

**BOARD OF DIRECTORS**

**Dr. R N SHETTY**

Chairman

**Shri K. SUNDER NAIK**

**Dr. S.S. HIEMATH**

**Shri ANNAPPAYYA K**

**Shri SANKAPPA K SHETTY**

**Smt. SARVANI ALVA**

**Shri SUNIL R SHETTY**

**Shri NAVEEN R SHETTY**

**Shri SATISH R SHETTY**

Managing Director & C.E.O.

Company Secretary & Compliance Officer

**Shri LAKSHMISHA BABU S**

Vice President (Finance) & C.F.O.

**Shri N M HEGDE**

**Auditors**

**M/s. M A NARASIMHAN & CO.**

Chartered Accountants

Bengaluru

**Bankers**

CANARA BANK

STATE BANK OF INDIA

BANK OF BARODA

THE LAKSHMI VILAS BANK LTD

AXIS BANK LTD

ORIENTAL BANK OF COMMERCE

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**Registered Office**

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

**Plant**

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

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

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

## NOTICE

To,

### The Members, Murudeshwar Ceramics Limited

NOTICE is hereby given that the Thirty Second 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 26th day of September, 2015 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, 2015 and the Profit and Loss Account for the year ended on the said date together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Sunil Rama Shetty (DIN 00037572), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s. M A Narasimhan & Co., Chartered Accountants (ICAI Registration No.002347S) as statutory auditors of the Company from conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and fix their remuneration.

#### SPECIAL BUSINESS

4. To authorise Board of Directors to enter into related party transactions, to consider, and if thought fit, to pass the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Clause 49 of Listing Agreement and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the members of the Company be accorded to approve all contracts / agreements / arrangements with following related parties and authorize the Board of Directors of the Company to enter into contracts and/or agreements, arrangements with Related Parties with respect to sale, purchase of supply of any goods including capital goods or materials, selling or otherwise disposing of, or buying leasing of property any kind, availing or rendering of any services, appointment for purchase or sale of goods, materials, services or property or any other transaction of whatever nature with related parties given below and also given in the Explanatory Statement annexed hereto :

Description of contract	Name of Related Party	Period of Contract	Total Cumulative Value of transactions during contract period with related party
sale, purchase of supply of any goods including capital goods or materials, selling or otherwise disposing of, or buying leasing of property any kind, availing or rendering of any services, appointment for purchase or sale of goods, materials, services or property or any other transaction	RNS Infrastructure Limited	April 01, 2015 to March 31, 2016	₹5,000 Lakhs

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto and to sign and execute all deeds, applications, documents, writings, that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto for the purpose of giving effect to this resolution.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to approve transactions and the terms & conditions with any related party defined under the Act, and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto as the Board may its absolute discretion deem fit, without being required to seek any further consent or approvals of the Members or otherwise to the end and intent that they shall be deemed has given their approval thereto expressly by the authority of this resolution for the purpose of giving effect to this Resolution."

Place : Bengaluru  
Date : July 31, 2015

By Order of the Board  
For Murudeshwar Ceramics Limited  
**LAKSHMISHA BABU S**  
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 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 16, 2015 to September 26, 2015 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2014-15 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.
- (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.

### 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 "MCL 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.
- (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](mailto:sunil_j_shah@yahoo.com) and [investor@naveentile.com](mailto:investor@naveentile.com) with a copy marked to [evoting@nsdl.co.in](mailto: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](http://www.evoting.nsdl.com).

## NOTICE (Contd.)

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

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

**C. Other Instructions:**

- The e-voting period commences on September 23, 2015 (9.00 a.m. IST) and ends on September 25, 2015 (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 19, 2015 (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.
- 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.
- 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 19, 2015 (Cutoff date {record date}).
- 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.
- The Scrutiniser 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 atleast two witness not in employment of the company and shall make not 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 authorised by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.naveentiles.co.in](http://www.naveentiles.co.in) and on the website of NSDL Immediately after the declaration of the results by the Chairman or a person authorised by him in writing. The results shall also be immediately forwarded to Stockexchanges.

