

BOARD OF DIRECTORS
Dr. R N SHETTY

Chairman

Shri K P SURENDRANATH
Dr. SADANAND V NADIG
Shri K. SUNDAR NAIK
Dr. S.S. HIEMATH
Shri SUNIL R SHETTY
Shri SATISH R SHETTY

Managing Director & C.E.O.

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.,
AXIS BANK LTD.,
HDFC BANK LTD.,

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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

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

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

NOTICE

To ,

**The Members
Murudeshwar Ceramics Limited**

NOTICE is hereby given that the Twenty Seventh 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 the June 19, 2010 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, 2010 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 Dr. Sadanand V Nadig, who retires by rotation and being eligible, offers himself for reappointment.
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 Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. **To consider and if thought fit to pass with or without modification/s the following resolutions as Ordinary Resolutions :**

RESOLVED that pursuant to provisions of Section 16, 94 and other applicable provisions of The Companies Act, 1956 the present Authorised Share Capital of the Company of Rs.71,62,00,000/- (Rupees Seventy one crores and sixty two lakhs only) divided into 2,40,00,000 Equity Shares of Rs.10/- each, 16,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each and 25,50,000 Cumulative Convertible Preference Shares of Rs.124/- each, be and are hereby consolidated, reorganized/reclassified into 5,56,20,000 (Five crores fifty six lakh and twenty thousand) equity shares of Rs.10/- each amounting to Rs.55,62,00,000/- (Rupees Fifty five crores sixty two lakhs only) and 16,00,000 (Sixteen lakhs) Redeemable Cumulative Preference Shares of Rs.100/- each amounting to Rs.16,00,00,000/- (Rupees Sixteen Crores only) ;

RESOLVED FURTHER that consequent upon aforesaid decision to consolidate, reorganize/reclassify the Authorised Share Capital, approval be and is hereby accorded for amendment of Memorandum of Association of the Company by alteration of Clause V of the Memorandum of Association which shall hence forth be read as hereunder :

"V. The Authorised Share Capital of the Company is Rs.71,62,00,000/- (Rupees Seventy one crores and Sixty two lakhs only) divided into 5,56,20,000 (Five crores fifty six lakhs and twenty thousand) Equity shares of Rs.10/- (Rupees Ten only) each amounting to Rs.55,62,00,000/- (Rupees Fifty five crores and sixty two lakhs only) and 16,00,000 (Sixteen lakhs) Redeemable Cumulative Preference Shares of Rs.100/- (Rupees One hundred only) each amounting to Rs.16,00,00,000/- (Rupees Sixteen crores only) and the Board of Directors is authorised to convert all or any part of the said Equity share Capital into Preference Share capital and/or to convert all or any part of the said Preference Share capital into Equity share capital, subject to compliance with provisions of law and/or any regulations as may be applicable from time to time for such conversion."

6. **To consider and if thought fit to pass with or without modification/s the following resolutions as Special Resolutions :**

"RESOLVED THAT subject to provisions of Section 81(1A) of the Companies Act, 1956 (including any amendments to or re-enactment thereof) and other applicable provisions, if any, and in accordance with the provisions of the Memorandum and Articles of Association of the Company and applicable regulations and guidelines of the Securities and Exchange Board of India ("SEBI"), and subject to such approvals, consents, permissions and sanctions as may be necessary from SEBI, the stock exchanges, the Reserve Bank of India ("RBI") and all other appropriate statutory, governmental and other authorities and departments in this regard and subject to such conditions and modifications as may be prescribed by respective statutory, governmental and other authorities and departments while granting such approvals, sanctions, consents and permissions, the Board of Directors of the Company



N OTICE (Contd..)

("Board") be and is hereby authorised to issue equity shares of value not exceeding Rs.75,00,00,000/- (Rupees Seventy five crores only) including share premium amount in accordance with regulations prescribed by SEBI to individuals, companies, banks, financial institutions, employees, QIBs, NRIs, FIIs and other persons, whether resident in India or otherwise and whether they are members or promoters of the Company or otherwise through a Rights Issue and / or any other route and / or means, as may be decided by the Board of Directors in consultation with its merchant bankers.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized in its discretion to accept such conditions and modifications as may be prescribed by SEBI, RBI and/or any other authorities while according consent or sanction to the proposed issue of the said equity shares including variation, if any, in ratio of rights entitlement, the proposed amount of premium, including application monies to be collected in one or more calls, reservations and take such consequential and expedient actions thereon, including the authority to revise / adjust the rights ratio / value / quantum of equity shares reserved for any category or any portion thereof in such manner as may be beneficial to the Company / members in the event of such variation being considered expedient.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer and allotment of equity shares as stated above and utilisation of the issue proceeds as it may deem fit and to give such directions and / or instructions as it may from time to time deem fit and to accept and give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, including the ratio of rights entitlement, premium to be charged on the equity shares, application monies to be collected in one or more calls, to vary the size of the issue, appoint Lead Managers, Managers, Bankers, Registrars, Underwriters, Printers of Issue Stationery, Advertising Agency, Practising Company Secretary, Consultant or other agencies or authorities or concerned or as the Board may *suo moto* decide in its absolute discretion in the best interests of the Company / members without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution to the Board of Directors to do all such acts, deeds, matters and things whatsoever, including settlement of any questions, doubts or difficulty that may arise with regard to or in relation to raising of monies through Rights Issue dealt with in this resolution or otherwise, as authorised herein ;

