

BOARD OF DIRECTORS

Dr. R N SHETTY
Chairman

Dr. S.S. HIREMATH

Shri ANNAPPAYYA

Shri SANKAPPA K SHETTY

Smt. SARVANI ALVA

Shri SATHYA MURTHY PADAKI

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

Shri SUNIL R SHETTY

Shri NAVEEN R SHETTY

Shri KARAN SATISH SHETTY
Whole Time Director

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

Shri ASHOK KUMAR
Company Secretary & Compliance Officer

Auditors

M/s. K A RAGHUPATHY & CO.
Chartered Accountants
Bengaluru

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 - 14
Directors' Report	15 - 40
Management Discussion & Analysis Report	41 - 43
Corporate Governance Report	44 - 56
Auditors' Certificate on Compliance of Corporate Governance Provisions	57
Managing Director & Chief Financial Officer Certification	58
Independent Auditor's Report	59 - 65
Balance Sheet & Statement of Profit & Loss	66 - 67
Cash Flow Statement	68 - 69
Notes forming Part of Financial Statements	70 - 88

Registered Office

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

Plants

Sy. No. 139, 141/1
Huildore Village, Bukkapatna Hobli
Tal : Sira, Dist. : Tumkur
Pin Code : 572 137

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

NOTICE

To ,
The Members, Murudeshwar Ceramics Limited

NOTICE is hereby given that the **36th (Thirty Sixth) Annual General Meeting** of the Members of Murudeshwar Ceramics Limited will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli – 580 029 on Saturday, 28th day of September, 2019 at 3.00 p.m. IST to transact the following business:

ORDINARY BUSINESS

1. Adoption of Financial Statements:

To consider and if thought fit, to pass the following resolution as an ordinary resolution.

“RESOLVED THAT an Audited Annual Financial Statements (including the balance sheet of the Company as at March 31, 2019 and the statement of profit and loss together with the notes on accounts, schedules, statement of cash flow etc.), in the prescribed format, annexed to and forming part of the accounts for the year ended March 31, 2019, together with the report of the Directors and Auditors thereon as presented to the meeting, be and are hereby approved and adopted.”

2. Appointment of Shri Satish Rama Shetty (DIN 00037526) as Director Liable to Retire by Rotation:

To appoint a Director in place of Shri Satish Rama Shetty (DIN 00037526), who retires by rotation and being eligible, offers himself for reappointment.

Explanation : As per terms of appointment, Managing Director is subject to retirement by rotation, Shri Satish Rama Shetty (DIN 00037526) who was appointed on June 27, 2017 in the current term, being the longest-serving director and who is liable to retire, being eligible, seeks reappointment. The Board recommends his reappointment.

Therefore, members are requested to consider and if thought fit, to pass the following resolution as an ordinary resolution:

“RESOLVED THAT pursuant to the provisions of section 152 and all other applicable provisions of the Companies Act, 2013 (“Act”), and rules made thereunder and as per provisions contained in the Articles of Association of the Company the approval of the members of the Company be and is hereby accorded to the reappointment of Shri Satish Rama Shetty (DIN 00037526) as a director without affecting his current position, who is liable to retire by rotation.”

3. Appointment of Statutory Auditors of the Company and fix their remuneration :

To appoint Mr. Krishnaraj K (M No. 217422), Chartered Accountants, Partner of M/s. K.G. Rao & Co. (Firm Registration No. 010463S) Bengaluru, as the Statutory Auditors of the Company.

To Consider and if thought fit, to pass, the following resolution as an Ordinary Resolution.

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof) Mr. Krishnaraj K (M No. 217422), Chartered Accountants, Partner of M/s. K.G. Rao & Co. (Firm Registration No. 010463S) having office at No.#15, First Floor, 3rd Cross, Sampige Road, Malleshwaram, Bangalore - 560 003, be and is hereby appointed as the Statutory Auditors of the Company in place of M/s. K.A. Raghupathy & Co, (Firm Registration No. 011573S), who has given resignation before his term, at the conclusion of this Annual General Meeting) for a period of five years i.e. from the conclusion of this 36th Annual General Meeting till the conclusion of 41st Annual General Meeting of the Company, at such remuneration as may be fixed by the Board of Directors of the Company on the recommendation of the Audit Committee”.

