

17th Annual Report 1999 - 2000



**MURUDESHWAR
CERAMICS LTD.**

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. C. K. NEELAKANTA RAJ, 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

Auditors

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

Registered Office

Murudeshwar Bhavan
Gokul Road
HUBLI - 580 030

Legal Advisers

M/s N. JAYARAMAN
Advocates
Bangalore

Plant

Krishnapur Village
HUBLI - 580 024

Chalmatti Village

Taluk : Kalghatgi

Dist. : Dharwad

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 Seventeenth Annual General Meeting of the members of the Company will be held at Shri R. N. Shetty Kalyan Mantap, Opp. Glass House, Hubli on Friday the 29th of September 2000, 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 on 31st of March, 2000 together with Directors' and Auditors' Reports thereon.
2. To declare dividend.
3. To appoint a Director in place of Dr. K. Sandip Malli, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Shri Naveen R. Shetty, who retires by rotation and is eligible for reappointment.
5. To consider and if thought fit, to pass with or without modification the following resolution as a Special Resolution.

RESOLVED THAT pursuant to 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 2000-2001 to hold office until conclusion of the next Annual General Meeting and the Board of Directors be and is hereby authorised to fix remuneration and out of pocket expenses to the said Auditors.

NOTICE (Contd.)**SPECIAL BUSINESS:**

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

RESOLVED THAT Shri C. K. Neelakanta Raj, IAS who was appointed as an Additional Director on the Board of Directors of the Company effective from 2-11-1999 and whose term of office as an Additional Director is valid upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 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 Shri C. K. Neelakanta Raj, IAS to the office of Director, be and is hereby appointed as a Director on the Board of Directors of the Company and that the period of office of Shri C. K. Neelakanta Raj as a director of the Company will be liable to be determined by retirement by rotation.

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

RESOLVED THAT the Articles of Association of the Company be and is hereby amended as follows:

- a) Existing Article '5' be renumbered as '5(a)';
- b) The following Articles be inserted after Article 5(a);

"5(b) Notwithstanding anything contrary contained elsewhere in this Articles of Association and subject to the applicable provisions of laws/regulations, shares and/or debentures (hereinafter called 'the securities') of the Company may be issued in and/or converted into dematerialised/electronic form (i.e. not in physical form), either in full or in parts, and/or rematerialised any time after such issue/conversion, either in full or in parts, at the discretion of the Board of Directors, for which the Board of Directors is hereby authorised to do so. In case of such issue/conversion of securities in/into dematerialised/electronic form, the holder/s of such securities is/are entitled to hold and/or trade such securities in the electronic form until such securities are rematerialised, subject to provisions of laws/regulations as may be applicable to the Company from time to time. The Board of Directors may at its discretion, subject to the applicable provisions of Laws, make any arrangements with Securities and Exchange Board of India, Stock Exchanges, Depositories, Registrars for transfer of securities or any other person(s)/intermediaries in order to give effect to the abovesaid dematerialisation/rematerialisation of securities or trading of such securities.

- 5(c) Notwithstanding anything contrary contained elsewhere in this Articles of Association, the Company may purchase its own shares/securities subject to the provisions of Laws/regulations as may be applicable from time to time."

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

Place: HUBLI
Date : 28-6-2000



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 behalf of such member at such meeting 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/Transfer books of the Company will remain closed from 21-09-2000 to 29-09-2000 (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, in case of any payments, on Payees' Account, to avoid fraudulent encashments etc.
6. Members desirous of seeking any information/clarification concerning the Accounts for the year 1999-2000 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 and also to handover their attendance slips signed by the members/valid proxies at the entrance of the meeting hall.
8. The holder/s of share(s)/debenture(s) in the Company may nominate a person to whom share(s)/debenture(s) held by such holder/s shall vest in the event of the death of such holder/s. Such Nominations should be in Form No. 2B.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
6. Appointment of Shri C. K. Neelakanta Raj as a Director.