### STATEMENT UNDER SECTION 102 (1) OF THE COMPANIES ACT, 2013.

**Item No. 4**

Pursuant to Section 188 of the Companies Act, 2013, the Company can enter into transactions mentioned in aforesaid resolution, which are not in the ordinary course of business and / or are not arm's length basis, only with prior approval of the Shareholders accorded by way of special resolution. Though, your Company always seeks to enter into transactions with related parties in the ordinary course of business and at arm's length basis, as per amended Listing Agreement Clause 49 pursuant to SEBI vide Circular No. CIR/ CFD/POLICY CELL/2/2014 dated April 17, 2014 and amendments thereof, all related party transactions though they are exempted under Section 188(1) of the Companies Act, 2013, have to be approved /ratified by the members.

Nature of related interest of related parties given below:

Name of the related party	Name of the Director or Key Managerial Personnel who is related if any	Nature of relationship	Nature, material terms, monetary value and particulars of contract or arrangement	Any other information
RNS Infrastructure Limited	Dr. Rama Nagappa Shetty, Shri Satish Rama Shetty, Shri Sunil Rama Shetty and Shri Naveen Rama Shetty	Group Company	Please refer Resolution No.4	There are common Directors in Both the Companies

The Board commends the Special Resolution set out at Item No. 4 of the Notice for approval by the members.

None of Director or Key Managerial Personnel or their relatives other than mentioned above, is concerned or interested in the said resolution.

Place : Bengaluru  
Date : July 31, 2015

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

## DIRECTORS' REPORT

To: **The Members,  
Murudeshwar Ceramics Limited**

Your Directors have pleasure in presenting their 32nd Annual Report on the business and operations of the Company and the accounts for the financial year ended March 31, 2015.

### FINANCIAL SUMMARY OR HIGHLIGHTS / PERFORMANCE OF THE COMPANY

The Board's Report shall be prepared based on the stand alone financial statements of the company.

	(₹ In Lacs)	
Particulars	2015	2014
Sales Income	13,807.12	14,504.23
Other Income	151.00	101.22
Total income	13,958.12	14,605.45
Operational Expenditure	9,761.91	10,344.99
Increase/(Decrease) in stock	946.61	1,106.14
Interest	2,122.20	2,099.70
Depreciation	925.80	904.55
Total Expenditure	13,756.52	14,455.38
<b>Profit / (Loss) for the year</b>	<b>201.60</b>	<b>150.07</b>
Less Provision for tax	40.34	21.39
Less MAT Credit	(40.34)	(21.39)
Less Excess Provision written back	-	-
Add Deferred Tax Assets	29.70	33.27
<b>Profit / (Loss) after tax</b>	<b>171.90</b>	<b>116.80</b>
<b>Profit available for appropriation</b>	<b>171.90</b>	<b>116.80</b>

### OPERATIONAL PERFORMANCE

During the year under report the Company has produced 24,79,752 Sq.mtrs., of Vitrified tiles and 75 Sq.mtrs. of Ceramic tiles. Whereas compared to previous year production of Vitrified tiles is reduced by 0.58% and production of Ceramic tile is reduced by 99.42%. The sales income from Vitrified tiles has reduced by 1.22% at ₹10,568.89 lakhs compared to ₹10,699.65 lakhs of the previous year. Sales income from Ceramic tile segment has reduced by 17.61% at ₹780.00 lakhs compared to ₹941.60 lakhs of the previous year. The Granite division did not produce any slabs during the year due to non-availability of quality blocks.

In spite of the above hurdles the Company has managed to earn a profit of ₹171.90 lakhs (Previous year ₹116.80 lakhs) which leads to an increase of 47.17% as compare to previous year 2013-14.

### DIVIDEND

Since the Profits of the Company has started increasing slightly and the Directors intent to reduce the finance cost as early as possible. Hence your Directors have decided to skip the dividend for the year 2014-15. Your directors are working towards achieving higher results during the forth coming years.