SPECIAL BUSINESS

4. Approval for setting a threshold limit and to provide Power to the Board of Directors under Section 180(1) of The Companies Act, 2013 :

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

RESOLVED THAT pursuant to the provisions of section 180(1) and all other applicable provisions, if any, of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the consent of the members of the company be and is hereby accorded to the Board of Directors to 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 of such undertakings, to invest otherwise in trust securities the amount of compensation received by it as a result of any merger or amalgamation; to borrow money, where the money to be borrowed, together with the money

NOTICE (Contd.)

already borrowed by the company will exceed aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business and to remit, or give time for the repayment of, any debt due from a director. And to hypothecate, mortgage (simple or equitable), charge and/or in any other way encumber, all or any of the moveable/ current/fixed/immoveable assets of the Company, both present and future, and/or whole or any part of undertaking(s) of the Company, together with powers to take over the management of the business and concern of the Company in certain events of default, in favour of any Lender(s), Agent(s) and/or Trustee/s, as the case may be, for the purpose of securing the borrowings of the Company availed/to be availed by way of loan(s), working capital assistance, issue of debentures / bonds / notes and/or any other debt instruments issued/to be issued by the Company, from time to time, together with interest, additional interest, compound interest, accumulated interest, liquidated damages, commitment charges, premium on prepayments, and all other incidentals and levies, as may applicable under respective agreements, deeds, writings, trust deeds or any other kind of documents as may be agreed to by and between the Board and the Lenders, their agents, trustees, as the case may be, in respect of the said loans/ borrowings/ debentures/bonds or other securities together with the moneys already borrowed by the Company in the ordinary course of business, may exceed the aggregate of the paid up share capital and free reserves of the company, provided however that the total amount so borrowed by the Board of Directors subject to maximum limit of ₹ 350.00 Crores (Rupees Three hundred Fifty Crores only).

RESOLVED FURTHER THAT the Board do hereby authorize any director of the company severally to do all such acts, deeds, matters and things as may be deemed necessary to give effect to the above resolution."

5. Approval for setting a threshold limit to Make Investments, Give Loans, Guarantees and Provide Securities under Section 186 of the Companies Act, 2013 and provide power to the Board of Directors:

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 186 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Meeting of Board and its Powers) Rules, 2014, (including any Statutory modification or re-enactment thereof, for the time being in force), the consent of the members of the company be and is hereby accorded to the Board of Directors (hereinafter referred to as "Board" which term shall include any committee constituted by the Board or any person(s) authorized by the Board to exercise the power conferred on the Board by this resolution) to make loans or investments, in one or more tranches by subscription, purchase or otherwise in subsidiary(ies)/ any person/ bodies Corporate in India or abroad (existing or which may be promoted/ incorporated), in any kind of securities, or by providing of guarantee or security in connection with a loan made by any other person to any subsidiary, Body corporate in India or abroad (existing or which may be promoted or incorporated) in excess of limit prescribed in section 186 of Companies Act, 2013 but subject to maximum limit of ₹350.00 Crores (Rupees Three hundred Fifty Crores only).

"RESOLVED FURTHER THAT the Board do hereby authorize any director of the company severally to finalize and negotiate the terms and conditions of the said investment, loan and guarantee and provision of security on behalf of the company as it may deem fit in the interest of the company, to take all such actions and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and such investments, loans, guarantees and provisions of security and generally to do all such acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this resolution."

6. Approval for setting a threshold limit under section 185 and provide power to the Board of Directors:

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of section 185 and all other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Meeting of Board and its Powers) Rules, 2014, (including any Statutory modification or re-enactment thereof, for the time being in force), subject to the approval any statutory authority the consent of members of the company be and is hereby accorded for making of loan(s) to, and/or giving of guarantee(s), and/or providing of security(ies) in connection with any loan taken by any person in whom any of the director of the company is interested (as per section 185(2) explanation - (a) to (c)) but subject to a maximum limit of ₹350.00 Crores (Rupees Three hundred Fifty Crores only).

