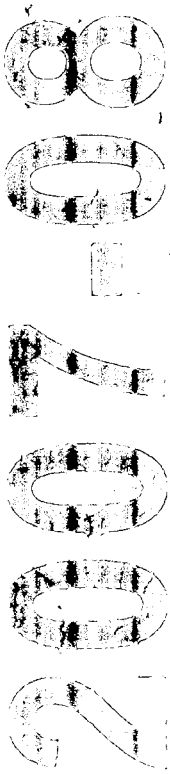
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25th Annual Report



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NAVEEN CERAMIC TILES

NAVEEN DIAMONTILE

NAVEEN GRANITES

MURUDESHWAR CERAMICS LTD.

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MURUDESHWAR CERAMICS LTD.,

TÜV CERT EN ISO 9001:2000 Certificate : 041005017
RWTÜV

BOARD OF DIRECTORS (As on 31-03-2008)

Shri R N SHETTY
Chairman

Dr. K SANDIP MALLI

Shri K JEEVAN SHETTY

Dr. B SUDESH HEGDE

Shri K P SURENDRANATH

Dr. SADANAND V NADIG

Shri K. SUNDAR NAIK

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

Shri SUNIL R SHETTY

Shri NAVEEN R SHETTY
Joint Managing Director

Vice President (Legal) ,
Company Secretary & Compliance Officer
Shri P A RAVISH

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.
PUNJAB NATIONAL BANK

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Registered Office
Murudeshwar Bhavan
Gokul Road
HUBLI - 580 030
Ph : (0836-2331615-18)
Fax : (0836-4252583)

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

Jigani Industrial Area
Taluk : Anekal
Dist : Bangalore - 562 106
Ph : (080-7826946)
Fax : (080-7826956)

143, Ilayancudy Road
Devamapuram Village
Thirunallur Commune
KARAIKAL - 609 607
Pondicherry State
Ph : (04368-236899 / 236599)
Fax : (04368-236805)

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MURUDESHWAR CERAMICS LTD.,

NAVEEN CERAMIC TILES

NOTICE

To ,
The Members
Murudeshwar Ceramics Limited

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli 580 029 on Saturday the September 27, 2008 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, 2008 and the Profit and Loss Account for the year ended on the said date together with Directors' Report and Auditors' Report thereon.

2. To declare dividend.

3. To appoint a Director in place of Shri Sunil R Shetty, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint a Director in place of Shri Naveen R Shetty, who retires by rotation and being eligible, offers himself for reappointment.

5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

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

   RESOLVED that Dr.S S Hiremath, whose term of office as an Additional Director is valid upto the date of the Annual General Meeting and in respect of whom Company has received a Notice under Secn.257 of The Companies Act, 1956 proposing the candidature of Dr. S S Hiremath to the office of Director, be and is hereby appointed as a Director on the Board of Directors of the Company with immediate effect.

By Order of the Board
For Murudeshwar Ceramics Limited
P A RAVISH
Vice President (Legal) & Company Secretary

Place : Bangalore
Date : 30.07.2008

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NOTICE (Contd.)

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

Item 6 : Appointment of Dr.S S Hiremath as Director.

Dr. S S Hiremath has been appointed as an Additional Director on the Board of Directors w.e.f. July 30, 2008. In terms of Secn. 260 of The Companies Act, 1956, the appointment of such director shall be valid upto the date of the Annual General Meeting. Company has received a Notice from Dr. S S Hiremath pursuant to provisions of Secn. 257 of The Companies Act, 1956 offering himself as a candidate to the office of Director. Brief resume of Dr. S S Hiremath is furnished forming part of the Corporate Governance Report.

None of the directors except Dr. S S Hiremath himself may be deemed as concerned or interested in the aforesaid appointment.

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 including Proxy Form signed by any person for and on behalf of any Institution, Bank, Body Corporate etc., will be valid, only if such document is supported by a duly authenticated copy of the relevant 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 between 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 19, 2008 to September 27, 2008 (both days inclusive).