RESOLVED FURTHER THAT the new equity shares arising out of abovesaid Rights issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT Board/Committee of Directors of the Board be and is hereby authorised to do all acts, deeds and things as may be necessary to give effect to the above resolutions."

Place : Bangalore

Date : May 05, 2010

By Order of the Board
For Murudeshwar Ceramics Limited
P A RAVISH

Vice President (Legal) & Company Secretary

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.

NOTICE (Contd.)

- (5) Register of Members/Transfer books of the Company will be closed from June 14, 2010 to June 19, 2010 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2009-10 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.

Place : Bangalore
Date : May 05, 2010

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

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956
5) Amendment to Clause V of Memorandum of Association - for increasing the Authorised Share Capital of the Company.

Board has taken a decision to retire certain high cost debts and implement certain new strategies in the financial matters to economise operating costs. In this context, issue of further equity share capital by way of Rights Issue was considered to be feasible solution, which helps the Company to reduce the debt burden to some extent on one hand and improve liquidity position on the other. The present authorized share capital of the Company is Rs.7,162.00 lakhs consisting of equity share capital of Rs.2,400.00 lakhs. Against the said authorized equity share capital of Rs.2,400.00 lakhs, the paid-up equity share capital is Rs.1,750.97 lakhs consisting of 1,75,01,961 fully paid equity shares of Rs.10/- each. Also the existing authorized share capital consists of Cumulative Convertible Preference Shares of Rs.124/- each amounting to Rs.31,62,00,000 which is redundant now. In order to make provisions for proposed issue of equity share capital through Rights issue, approval of members is requested for consolidation, reorganization/reclassification of the existing share capital by replacing the existing Cumulative Convertible Preference Shares of Rs.124/- each with 3,16,20,000 new equity shares of Rs.10/- each, so that, there will be no increase or decrease in the overall existing authorized share capital.

6) Issue of Equity Share capital on Rights basis.

Members are aware that the economic recession that prevailed for about two years has badly affected the industrial progress and economies. Even though recession seems to have receded and the industries started to recover, the after effect of the recession is far from over for construction industry in general and the real estate sector in particular. The financial crunch suffered by your Company also was significant and the working of the Company was badly affected. In spite of various measures being undertaken by the Company, high cost of servicing of debt is affecting the economic planning. In order to improve the liquidity position, Board has taken a decision to raise some finance by way of issue of additional share capital and utilize the same for its economic planning. In the present market conditions, it was considered that the issue of further equity share capital on Rights basis could be a feasible solution. Management is hopeful that the drastic measures being taken in all aspects of administration will yield positive results and the Company will be back on sound financial track within a year or two.

Place : Bangalore
Date : May 05, 2010

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



DIRECTORS ' REPORT

To : The Members,
Murudeshwar Ceramics Limited

Your directors present the 27th Annual Report of the Company for the year ended on March 31, 2010 :

FINANCIAL RESULTS

Particulars	(Rs. In Lakhs)	
Sales income	13,839.32	
Other Income	55.96	
Increase/(Decrease) in stock	1,191.24	
Total income		15,086.52
Operational Expenditure	11,750.89	
Interest	2,446.30	
Depreciation	2,466.24	
Total Expenditure		16,663.43
Profit/(Loss) for the year		(1,576.91)
Add : Deferred Tax Assets	29.50	
Excess provision of Income		
Tax written back	16.64	
Sub total		46.14
Profit/(Loss) after tax adjustments.		(1,530.77)
Balance of Profit brought forward		447.51
Profit/(Loss) carried to Balance Sheet		(1,083.26)

OPERATIONAL PERFORMANCE

The order book position of the Company during the first three quarters was very badly affected due to various factors beyond control of the management. Even though demand for tiles is encouraging, too many market players, particularly in the unorganised sector and cheaper imported tiles have lead to difficulties in balancing the price for the product by medium to large scale companies matching with its quality and cost. On the other hand the economic crisis seems to be over, but the after effect of it still continues to have its effect on the financial stability of companies connected with the construction industry. Even though the order book position from the last quarter of the year under report indicates that the economic crisis has ended and signals that the positive trend shall prevail in times ahead, the weak market condition and very low off take during the first three quarters of 2009-10 has significantly affected the final figures for the year under report.