RESOLVED FURTHER THAT the Board do hereby authorize any director of the company severally to finalize and negotiate the terms and conditions of the said investment, loan and guarantee and provision of security on behalf of the company as it may deem fit in the interest of the company, to take all such actions and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and such investments, loans, guarantees and provisions of security and generally to do all such acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this resolution."

NOTICE (Contd.)

7. Approval for enter into Related Party Transactions as prescribed under section 188 and provide power to the Board of Directors:

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 188 and other applicable provisions of the Companies Act, 2013 read with the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), and applicable provisions of regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and as per the recommendation and approval of the Audit Committee in their meeting held on 29th May, 2019, the consent of the members of the Company be and is hereby accorded to the Board of Directors to enter into the related party transactions by the Company with the herein below mentioned related parties but subject to the maximum limit of ₹350.00 Crores (Rupees Three hundred Fifty Crores only).

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorize any Director of the company severally to do or cause to be done all such acts, matters, deeds and things and to settle any queries, difficulties, doubts that may arise with regard to any transaction with the related party and execute such agreements, documents and writings and to make such filings, as may be necessary or desirable for the purpose of giving effect to this resolution, in the best interest of the Company.”

Following are the related party transactions which are considered repetitive in nature :

Sl. No.	Name of the Related Party	Nature of Transactions with related parties	Approval Period of transaction	Maximum amount per year that can be entered into (₹ In Crore)	Aggregate value of the Transaction
1	RNS Infrastructure Ltd.	Civil Works/ Earth Works	5 years	50.00	250.00
2	Murudeshwar Power Corporation Ltd.	Purchase of Electricity	5 years	5.00	25.00
3	RNS Power Ltd.	Purchase of Electricity	5 years	5.00	25.00
4	Naveen Hotels Ltd.	Availing Accommodation Services	5 years	1.00	5.00
5	RNS Motors Ltd.	Availing Vehicle Services	5 years	1.00	5.00

8. Approval for re-appointment of Smt. Sarvani Alva (DIN: 06896403), as an Independent Director with effect from 31st July, 2019 for the period of next consecutive five years :

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 149, 150, 152, 161(1) and schedule IV read with the Companies (Appointment and Qualification of Directors) Rules, 2014, and other applicable provisions, sections, rules of the Companies Act, 2013 (including any statutory modifications or re-enactment, amendment thereof for the time being in force), and the applicable provisions of Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and on recommendation made by the Nomination and Remuneration Committee of the Company, the Consent of the Members be and is hereby accorded, to re-appoint Smt. Sarvani Alva (DIN: 06896403), who has crossed the age of 75 years, as an Independent Director (Non-Executive & Independent) who has submitted declaration that she meets the criteria for independence as provided in section 149(6) of the Act and is eligible for re-appointment, as an Independent Director of the Company for the next term of five consecutive years on the Board of the Company w.e.f. 31st July, 2019.

“RESOLVED FURTHER THAT any of the Directors for the time being be and are hereby authorized to sign and execute all such documents and papers (including appointment letter etc.) as may be required for the purpose and file necessary e-form with the Registrar of Companies and to do all such acts, deeds and things as may considered expedient and necessary in this regard.”

“RESOLVED FURTHER THAT any one of the Directors for the time being be and are hereby authorised to sign the certified true copy of the resolution to be given as and when required.”

9. Approval for re-appointment of Shri Sankappa Keremane Shetty (DIN 00894366) as an Independent Director with effect from 31st July, 2019 for the period of next consecutive five years :

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 149, 150, 152, 161(1) and schedule IV read with the Companies (Appointment and Qualification of Directors) Rules, 2014, and other applicable provisions, sections, rules of the Companies Act, 2013 (including any statutory modifications or re-enactment, amendment thereof for the time being in force), and the applicable provisions of Regulation 25 of the SEBI (Listing Obligations and Disclosure

NOTICE (Contd.)