(6) Members seeking any information/clarification concerning the Accounts for the year 2007-08 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
P A RAVISH
Vice President (Legal) & Company Secretary

Place : Bangalore

Date : 30.07.2008

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MURUDESHWAR CERAMICS LTD.,

NAVEEN CERAMIC TILES

DIRECTORS' REPORT

To
The Members
Murudeshwar Ceramics Limited

Your directors are happy to present the 25th Annual Report of the Company for the year ended on March 31, 2008.

FINANCIAL RESULTS

Particulars		(Rs. In Lakhs)
Sales income	25,068.64	
Other Income	41.71	
Increase / (Decrease) in stock	(183.57)	
Total income		**24,926.78**
Operational Expenditure	17,300.59	
Interest	2,143.47	
Depreciation	2,340.62	
Total Expenditure		**21,784.68**
Profit Before tax		**3,142.10**
Taxation		479.43
Net Profit for the year		**2,662.67**
Balance of Profit brought forward		635.31
Profit available for appropriation		**3,297.98**
Appropriation Proposed		
Dividend on Equity Shares @ 12%	210.12	
Corporate tax on Dividends	35.70	
Transfer to General Reserve	2,500.00	
Sub-total		2,745.82
Surplus carried to Balance Sheet		552.16

OPERATIONAL PERFORMANCE

The general trend in the demand pattern for Vitrified tiles continues to be upward during the year under report. But on account of increased number of market players emerging into the Vitrified tile market from unorganized sector and also cheaper imported tiles particularly from China, the competition has escalated beyond reasonable levels and resulted in reduced margins. This has affected the entire tiles industry in the country in general. Your Company has, during the year under report achieved a growth rate of about 9.19% in sales volume of Vitrified tiles at 49.73 lakhs sq.mtrs. against 45.54 lakhs sq.mtrs. during the previous year. But due to reasons stated above, the margins have declined. Hence the sales income from Vitrified tiles has slid down by 4.62% at Rs.18,540.15 lakhs compared to previous year. In the Ceramic tile segment, the Company has been able to achieve a sales income of Rs.3,074.70 lakhs by sale of 15.57 lakhs sq.mtrs. of tiles. The operational performance during 3rd and 4th quarters could not be maintained at the levels of corresponding periods of the previous year on account of conversion of LPG fired Kilns to Coal gas fired Kilns undertaken at the Hubli unit. By efficient deployment of resources at hand and optimum utility of managerial skills, the management was able to achieve profit before tax of Rs.3,142.10 lakhs against Rs.3,660.20 lakhs for the previous year.

DIVIDEND

Your directors recommended for a dividend at 12% on the fully paid equity share capital of the Company for the year ended 31.03.2008. Your directors feel that the said dividend is reasonable considering the fact that the net profits of the Company has come down by about 10% compared to previous year. The said dividend, subject to

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DIRECTORS' REPORT

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 closure of Register of Members. In case of members holding shares in electronic form, the dividend entitlement will be decided as per list of beneficiaries ascertained from the concerned depositories as at the close of the working hours on the last date before closure of transfer books.

MARKETING

The market is becoming more and more competitive and complex on account of emergence of unorganized sections in considerable numbers which are steadily increasing their dominance and large avenues open for importation of cheaper foreign tiles particularly from China. These two factors have a considerable cost advantage which is rendering the larger tile manufacturers to compromise on their margins to retain market share. With the result, the Company is concentrating more on project sales considering the fact that these large scale customers are more particular on value added products. The Company has reintroduced Ceramic tiles by adopting cost effective methods and this is expected to produce better results in due course.

At present the Company is continuing the mixed strategy in sales through Company show rooms, depot sales, distributors and dealers net work. The choice is being made depending upon regional factors viz., customer base, cost considerations and the nature of competition. As on the date of this report, the marketing net work is supported by 68 showrooms and 45 depots. The Company has appointed six distributors and 440 dealers. Selectively, the Company is also maintaining own show rooms and some of them are meant to serve as platforms to ensure better visibility and support to the marketing net work. The marketing net work is being penetrated into rural areas. On the strength of an established brand name and standards of quality of both product and service, your directors are optimistic of continued growth rate in 2008-09.

On the product range, the Company has added more designs and patterns. Out of different sizes being produced, tiles of the size of 60 x 60 cms constitue about 75% of the total sales followed by 50 x 50 cms size tiles by about 21%. More of value added ranges are being assigned to Hubli unit to attain optimum utility of plant capacity.