During the year under report the Company has produced 30,13,184 Sq.mtrs. of Vitrified tiles and 21,07,084 Sq.mtrs. of Ceramic tiles. Compared to previous year even though Ceramic tile production has improved by about 14.58%, Vitrified tile production has reduced by 21.69%. The sales income from Vitrified tiles has reduced by 28.94% at Rs.10,344.70 lakhs compared to Rs.14,557.65 lakhs for the previous year. Sales income from Ceramic tile segment has improved by 8.03% at Rs.3,292.31 lakhs.

The granite division which is a 100% EOU has achieved sales income of Rs.202.31 lakhs against Rs.301.78 lakhs for the previous year. The granite business continues to be mostly dominated by unorganized entities rendering it difficult for corporate entities in the organized sector to effectively compete in the market. The Company is also finding it difficult to get quality granite blocks at reasonable prices.

On account of reasons stated above the Company has sustained loss of Rs.1530.77 lakhs for the year under report. With the result your directors have been constrained to skip the dividend for the year 2009-10 for the very first time in about 20 years. Considering the present market trends and the steps being taken by the Company to improve the economies of operation, your directors hope that the Company will be able to present better performance for the year 2010-11.

DIRECTORS ' REPORT (Contd.)**PROSPECTS**

The last quarter of the year has given indications that the financial stability of the Company will be restored in a short period of time. The Order book position during the last quarter has been good and on expected lines. The new and aesthetic products introduced by the Company are better accepted in the market. Various cost cutting measures undertaken by the Company both by reducing the operating cost on one hand and improving the working efficiency on the other are producing encouraging results.

Also efforts taken by the Chairman to impress upon the Central Government for gas connection to the manufacturing unit at Hubli has yielded results and the Hubli unit is expected to get gas connection by 2012. The Company also hopes to get increase in gas allocation to Karaikal unit. Housing loans are becoming cheaper on account of reduced interest rates. This will be a boost to the construction industry which in turn helps growth of tiles market.

RIGHTS ISSUE

On the financial side, your directors are seriously planning to reduce the repayment burden so that the other cost cutting measures will be more effective. In this direction Board of Directors have proposed to increase the paid up share capital by issue of shares on rights basis for an amount not exceeding Rs.75 crores including premium which will be utilized for retiring high cost debts on priority and also to effectively implement certain other plans to economise operating costs. This will also improve liquidity position to a considerable level.

MARKETING STRATEGY

The Management is taking every possible step to improve operating margins. Even though there is committed professional management team in place, the marketing department has been given emphasis to meet new challenges being faced in the market. Dealer net work has been further expanded. Trained marketing personnel have been assigned to reach door to door to broaden the marketing net work. The advertisement and publicity is under the control of professional team with commitment to take the brand name and the product to reach every section of the society even into rural areas. Value added products like Granite and special marble series in Vitrified tile segment are being well accepted in the market especially by commercial centres. The CEGRESS variety tiles newly introduced by the Company has become fast moving product in a very short period. In ceramic tiles segment larger sizes of 600 x 600 mm have been introduced.

With a view to reduce transportation and other operating costs to reach distant markets within in shortest possible time, the Company has started outsourcing production of select varieties of Vitrified tiles under our regular brand name to other distant manufacturing units and started its trading activity. This will provide some cushion to price the product a little more competitively.

As a result of above steps taken by the management and also keeping in view some other measures being planned to improve market efficiency, your Directors are hopeful of achieving better results in the year 2010-11.

RESEARCH AND DEVELOPMENT

The R & D wing of the Company has successfully developed new varieties of tiles with improved body matrix, quality and cost effective product range. Efforts to upgrade variety, body matrix, shades and designs to suit market sentiments is being consistently pursued. R&D wing is also exploring ways and means to improve operating efficiency.

DIRECTORS

Dr Sadanand V Nadig and Shri Sunil R Shetty retire by rotation and being eligible offer themselves for reappointment. Brief personal details of abovesaid 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.



DIRECTORS ' REPORT (Contd.)

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.

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

The present composition of the Audit Committee has three non-executive directors namely Dr. R N Shetty, Shri.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.

DEPOSITS

As at the end of the year under report the Company had 24 deposit accounts for Rs.32.75 lakhs. As on 31.03.2010, one (1) account for Rs.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

Particulars of employees pursuant to provisions of Section 217(2A) of The Companies Act, 1956 read with The Companies (particulars of employees) Rules 1975 is furnished in the annexure forming part of this report.