Requirements) Regulations, 2015, and on recommendation made by the Nomination and Remuneration Committee of the Company, the Consent of the Members be and is hereby accorded, to re-appoint Shri Sankappa Keremane Shetty (DIN 00894366), who has crossed the age of 75 years, as an Independent Director (Non-Executive & Independent) who has submitted declaration that he meets the criteria for independence as provided in section 149(6) of the Act and is eligible for re-appointment, as an Independent Director of the Company for the next term of five consecutive years on the Board of the Company w.e.f. 31st July, 2019.

"RESOLVED FURTHER THAT any of the Directors for the time being be and are hereby authorized to sign and execute all such documents and papers (including appointment letter etc.) as may be required for the purpose and file necessary e-form with the Registrar of Companies and to do all such acts, deeds and things as may considered expedient and necessary in this regard."

"RESOLVED FURTHER THAT any one of the Directors for the time being be and are hereby authorised to sign the certified true copy of the resolution to be given as and when required."

10. Approval for re-appointment of Shri Annappayya (DIN 03558522) as an Independent Director with effect from 31st July, 2019 for the period of next consecutive five years :

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 150, 152, 161(1) and schedule IV read with the Companies (Appointment and Qualification of Directors) Rules, 2014, and other applicable provisions, sections, rules of the Companies Act, 2013 (including any statutory modifications or re-enactment, amendment thereof for the time being in force), and the applicable provisions of Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and on recommendation made by the Nomination and Remuneration Committee of the Company, the Consent of the Members be and is hereby accorded, to re-appoint Shri Annappayya (DIN 03558522), who has crossed the age of 75 years, as an Independent Director (Non-Executive & Independent) who has submitted declaration that he meets the criteria for independence as provided in section 149(6) of the Act and is eligible for re-appointment, as an Independent Director of the Company for the next term of five consecutive years on the Board of the Company w.e.f. 31st July, 2019.

"RESOLVED FURTHER THAT any of the Directors for the time being be and are hereby authorized to sign and execute all such documents and papers (including appointment letter etc.) as may be required for the purpose and file necessary e-form with the Registrar of Companies and to do all such acts, deeds and things as may considered expedient and necessary in this regard."

"RESOLVED FURTHER THAT any one of the Directors for the time being be and are hereby authorised to sign the certified true copy of the resolution to be given as and when required."

11. Approval for re-appointment of Dr. Shivabasayya Siddaramayya Hiremath (DIN 02272897) as an Independent Director with effect from 31st July, 2019 for the period of next consecutive five years :

To consider and, if thought fit, to pass the following resolution with or without modification(s) as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 150, 152, 161(1) and schedule IV read with the Companies (Appointment and Qualification of Directors) Rules, 2014, and other applicable provisions, sections, rules of the Companies Act, 2013 (including any statutory modifications or re-enactment, amendment thereof for the time being in force), and the applicable provisions of Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and on recommendation made by the Nomination and Remuneration Committee of the Company, the Consent of the Members be and is hereby accorded, to re-appoint Dr. Shivabasayya Siddaramayya Hiremath (DIN 02272897), who has crossed the age of 75 years, as an Independent Director (Non-Executive & Independent) who has submitted declaration that he meets the criteria for independence as provided in section 149(6) of the Act and is eligible for re-appointment, as an Independent Director of the Company for the next term of five consecutive years on the Board of the Company w.e.f. 31st July, 2019.

"RESOLVED FURTHER THAT any of the Directors for the time being be and are hereby authorized to sign and execute all such documents and papers (including appointment letter etc.) as may be required for the purpose and file necessary e-form with the Registrar of Companies and to do all such acts, deeds and things as may considered expedient and necessary in this regard."

"RESOLVED FURTHER THAT any one of the Directors for the time being be and are hereby authorised to sign the certified true copy of the resolution to be given as and when required."

Place : Bengaluru

Date : August 13, 2019

By Order of the Board
For Murudeshwar Ceramics Limited
ASHOK KUMAR
Company Secretary

NOTICE (Contd.)