GRANITE DIVISION

The granite division of the Company which is a 100% EOU is operating satisfactorily from the Jigani unit in the outskirts of Bangalore. The installed capacity of this division is 72,000 sq.mtrs. per annum and the capacity utilization is about 67.60%.The granite division has achieved a turnover of Rs.891.04 lakhs by selling about 44,953 sq.mtrs. of Slabs during the year under report.

PROSPECTS

The competition in the construction industry is growing at a faster rate than the industrial growth of the construction industry. The growth of construction industry continues to be around 15%. The inflationary trends experienced in the year 2007-08 which are on further increase in the year 2008-09 have been stumbling blocks for further growth of the construction industry.

The Company has taken various cost cutting measures to increase margins. The major step is conversion of LPG fired Kilns to Coal gas fired Kilns at the Hubli unit. Two of the Kilns have been successfully converted to Coal gas fired Kilns and conversion of other Kilns is in progress. The management hopes to restart the second Kiln run on Coal gas energy by about September 2008. This will reduce the cost of fuel by about 15%. The Company is also sourcing raw material locally and distributing the production between Hubli and Karaikal units taking into consideration of distances between the sources and the manufacturing unit and the market. This will add further cost advantage to the Company. With these steps and some other cost effective measures in progress, and the brand name established in the market, the management hopes to improve the financial results for the current year 2008-09.

At the same time, it is not out of place mention that the real estate business in the country has suffered recession in recent times. Alarming inflationary trends, particularly the cost of steel, cement, fuel and services have been points of concern. Also the lending rates have been continuously on the increase. These adverse trends impact the construction industry badly and, in particular, the middle class segment which constitutes larger part of the retail business is more affected. The management is cautiously watching these changing trends and shall take appropriate action at the appropriate time.

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DIRECTORS' REPORT (Contd.)

RESEARCH AND DEVELOPMENT

The R & D wing of the Company continues to perform satisfactorily. Constant efforts are being made to economise operating costs and improve the quality further, body matrix of tiles and attain higher levels of economy and efficiency at each level of production. The newer varieties and designs introduced by the Company have been well accepted in the market.

POSTAL BALLOT

The Board of Directors proposed to reduce the cost of servicing the debts by repaying certain high cost debts out of loans that may be available from feasible sources at lower rates. Hence approval of members was sought for increasing borrowing limits and also to secure such additional borrowings by offering charge on the assets of the Company. In this context Postal Ballot notices were posted to all members and the required resolutions under Secn.293(1)(d) and Secn.293(1)(a) have been approved by majority of members through Postal Ballot. The details of the voting pattern are furnished in the Corporate Governance Report forming part of this Annual Report.

DIRECTORS

Justice K Jagannatha Shetty ceased to be a director on the Board effective from 24.03.2008 due to resignation.

Under the directions of the Securities and Exchange Board of India, the Stock Exchanges have amended Clause 49 of the Listing Agreement prescribing that if the Non-executive Chairman is a promoter or is related to promoters or persons occupying management positions at the Board level or at one level below the Board, atleast one-half of the Board of the Company should consist of independent directors.

The Board of Directors of this Company is well in compliance with the revised Clause 49 of the Listing Agreement with four promoter directors namely, Shriyuths R N Shetty, Satish R Shetty, Sunil R Shetty and Naveen R Shetty and four independent directors namely Shriyuths K P Surendranath, Dr. Sadanand V Nadig, Sundar Naik and Dr S S Hiremath. Shri R N Shetty is the Non-executive Chairman.

Board wishes to place on record the valuable services and guidance rendered by the Directors who ceased to be on the Board during the year.

Board has appointed Dr.S S Hiremath as an Additional Director w.e.f 30.07.2008. Pursuant to Section 260 of The Companies Act, 1956 the term of such additional director is valid upto the date of ensuing Annual General Meeting.

The Company has received a notice under Secn.257 of The Companies Act, 1956 from Dr.S S Hiremath, offering himself as a candidate to the office of director. Necessary resolution is placed before the members for approval.

Shri Sunil R Shetty and Shri Naveen R Shetty retire by rotation and being eligible offer themselves for reappointment.

