keeping in mind the additional availability and the increase in cost has decided to concentrate on production of high value items such as granite series, Nano Technology and Multi Charge varieties. These new varieties are well accepted by the market particularly by discerning customers. To keep up our market share and high sales value, we have also endeavoured to outsource the tiles with our brand name and the result is encouraging.

The Company has decided to slowly discontinue the low value tiles like Ceramic and smaller size, instead to concentrate on special variety such as Nano, Multi Charge and Digital Value added varieties. The R & D team is working hard to invent new product range, designs and sophisticated colors.

RISKS AND CONCERNS

Competition from various organized and unorganized sectors affects the revenues hence the company continues its brand promotion through various exhibitions, trade promotions and advertisements. The Company is also catering all types of customers in order to face competition. Innovations in technology leads to reduction of customers hence the Company has built a strong Research and Development Team with fully equipped laboratory. Research on reduction of expenditure with aim to invent upgraded technology is going on daily basis. Attrition rate of talented employees may affect the operations of the Company hence your company has adopted the best HR practices to retain talent. Both monetary and non monetary benefits are provided to hard working employees. The major concern of the Company is delay by the Government in installation of Natural Gas at Hubli Unit. However the Company is expecting installation by December 2013.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Day to day administration is looked after by the Managing Director under supervision, control and guidance of the Executive Committee of Directors headed by Dr. R N Shetty as Chairman. The Company has a separate internal audit department with experienced staff, placed under the supervision and control of the Vice President (Finance) & CFO. The system control of the Company is functioning efficiently with most of the branches electronically connected with the Head Office. The organizational set up and the system control have been efficient. The internal control procedures are adequate and efficient.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

As at the end of the year the Company had 415 employees on the rolls. The Company continued to engage services of senior level personnel even at branches level to ensure better control and coordination. Management also continues to give due importance for Manpower training and motivation. Customer care and Customer satisfaction are being ensured with meticulous care. The understanding between the Management and workers continues to be cordial.

CAUTION

Opportunities, threats, outlook, forecasts in any form and manner, made in this section or any other sections of this Annual Report are purely based on management perceptions made on situations as could be reasonably foreseen under the existing conditions. But various factors viz., capacities elsewhere, technology related matters, inflationary trends, unexpected recession and changes in policies of the Government etc., may impair such perceptions and adversely impact on calculations of the management.

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

Place : Bangalore
Date : July 30, 2013

CORPORATE GOVERNANCE REPORT

1. PHILOSOPHY AND CORPORATE GOVERNANCE

The Management believes that all applicable laws, rules and regulations in force are to be abided as a basic discipline. In the process the Company has complied with requirements of Corporate Governance provisions prescribed under Cl.49 of the Listing Agreement. Investors/Customer satisfaction are being constantly monitored and maintained at satisfactory levels. Inter-department co-ordination is satisfactory. Accountability and responsibility fixed at each level of hierarchy. On the operations side, the Management relies upon quality maintenance, effective presentation and customer satisfaction as basic requirements. Accordingly Manpower training and motivation are being pursued to attain desired results. The Management aims at commitment to high standards of administrative and financial discipline, transparent administration and enhancement of investor value.

2. BOARD OF DIRECTORS

As on the date of this report the composition of the Board of Directors is as follows:

2.1 Non-Executive Directors

1)	Dr R N Shetty	:	Promoter and Chairman
2)	Shri K Sunder Naik	:	Independent Director
3)	Dr. S S Hiremath	:	Independent Director
4)	Shri Annappayya K	:	Independent Director
5)	Shri Sankappa K Shetty	:	Independent Director
6)	Shri Sunil R Shetty	:	Director
7)	Shri Naveen R Shetty	:	Director

2.2 Executive Director

8)	Shri Satish R Shetty	:	Managing Director

The Board has seven Non-Executive directors of whom four are independent directors. Dr R N Shetty is the Non-Executive Chairman. The said composition is in conformity with the requirements of Clause 49 of the Listing Agreement. Executive Director has been appointed for a term of five years effective from respective date of his appointment.

None of the above said Non-Executive Directors has any pecuniary relationship or transaction with the Company excepting eligibility for Sitting Fees and reimbursement of expenses incurred for attending Board Meetings. Promoters Dr. R N Shetty, Shri Sunil R Shetty, Shri Naveen R Shetty and the Executive Director continue to not receive any kind of remuneration for attending any Board and/or Committee meetings as they have waived their entitlement for such remuneration.