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. Proxy in order to be effective must be received at the Company's Regd. Office not less than 48 hours before the meeting.
- (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 propose 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 Saturday, September 21, 2019 to Saturday, September 28, 2019 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2018-19 are requested to send their specific request addressed to the Company Secretary at the Registered Office of the Company at least 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.
- (9) In compliance with the provisions of section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by NSDL, on all resolutions set forth in this Notice.
- (10) Please refer last page of Annual Report for AGM Location Map.

The instructions for e-voting are as under:

A. In case a Member receives an e-mail (for Members whose e-mail addresses are registered with the Company/ Depositories) :

- (a) Open the e-mail and also open PDF file namely "Remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
- (b) Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>
- (c) Click on Shareholder – Login.
- (d) If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
- (e) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
- (f) The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
- (g) Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
- (h) Select "EVEN" (E-Voting Event Number) of Murudeshwar Ceramics Limited. Now you are ready for E-voting as Cast Vote page opens.
- (i) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (j) Upon confirmation, the message "Vote cast successfully" will be displayed.

NOTICE (Contd.)

- (k) Once the vote on the resolution is cast, the Member shall not be allowed to change it subsequently.
- (l) Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution/Authority letter, etc., together with attested specimen signature of the duly authorized signatory (ies) who are authorized to vote, to the Scrutinizer through e-mail to sunil_j_shah@yahoo.com and investor@naveentile.com with a copy marked to evoting@nsdl.co.in
- (m) In case of any queries, you may refer the Frequently Asked Questions (FAQs) – Shareholders and e-voting user manual – Shareholders, available at the downloads section of www.evoting.nsdl.com

B. In case of Member receives physical copy of Notice of AGM (for Members whose e-mail addresses are not registered with the Company / Depositories) :

- (a) Initial password is provided in the enclosed Annual Report and Notice: EVEN (E-Voting Event Number), user ID and password/Pin.
- (b) Please follow all steps from Sl. No. A (b) to Sl. No. A (m) above, to cast vote.

C. Other Instructions :

- (a) The e-voting period commences on September 25, 2019 (9.00 a.m. IST) and ends on September 27, 2019 (5.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in dematerialized form, as on September 20, 2019 (Cutoff date {record date}) may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
- (b) A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again in the AGM.
- (c) The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on September 20, 2019 (Cutoff date {record date}).
- (d) Mr. Sunil J. Shah, Practicing Company Secretary (Membership No. ACS: 8717), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (e) The Scrutinizer shall after the conclusion of voting at the General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witness not in employment of the company and shall not make later than three days of the conclusion of AGM, a consolidated scrutinizer report of the total votes cast in favour or against if any to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- (f) The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.naveentiles.co.in and on the website of NSDL immediately after the declaration of the results by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to Stock exchanges.

Explanatory statement UNDER SECTION 102(1) OF THE COMPANIES ACT, 2013:

ITEM No. 4 : Approval for setting a threshold limit and provide Power to the Board of Directors under Section 180(1) of The Companies Act, 2013 :

As per the provisions of section 180 (1) (c) of the Companies Act, 2013 the Board of Directors of a company could borrow money together with the moneys already borrowed by the Company in the ordinary course of business, to the extent of paid up share capital and free reserves of the company and for borrowing moneys in excess of the Paid up share capital and Free reserves, the approval of the members of the company in General Meeting by way of Special resolution has to be obtained.

The Company borrow funds and may borrow funds from time to time for business and operational purposes and some time it may exceed the paid up capital and free reserve and therefore it is required to obtain approval of the members by way of special resolution in General Meeting and to authorize the Board to borrow funds in excess of the paid up share capital and free reserves. Hence, the Company want to secure the compliances in advance.

NOTICE (Contd.)

Your board decided to increase the limit for borrow the fund upto ₹350 Crores and recommends to the members for their approval by way of a Special resolution.

None of the Directors, key managerial personnel and relatives of Directors and/or key managerial personnel (as defined in the Companies Act, 2013) are concerned or interested in the proposed resolution, except in the ordinary course of business and extent to their shareholding and directorship.