Brief personal details of the abovesaid directors whose appointment / reappointment have been proposed, 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 the members for approval.

CORPORATE GOVERNANCE PROVISIONS

Your Company has complied with the mandatory requirements of the 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The 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 the management has also discussed on opportunities, threats and risk factors.

AUDIT COMMITTEE

The present composition of the Audit Committee has three non-executive directors namely Shriyuths R N Shetty, K P Surendranath and Dr.Sadanand V Nadig. Shri K P Surendranath is the Chairman. Shri K P Surendranath and Dr.Sadanand V Nadig are independent directors. Shri P A Ravish, Company Secretary is the Secretary of the Committee.

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NAVEEN DIAMONTILE

NAVEEN GRANITES

DIRECTORS' REPORT (Contd.)

DEPOSITS

As at the end of the year under report the Company had 81 deposit accounts for Rs.164.31 lakhs. As at 31.03.2008, two (2) accounts for an aggregate amount of Rs.65,000/- remained not claimed by the concerned depositors. Efforts are being made to locate the parties and advise them to claim the repayment by surrendering the original deposit receipts.

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

There are no particulars to be reported pursuant to Secn.217(2A) of The Companies Act, 1956.

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 2007-08, the Company has, subject to Note No.4 (c) of Schedule 21 in the Statement of accounts, 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) The Directors have selected and consistently applied such of the accounting policies and made judgements 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 of 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 on going concern basis.

ACKNOWLEDGEMENTS

Your Directors acknowledge with appreciation, the support and co-operation extended to the Company by the Central Government, the 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
sd/-
R N SHETTY
Chairman

Place : Bangalore
Date : 30.07.2008

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

Auditors have noted in Paragraph (iv) of the Audit Report that non-provision of excise duty on finished goods lying at the factory amounting to Rs.135.89 lakhs as not in accordance with the Accounting Standard AS-2 issued by the ICAI. Your Directors wish to clarify that the Excise duty is payable at the time of removal of goods from godown or on stock transfer. There is bound to be variation between value of Stock at godown and value of sales at the point of removal of stock from godown. Hence making provision for excise duty on value of stock at godown will be misleading. To avoid such mismatch in the Central Excise account, the Company adopted the practice of valuing the stock at godown without making provision for excise duty. In any case such non-provision for excise duty on stock at godown will have no impact on the Profit and Loss Account of the Company.

for and on behalf of the Board of Directors
sd/-
R N SHETTY
Chairman

Place : Bangalore
Date : 30.07.2008

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MURUDESHWAR CERAMICS LTD.,

NAVEEN CERAMIC TILES

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 OF ENERGY :**

(a) **Energy Conservation measures taken :**
Installation of Coal Stove for generation of Hot Air to Spray Dryer by coal powder instead of L.D.O.

(b) **Additional investments and proposals, if any, being implemented for reduction of consumption of energy :**
Additional Coal Stoves are proposed to convert / modify burner system of other Spray Dryers.

(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 :**
Reduction in the production cost of Spray dried powder preparation. .

(d) **Total energy consumption and energy consumption per unit of production :** - Not Applicable -

B. **TECHNOLOGY ABSORPTION :**

(e) **Efforts made in technology absorption as per Form B of the Annexure :** Furnished in Annexure 'B'.

C. **FOREIGN EXCHANGE EARNINGS AND OUTGO :**

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

(g) **Total foreign exchange used and earned :**

Foreign Exchange Earnings : Rs. 83.38 Lakhs
Foreign Exchange Outgo : Rs. 1,723.20 Lakhs

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) Sourcing of Local coal to replace the coal import for coal gas plant.
b) Development of Double - Fired Glazed Wall Tiles in Size 200 x 300 mm and 300 x 450 mm.

2. **Benefits derived as a result of the above R & D**
Reduction in production cost and product range covering Wall & Floor Tiles.

3. **Future plan of action**
More number of Coal Gasification plants for generation of Coal gas for Kilns & Dryers to fire the tiles in both Hubli and Kariakal Plant.