Shri C. K. Neelakanta Raj, IAS, Chairman and Managing Director of KSIIDC was appointed as an Additional Director of the Company effective from 02-11-1999. Pursuant to Section 260 of the Companies Act, 1956 Shri C. K. Neelakanta Raj 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 Shri C. K. Neelakanta Raj to the office of Director.

None of the Directors of the Company excepting Shri C. K. Neelakanta Raj may be deemed as concerned or interested in the resolution for this item.

7. Amendment of Articles of Association to make provision for Dematerialisation/ Rematerialisation and for buy-back of securities.

Securities and Exchange Board of India has advised the Stock Exchanges that trading of securities of our Company should be compulsorily in dematerialised form w.e.f. 27-11-2000.

Further, the Companies Act, 1956 has been amended by inserting Section 77A making provision for Companies to purchase its own shares or other securities (buy-back) subject to the applicable provisions of Law.

The existing provisions in the Articles of Association of our Company do not provide for holding and/or trading of the shares/debentures of our Company in electronic form or for buy-back of shares/securities. Hence the resolution for amendment of Articles of Association to make provision for the abovesaid facilities is proposed.

None of the Directors may be deemed as concerned or interested in the Resolution relating to this subject.

Place: HUBLI
Date : 28-6-2000

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



DIRECTORS' REPORT

To
The Members
Murudeshwar Ceramics Limited

Your Directors are happy to present the 17th Annual Report of the Company for the year ended 31-03-2000. The financial results are as follows:

FINANCIAL RESULTS

	<u>Rs. in lakhs</u>
Sales and other Income	7530.58
Expenditure (incl. Stock Adjustment)	4799.58
Profit before Interest and Depreciation	2731.00
Less: Interest	444.60
Depreciation	759.09
Profit before tax	1527.31
Provision for tax	212.09
Profit after tax	1315.22
Add: Profit of previous year brought forward	591.81
Profit available for appropriation	1907.03
Proposed Dividend	150.01
Corporate tax on Dividend	33.00
Transfer to General Reserve	1000.00
Balance carried to Balance Sheet	724.02

DIVIDEND

Your Directors recommend dividend at ten percent on the paid up equity share capital of the Company for the year 1999-2000. The said dividend, subject to approval of members at the ensuing Annual General Meeting, 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 1999-2000 the Company has registered about 9% growth in production with Ceramic tiles at 17,33,901 (16,71,527) Sq.Mtrs., and Vitrified tiles at 8,98,222 (7,32,253) Sq.Mtrs. The trend is likely to be better for the current year.

SALES

Domestic ceramic tiles market is growing more complex on account of severe competition and inflow of cheaper foreign tiles into domestic market. Added to this, in the current year's budget the floor tiles have been brought under OGL opening regular avenues for import of cheaper foreign tiles.

DIRECTORS' REPORT (Contd.)

Despite the aforesaid situation, your Company has managed to maintain better sales performance than previous year. During the year under report the domestic sales realisation from Tiles is as follows:

	Volume (Sq. Mtrs.)	Value (Rs. in lakhs)
Ceramic tiles	16,30,122 (16,67,668)	2861.65 (2633.80)
Vitrified tiles	7,62,753 (6,93,532)	3526.84 (3352.21)

(Figures in brackets indicate corresponding figures for the previous year)

Vitrified tiles market is gradually picking up and encouraged by the sound market response for the Company's Vitrified tiles, your directors are inclined to concentrate more on Vitrified tiles.

EXPORTS

The export market for the tiles is not encouraging on account of availability of foreign tiles at competitive prices. In spite of stringent export market for tiles, your Company has been able to make an export realisation of Rs. 152.79 lakhs. Eventhough this is more than double the exports for the previous year, vigorous efforts are being made to tap other export markets also. At present, our tiles are being exported to Australia, USA, UK, Maldives and Mauritius.

BUSINESS PROMOTION

Sales network of your Company is constantly increasing. Keeping in view twin objectives of customer proximity and service and also to ensure quick deliveries, the Company has already opened attractive Show Rooms cum Sales Centres at strategic places like Bangalore, Hubli, Mangalore etc., and proposes to open several more similar Show Rooms cum Sales Centres at all Metros in the first phase which will be later on extended to other important market places. Additionally, sufficient stock of tiles of different varieties and designs are being maintained in such centres which ensures availability of tiles to customers at very short notice. Company's major customers include several medium to large corporate entities viz., major software companies, automobile manufacturers and dealers, technology parks etc.