ITEM No. 5 : Approval for setting a threshold limit to Make Investments, Give Loans, Guarantees and Provide Securities under Section 186 of the Companies Act, 2013 and provide power to the Board of Directors:

As per provisions of section 186 of the Companies Act, 2013 the Board of Directors of a company could give any loan, guarantee or provide security in connection with a loan to any other body corporate or person and acquire securities by way of subscription, purchase or otherwise to any person or body corporate to the extent of sixty percent of paid up share capital, free reserves and securities premium or one hundred per cent of its free reserves and securities premium account whichever is more and for giving any loan or providing guarantee and/or security in excess of limit specified above, the approval of the members of the company in General Meeting by way of Special resolution has to be obtained.

The Company may give loan and guarantee to any person and make investments by acquiring securities by way of purchase or subscription or otherwise from time to time. So, it is proposed to increase the limit of giving any loan or guarantee or providing security to anybody corporate or any other person and to invest funds upto ₹350 Crores and hereby recommends to the members of the company for their approval by way of a Special Resolution.

None of the Directors, key managerial personnel and relatives of Directors and/or key managerial personnel (as defined in the Companies Act, 2013) are concerned or interested in the proposed resolution, except in the ordinary course of business and extent to their shareholding and directorship.

ITEM No. 6 : Approval for setting a threshold limit under section 185 and provide power to the Board of Directors:

The Company's principal business activities inter alia consists of manufacturing of Ceramic and Vitrified Tiles. The Company may be required to make loan(s) including loan represented by way of Book Debt (the "loan") to, and/or give guarantee(s) and/or provide security(ies) in connection with any loan, including loan represented by way of Book debt, if any (the "Loan") taken/ to be taken by the Company. The said Loan(s)/ guarantee(s)/ security (ies) shall be utilised by the company for its principal business activities and the matters connected and incidental thereto (the "Principal Business Activities").

Section 185 (1) of the Companies Act, 2013 provides that no company shall, directly or indirectly, advance any loan, including any loan represented by a book debt to, or give any guarantee or provide any security in connection with any loan taken by—

- (1) (a) any director of company, or of a company which is its holding company or any partner or relative of any such director; or
(b) any firm in which any such director or relative is a partner.
- (2) A company may advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loan taken by any person in whom any of the director of the company is interested, subject to the condition that—
 - (a) a special resolution is passed by the company in General Meeting :

Provided that the explanatory statement to the notice for the relevant General Meeting shall disclose the full particulars of the loans given, or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security and any other relevant fact; and

NOTICE (Contd.)

(b) the loans are utilised by the borrowing company for its principal business activities.

hence consent of the members is being sought by way of a special resolution pursuant to the above provisions of the Act for making of Loan(s) to, and/or giving of guarantee(s), and/or providing of security (ies) in connection with any Loan taken/ to be taken an aggregate outstanding amount not exceeding ₹350.00 Crores (Rupees Three hundred fifty crores only) and necessary delegation of authority to the Board for this purpose. Your Directors recommend the resolution set out at Item No. 5 to be passed as a special resolution by the members.

None of the Directors, key managerial personnel and relatives of Directors and/or key managerial personnel (as defined in the Companies Act, 2013) are concerned or interested in the proposed resolution, except in the ordinary course of business and extent to their shareholding and directorship.

ITEM No. 7 : Approval for enter into Related Party Transactions as prescribed under section 188 and provide power to the Board of Directors:

The Companies Act, 2013 aims to ensure transparency in the transactions and dealings with the related parties of the Company. The provisions of Section 188(1) of the Companies Act, 2013 read with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, govern the Related Party Transactions for entering into any contract, transactions or arrangement with the related party (ies).

The Company in its ordinary course of business and/or on arm's length price basis avails services and purchases of electricity, the Company also purchases goods from its group companies. The purchase of electricity and goods or availing services from its group companies as mentioned in the resolution is dependent on the requirement of the Company for its products from time to time and the ability of supply of specified material by its group companies. During the course of its business the Company also sells its products to its group companies.