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 2009-10, 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) Your 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, 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.

Place : Bangalore
Date : May 05, 2010

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

DIRECTORS ' REPORT (Contd.)
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.184.36 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 time 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 factory godowns 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.

Place : Bangalore
Date : May 05, 2010

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

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956

Name of Employee	Designation	Remuneration received	Nature of employment	Nature of duties
1	2	3	4	5
Mr.Satish R Shetty	Managing Director	Rs.30,69,360	Reappointed for a period of 5 years w.e.f. 27.06.2007	Overall administration subject to supervision and control of Board of Directors.

Other terms & conditions	Qualification & Experience	Date of commencement of employment	Age of employee	Last employment before joining the Company	No. of Equity shares held
6	7	8	9	10	11
Non-retiring	B.E. Experience : 22 years	01.07.1988	48 years	Nil	5,55,201 Eq. shares (3.17%)

Note :

- 1) Remuneration includes value of perquisites and amenities.
- 2) Above director is relative of directors namely Dr R N Shetty, Shri Sunil R Shetty & Shri Naveen R Shetty.

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 :

Coal burning Hot Air Generator for Second Spray Dryer [ATM-65] at Hubli Plant for vitrified powder preparation of 14 Tons / Hr capacity.

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

- (i) Coal gas burner control system for vitrified tiles production Kiln of 2500 M² / Day.
- (ii) Coal Gas burner System for Vertical Dryers for enhanced production capacity.

(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 : Fuel cost reduction for the production of Vitrified Tiles.

(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 : -Nil-
Foreign Exchange Outgo : Rs. 542.38 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

- i) Development of High ware resistant glaze for Vitrified Anti-skid exterior tiles.
- ii) Group head printing technology introduced for Glazed Vitrified Tiles production.

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

Additional range of product variety to cover different segment of market.

3. Future plan of action

Proposed to produce Mettalic Glazed Floor & Vitrified Tiles.

4. Expenditure on R & D

(Rs. in lakhs)

Particulars	2009-2010	2008-2009
a) Capital	0.40	Nil
b) Recurring	2.39	15.00
c) Total	2.79	15.00
d) Total R & D expenditure as a percentage of total turnover	0.02	0.08

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

Sucessful Lab & Line Trial production of Mettalic Vitrified Tiles.

2. Benefits derived as a result of the above efforts

Good response from Market for Mettalic Vitrified Anti-skid Tiles.

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 : Mettalic Glaze
- b) Year of import : 2009-2010
- 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. : -

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

INDUSTRY STRUCTURE AND DEVELOPMENT

The housing sector in India has high potential to grow manifold in times ahead. The market breadth for tiles in India is yet to grow to its full potential to meet the expected growth in the housing sector. The housing sector in rural India still lags behind to adapt itself to the new dimensions available in the aesthetic floors and walls in the residential units. On the other hand the industrial/commercial sector which is taking new dimensions in their public exposure from time to time is constantly craving for newer concepts in aesthetics and presentation. Elegant interiors and aesthetic floors and walls have been much sought after even among middle class of the society even in rural areas. The existing demand pattern indicates that consumption of tiles per head per year in India is just about 0.1315 sq.mtrs which is far below 1.6 sq.mtrs. in China and 1.4 sq.mtrs. in Europe. These trends are indications for manifold growth of tiles market in India in times ahead. But simultaneously the market for tiles is also getting complex year after year both in product range, product mix, marketing strategy etc. In order to meet challenges in the market, it has become imperative for industries to explore ways and means to economise the operating cost to be more competitive in the market.

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 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 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. 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 and this has resulted in saving in cost of fuel. 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	30,00,000	42,00,000	48,00,000

OPPORTUNITIES

The order book position of the Company has been encouraging considering the figures for the last quarter of the year. New varieties introduced by the Company in both Ceramic and Vitrified tiles are getting good response in the market. The new CEGRESS variety of Vitrified tiles introduced for the first time has evoked good response in the market and is expected to improve realization.

Gas allocation to Karaikal unit is expected to be restored to normal in next few months time. With this, the Company will be able to revive normal production at Karaikal unit. As a result of efforts put in by the Company, Hubli unit is likely to get gas connection by 2012.

Also the Company has advantage of having two manufacturing units, one at Hubli and the other at Karaikal. This helps the Company to have a planned strategy for sourcing inputs viz., raw materials, power, fuel etc., from nearest sources and to have a planned production strategy between Hubli and Karaikal units. This will result in savings in cost of transportation and other related over-heads.