2.3 Brief Particulars of Directors appointed / re-appointed

Pursuant to provisions of Clause 49 of the Listing Agreement, brief particulars of Directors appointed/reappointed are furnished hereunder:

2.3(a) **Shri Annappayya Kundapur** aged around 67 years is retired Canara Bank employee. He did his B.com with Distinction and CAIIB. He joined Canara Bank as officer in 1969 and serve in various parts of the country. He has exposure in all facts of Banking including Merchant Banking and International Banking. He received extensive training in critical areas of Banking and Finance in BTC RBI Mumbai, NIBM Pune, IIM Ahmedabad, Irving Trust Co at Sydney and Tokyo. He was Nominee Director in Canfin Homes Limited a subsidiary of Canara Bank for two years. He retired as General Manager in the year 2006 after 37 years of blemishless service in Canara Bank. He does not have any shares in the Company. He is not on the Board of any other bodies corporate.

2.3(b) **Dr. S. S. Hiremath**, aged about 76 years is a Doctor by profession. He has been in active service to the people of Hubli for over 47 years and has good knowledge about the topography, local residents and the local business at Hubli. He has knowledge of stage by stage development achieved by this Company ever since its inception in

CORPORATE GOVERNANCE REPORT *(Contd.)*

1983. The Doctor has established two health institutions namely Dr.S S Hiremath Nursing Home in 1976 and Shivaleela Hospital in 1992. As a Professor in Obstetrics and Gynecology in KMC Hospital he was also a guiding force for many medical students. He is a member of various professional bodies. His services have been recognized by various institutions and also the Government of Karnataka. He has been honoured with various awards including the Karnataka Rajyotsava Day Award - HDMC 1992. Dr. S.S.Hiremath holds 2300 Equity Shares in the Company. Other Companies on the Boards of which Dr. S S Hiremath is associated as a Non executive Director in Naveen Hotels Limited and Murdeshwar Power Corporation Ltd.,

2.4 **Meetings, Attendance and Membership of Committees**

During the year under report six (6) Board Meetings were held on 14.05.2012, 30.07.2012, 22.09.2012, 30.10.2012, 31.01.2013 and 19.03.2013 the gap between any two consecutive Board Meetings has not exceeded four months.

The following are the particulars of attendance of directors at the Board/General Meetings of the Company and memberships of Committees and number of other directorships, of each director during the year 2012-13.

Sl. No.	Name of Director	BOARD MEETINGS		Whether attended last AGM	COMMITTEES		Other director -ships held
		held	Attended		Memberships	Chairman	
1	Dr. R.N.Shetty	6	4	No	2	1	12
2	Shri.K Sunder Naik	6	6	Yes	3	1	1
3	Dr S S Hiremath	6	6	Yes	1	0	2
4	Shri Annappayya K	6	6	Yes	1	2	0
5	Shri Sankappa K Shetty	6	5	Yes	0	0	3
6	Shri Satish R Shetty	6	6	Yes	1	0	13
7	Shri Sunil R Shetty	6	2	No	1	0	13
8	Shri. Naveen R Shetty	6	5	No	1	0	11

3. CODE OF CONDUCT

The Board of Directors has laid down Code of Conduct for all Board Members and senior management personnel of the Company. In the above context, Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct for the year ended 31.03.2013 and necessary declaration from CEO is annexed forming part of this report.

4. AUDIT COMMITTEE

During the year under report four (4) Audit Committee Meetings were held on 14.05.2012, 30.07.2012, 30.10.2012, 31.01.2013. The meeting held on 30.07.2012 was for the purpose of considering audited accounts for the year ended on 31.03.2012.and the members were

1. Dr. R N Shetty - Member
2. Shri K Sunder Naik - Chairman
3. Shri Annappayya K - Member

All the three members of the Audit Committee are non-executive directors and two of them are independent directors. The Chairman, Shri K Sunder Naik is an independent non-executive director and having knowledge of financial and accounting matters and Shri Lakshmisha Babu S, Company Secretary is the Secretary of the Committee.

Audit Committee functions with reference to matters contained in Secn.292A of The Companies Act, 1956 read with Clause 49 of the Listing Agreement, inter-alia, monitoring, reviewing and reporting on (a) Accounting Policies, practices and procedures (b) Compliance with Accounting Standards (c) Related party transactions (d) Compliance with all applicable provisions of law (e) Internal Control procedures (f) Review of periodical accounts etc.