4. **Expenditure on R & D** (Rs. in lakhs)

	Particulars	2007-2008	2006-2007
a)	Capital	**0.21**	0.25
b)	Recurring	**18.61**	28.45
c)	Total	**18.82**	28.70
d)	Total R & D expenditure as a percentage of total turnover	**0.08**	0.11

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts in brief made towards technology absorption, adaptation and innovation**
a) Chain Coal Stove for hot air generation in the Spray Drier.
b) Group Rotary Printing Machine

2. **Benefits derived as a result of the above efforts**
Increased energy savings and conversation - Reduction in energy cost. Different designs in Single Production Line.

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 : Coal Gas Generation.
b) Year of import : 2007-08
c) Has technology been fully absorbed : Yes
d) If not fully absorbed, areas where this has not taken place, reasons and future plans of action. : Not applicable

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

INDUSTRY STRUCTURE AND DEVELOPMENT

The construction industry is progressing at much faster phase than ever before. New concepts and innovative technologies have been emerging. The inclination towards apartments, malls and forum culture is increasing and extending to even B class cities and towns. Commercial complexes are replacing the small and isolated business places even at the level of small towns. Elegant interiors and aesthetic floors have been much sought after even among middle segment of the society. These developments have contributed to expansion of tiles market at a faster rate than ever before in India. With the result market players in the tiles business have substantially increased and in their bid to encash the situation in the market, they have adopted divergent ways and means to capture market. In the process, importers of cheaper foreign tiles particularly from China and industries in small and unorganized sector have created price war and the larger industries have been finding it difficult to sustain competitive trends on grounds of viability. Tiles produced by large industries are superior in quality and endurance. But in terms of cost, large industries are finding it difficult to match with tiles produced by unorganized and small scale sector and more so with imported tiles. This is mainly on account of various benefits enjoyed by the unorganized and small scale sectors in terms of taxation, cost of inventory, cost of various inputs etc. On the other hand, the imported tiles are much cheaper than those produced in the country. Thus large industries have been constantly losing margin. It is essential that some changes in the government policy are essential which provides a balancing act between the cheaper imported tiles, cost of tiles produced by industries in small and unorganized sector and value added tiles produced by large tiles industries.

Murudeshwar Ceramics Limited started commercial production on 01.05.1988 with an installed capacity of 12,500 tonnes per annum (TPA) of Ceramic tiles at Hubli in Northern Karnataka. The Company took a major leap forward by diversification of product range into 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. The Brand Name of the said Vitrified Tiles namely: **"NAVEEN DIAMONTILE"** has become popular brand in domestic markets in a very short span of time. Encouraged by the response for the Vitrified tiles in the Indian market, the company also established one more Vitrified tile manufacturing unit in Karaikal with an initial capacity of 6,000 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 8,000 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. 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	27,00,000	42,00,000	48,00,000

The price of petroleum products has been alarmingly increasing in recent times. The cost of power and fuel constitutes between 25-30% of the total cost of production. In order to reduce the cost of production, the Company has undertaken to convert the LPG fired Kilns to Coal gas fired Kilns at Hubli unit. One Kiln each of Ceramic and Vitrified Tiles have been successfully converted and operationalised during last quarter of the year. Conversion of other two Kilns to Coal gas fired Kilns is in progress. Upon completion of this project, the management hopes to reduce the cost of fuel at Hubli unit by about 20% of the present cost.

OPPORTUNITIES

The construction industry continues to grow at over 15% every year. Big apartments, planned residential layouts have become common even in small towns. Simultaneously there has been an ever increasing flare for aesthetic interiors including wall and floor tiles. With the result there is an assured market for tiles. Several expansion projects and technology upgradations undertaken by the Company have been contributing to attain better economies of operation. The Karaikal unit which sources its fuel requirement from the Natural Gas supplies has a major share in attaining economies of operation which enabled the Company to combat the price war to some extent.

At the same time the Coal gasification of Kilns at Hubli unit will reduce Company's dependence on LPG, the price of which has been constantly increasing at an alarming rate.

Also the Company has the advantage of having two manufacturing units, one at Hubli and the other at Karaikal. This helps the Company to have a planned strategy of sourcing inputs viz., raw materials, power and fuel etc., and also to schedule the production plan, distribution and supplies in a more economical manner. This helps the Company to attain better of economies of operation.

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