The Company has noted that its fall under the category of a related party of the Company in terms of the provisions of the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The provisions of the Listing Agreement consider a transaction with a related party material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company. Further, the Listing Agreement requires all material related party transactions to be approved by the shareholders through a special resolution and the related parties shall abstain from voting on such resolutions. The Company envisages that the transaction(s) entered into with its Group Companies whether individually and/or in aggregate would exceed the stipulated threshold of ten percent of the annual consolidated turnover of the Company as per the last audited and financial statements of the Company during a financial year of the Company. The Company therefore requires approval of the shareholders through a special resolution for entering into contract(s)/ arrangement (s)/ transaction(s) with its Group Companies upto a maximum amount as mentioned in the resolution 7 from the financial year 2019-20 and onward. Although approval of the shareholders would not be required under the provisions of Section 188 of the Companies Act, 2013 and the rules framed thereunder for the specified transactions with its group companies, the same is being sought as an abundant precautionary measure.

All related parties shall abstain from voting on these resolutions.

The Audit committee and the Board of the Directors of the Company have considered these proposed arrangements and limits at their meeting held on 29th May, 2019 and have approved the proposed arrangements with the Related Party(ies) and have also decided to seek approval of shareholders by way of special resolution pursuant to section 188 of the Companies Act 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

None of the Directors, key managerial personnel and relatives of directors and/or key managerial personnel (as defined in the Companies Act, 2013) are concerned or interested in the proposed resolution, except in the ordinary course of business and extent to their shareholding and directorship.

NOTICE (Contd.)

ITEM No. : Re - appointment of Smt. Sarvani Alva (DIN : 06896403), Shri Sankappa Keremane Shetty 8 to 11 (DIN 00894366) Shri Annappayya (DIN 03558522), Dr. Shivabasayya Siddaramayya Hiremath (DIN 02272897) and Independent Directors for further consecutive period of five years.

8. Mrs. Sarvani Alva is an Independent Non- Executive Director of the company. She had joined the Board of Directors of the company on 31st July 2014 as an Independent Director. Pursuant to the Companies Act 1956/2013 she was appointed as an Independent Non-Executive Director to hold office for five consecutive years for a term upto 30th July, 2019, by the Members of the Company in the 31st AGM held on 27th September 2014.

As per Section 149(10) of the Act, an Independent Director shall hold office for a term of upto five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a special resolution by the Company for another term of upto five consecutive years on the Board of a Company.

Based on recommendation of Nomination and Remuneration Committee and in terms of the provisions of Sections 149, 150, 152 read with Schedule IV and any other applicable provisions of the Act and the Listing Regulations, Mrs. Sarvani Alva, being eligible for re-appointment as an Independent Director and offering herself for re-appointment, is proposed to be re-appointed as an Independent Director for another term of five consecutive years from 31st July 2019.

Smt. Sarvani Alva aged around 79 years is an Arts Graduate. She is highly ethical and has developed from a well cultured family background. She was a good performer in studies and other co-curricular activities.

Brief profile

DIN	06896403
Date of birth	08/06/1940
Age	79 years
Date of appointment in Board Meeting	04.03.2019
Qualification	Bachelor of Arts
Expertise in specific Functional Area	Expertise in field of Arts
Directorship in other Public Limited Companies (excluding foreign companies, private companies & Section 8 companies)	1. RNS Motors Limited
Membership of Committee/Chairmanship in other Public Limited Company	2. RNS Motors Limited - Audit Committee, CSR Committee and N&R Committee.
No. of shares held (a) own (b) for other persons on a beneficial basis.	NIL

In the opinion of the Board, Smt. Sarvani Alva fulfils the conditions specified under the Act, the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 16(1) (b) of the Listing Regulations for her re-appointment as an Independent Non-Executive Director of the Company.

The Board considers that her continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Smt. Sarvani Alva as an Independent Director.

Accordingly, the Board recommends Special Resolution in relation to eligibility and re-appointment of Smt. Sarvani Alva as an Independent Director for another term of five consecutive years with effect from 31st July 2019 for the approval by the shareholders of the Company.

None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the accompanying Notice of the AGM. Smt. Sarvani Alva is not related to any Director of the Company.

This Explanatory Statement together with the accompanying Notice of the AGM may also be regarded as a disclosure under Regulation 36(3) of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) of ICSI.