In order to give better weightage to business promotion, the Company has employed senior marketing executives for all its Metro and other strategic branches.

Your Company has been able to secure Sales Tax Exemption on Vitrified tiles for another 5 years from December, 1999.



DIRECTORS' REPORT (Contd.)

EXPANSION OF THE CAPACITY

Market reaction for Vitrified tiles has been very encouraging and is growing from year to year both in terms of volume and value. Particularly, tiles of larger size with marble design have been widely appreciated in the market, particularly by the corporate customers. Encouraged by such a positive trend for larger size Vitrified tiles, your Directors have proposed to increase the manufacturing capacity of the Vitrified tiles from the present 45,000 TPA to 75,000 TPA. The expansion project is likely to cost about Rs. 47 crores out of which approximately Rs. 12 Crores is estimated to be met out of internal generation and the balance has been proposed to be financed by the Company's Bankers.

RESEARCH & DEVELOPMENT

The Company has been constantly upgrading the operational units viz., Heat-recovery system, installation of control devices etc., to attain cost efficiency. New designs introduced by the Company particularly in the Vitrified range, have received a wider acclaim in the market.

GRANITE DIVISION

The year 1999-2000 saw the export market for Granite for the corporate entities virtually crashing. This is mainly on account of unhealthy competition from the non-corporate sector which has affected the viability of corporate entities engaged in granite business in both the domestic and export markets. Still, by persistent efforts your Company has been able to make a sales realisation of about Rs. 201.07 lakhs. Eventhough this is about 2.73% lower than the export realisation for the previous year, the domestic sales is about 18.55% higher than last year at Rs. 123.24 lakhs.

PROSPECTS FOR THE CURRENT YEAR

General trend for the tiles market is positive. This can be attributed mainly to budgetary support to the housing sector by the Government. Additionally, liberal and customer friendly housing finance is available to customers from Banks and Financial Institutions. With these positive trends your Company hopes that the construction industry is bound to grow. At the same time the growth of service sector viz., major software companies, automobile dealers, software parks etc., will also add to the market potential for the tiles. With the result your Company hopes to do better for the year 2000-2001.

OPERATIONAL EFFICIENCY

The Company has been constantly making efforts to source the inputs viz., Clay etc., from local sources. The Company has own facility to manufacture corrugated boxes and thermocol boxes used for packing the tiles.

DIRECTORS' REPORT (Contd.)

The Company has installed energy/fuel measuring devices at every strategic point of the operational process. This helps to closely monitor the abnormalities, if any, in unit-wise energy/fuel consumption and take corrective measures immediately. This also adds to the cost efficiency.

DIRECTORS

KSIIIDC has appointed its Chairman and Managing Director Shri C. K. Neelakanta Raj as Nominee of KSIIIDC on the Board of Directors of our Company with effect from 02-11-1999 in the place of Shri B. K. Das, the earlier Nominee.

The Company wishes to place on record the valuable services rendered by Shri B. K. Das during his tenure as a Director on the Board of Directors of this Company.

Pursuant to provisions of Section 260 of the Companies Act, 1956, Shri C. K. Neelakanta Raj will be holding office of Director upto the date of the ensuing Annual General Meeting and is eligible for reappointment.

Dr. K. Sandip Malli and Shri Naveen R. Shetty will retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

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, seek reappointment. Your Directors recommend for reappointment of M/s M. A. Narasimhan & Co., as Auditors for the year 2000-2001.

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.

THE STATUS ON Y2K PREPAREDNESS

The Company's systems software performed well with no impact on account of Y2K bug and the transition into new millennium had been smooth.

Additionally, the Company has taken action to install the advanced SAP package which will help to closely monitor the performance at different administrative/processing centres of the Company more efficiently and ensure better economy. The installation of software and training of Company staff will cost about Rs. 60 lakhs and installation will be completed shortly.