### BRIEF DESCRIPTION OF THE COMPANY'S WORKING DURING THE YEAR/STATE OF COMPANY'S AFFAIR

#### PROSPECTS

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. The new Digital tiles Technology which gives a very rich look is slowly capturing the market. Now a days tiles are used as a decorating items in kitchen, bathroom or any other part

## DIRECTORS' REPORT (Contd.)

of our home or for any exterior cladding of villas, bungalows, hotels, restaurants, hospitals etc. The Vitrified tiles double and multi charge tiles are also moving fast in the market. The Karaikal unit is functioned with improved gas allocation. Gas allocation for Hubli Unit is expected to arrive at the earliest. The Company is expecting a better growth in the mere future.

### MARKETING STRATEGY

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 doing its trading activity. This will provide some cushion to price the product a little more competitively. Company's representatives are on door to door leg work to enhance sales. Hoarding, Table Calendars, Newspapers advertisements are in place in order to increase sales. This Company continues with strategy of both project and retail market. Show room sales is yielding satisfactory return in major urban centers. Your Directors are hopeful of achieving better results in the year 2015-16.

### 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.

### DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

The Company does not have any Subsidiary Joint ventures and associates Companies.

### RESERVES

The net movement in the major reserves of the Company for FY15 and the previous year are as follows :

Particulars	(₹ In Lacs)	
	FY15	FY14
Capital Reserve	15.02	15.02
Capital Redemption reserve	1,600.00	1,600.00
Securities premium account	11,184.53	11,184.53
General Reserve	12,795.85	12,795.85
Profit and Loss Account	1,279.03	1,107.13

### CHANGE IN THE NATURE OF BUSINESS, IF ANY

No Change in the nature of the business of the Company done during the year.

### RISK MANAGEMENT

A statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

### DIRECTORS AND KEY MANAGERIAL PERSONNEL

In terms of Section 149 of the Act, the Members, at their meeting held on 27th September 2014, appointed the following as Independent Directors of the Company :

- Shri Sunder Naik,
- Dr. S S Hiremath,
- Shri Annappayya K
- Shri Sankappa Keremane Shetty
- Smt Sarvani Alva

**DIRECTORS' REPORT (Contd.)**

In terms of Section 203 of the Act, the following were designated as Key Managerial Personnel of your Company by the Board:

- Shri Satish Rama Shetty, CEO and Managing Director
- Shri N M Hegde, Chief Financial Officer
- Shri Lakshmisha Babu S, Company Secretary

The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the Act and Clause 49 of the Listing Agreement with the Stock Exchanges.

In accordance with the requirements of the Act and the Articles of Association of the Company, Shri Sunil Rama Shetty retires by rotation and is eligible for re-appointment.

**PARTICULARS OF EMPLOYEES AND REMUNERATION**

The information required under Section 197 (12) of the Act read with Rule 5 of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended hereto and forms part of this Report as Annexure-1. The information required under Rule 5 (2) and (3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in the Annexure forming part of this Report. In terms of the first proviso to Section 136 of the Act, the Report and Accounts are being sent to the members excluding the aforesaid Annexure. Any member interested in obtaining the same may write to the Company Secretary at the Registered Office of the Company. None of the employees listed in the said Annexure is related to any Director of the Company.

**NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS**

Five Board Meetings were held during the year. For further details, please refer Report on Corporate Governance.

**COMMITTEES OF THE BOARD**

The Committees of the Board focus on certain specific areas and make informed decisions in line with the delegated authority. The following substantive Committees constituted by the Board function according to their respective roles and defined scope:

- Audit Committee of Directors
- Nomination and Remuneration Committee
- Stakeholders Grievance Committee
- Executive Committee of the Board

Details of composition, terms of reference and number of meetings held for respective committees are given in the Report on Corporate Governance.

The familiarization programs for Independent Directors were conducted by the Company's professional during the year.

The Board has laid down separate Codes of Conduct for Non-Executive Directors and Senior Management personnel of the Company and the same are posted on the Company's website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. The Managing Director has also confirmed and certified the same. The certification is enclosed at the end of the Report on Corporate Governance.

**THE DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO ARE AS FOLLOWS :**

The information required to be furnished pursuant to Section 134(3) (m) of the Companies Act, 2013, is appended hereto and forms part of this Report as Annexure-2.

**REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

In terms of the provisions of Section 178(3) of the Act and Clause 49(IV)(B)(1) of the Listing Agreement, the Nomination and Remuneration Committee (NRC) is responsible for formulating the criteria for determining qualification, positive attributes and independence of a Director. The NRC is also responsible for recommending to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees.

**DIRECTORS' REPORT (Contd.)**

In line with this requirement, the Board has adopted the Policy on Board Diversity and Remuneration Policy for Directors, Key Managerial Personnel and other employees of the Company. The copy of policy's are available on the company website [www.naveentiles.co.in](http://www.naveentiles.co.in)

**RELATED PARTY TRANSACTIONS**

All related party transactions, that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. The Company present a statement of all related party transactions before the Audit Committee. Prior approval of the Audit Committee is obtained for the transactions which are of foreseen and repetitive nature. Further there are no significant related party transactions during the year under review made by the Company with promoters, Directors, Key Managerial Personnel or designated persons which may have a potential conflict with the interest of the Company at a large.

**DEPOSITS**

Your Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

**LOANS, SECURITIES OR INVESTMENTS**

During the year under report the Company has not provided any Loans, guarantees and securities under section 186 of the Act. The details of investments are provided in the schedules to the financial statements.

**EXTRACT OF THE ANNUAL RETURN**

Pursuant to Section 92 of the Act and Rule 12 of The Companies (Management and Administration) Rules, 2014, the extract of Annual Return in Form MGT-9, is appended hereto and forms part of this Report as Annexure-3.

**STATUTORY AUDITORS**

The present auditors M/s. M A Narasimhan & Co., Chartered Accountants (ICAI Registration No.0023457S), Bengaluru, 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.

**SECRETARIAL AUDIT REPORT**

Pursuant to the Provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed HBP & Co., Practicing Company Secretaries (formerly known as Hemanth, Biswajit & Co) to undertake the secretarial audit of the Company. The Secretarial Audit Report is appended hereto and forms part of this Report as Annexure-4.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges and relevant sections of the Act, a Management Discussion and Analysis Statement, Report on Corporate Governance and Auditors' Certificate, are included in the Annual Report. The Compliance certificate from the auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing agreement shall be annexed with the report.

**VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. In line with the Code of Conduct, any actual or potential violation, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the employees in pointing out such violations cannot be undermined. Pursuant to Section 177(9) of the Act, a vigil mechanism was established for directors and employees to report to the management instances of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy. The Vigil Mechanism provides a mechanism for employees of the Company to approach the Chairman of the Audit Committee of the Company.



**DIRECTORS' REPORT (Contd.)****SHARE CAPITAL**

During the year the Company had not allotted any Equity Shares, hence the Paid up Equity Share Capital of the Company remained at the existing level of ₹4,082.17 lakhs.

**CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Company does not have net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year. Henceforth the disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 shall be made as and when the Company meets the criteria specified above.

**PREVENTION OF INSIDER TRADING**

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The Code requires pre-clearance for dealing in the Company's shares and prohibits the purchase or sale of Company shares by the Directors and the designated employees while in possession of unpublished price sensitive information in relation to the Company and during the period when the Trading Window is closed. The Board is responsible for implementation of the Code. All Board Directors and the designated employees have confirmed compliance with the Code.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, secretarial auditors and external consultants and the reviews performed by Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's Internal financial controls were adequate and effective during the financial year 2014-15.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- a. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures therefrom;
- b. They have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- c. They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. They have prepared the annual accounts on a going concern basis;
- e. They have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- f. They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**ACKNOWLEDGEMENTS**

Your Directors acknowledge with appreciation, the support and co-operation extended to the Company by the Central Government, Government of Karnataka, Bankers, Financial Institutions, Dealers, Members and employees of the Company. Your Directors also wish to place on record their appreciation for the co-operation extended by M/s. SACMI, Italy and M/s. BRETON, Italy.

for and on behalf of the Board of Directors

**Dr. R. N. SHETTY**

Chairman

(DIN 00038810)

Place : Bengaluru

Date : July 31, 2015

## ANNEXURE - 1

**Section 197 read with Rule, 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company is as follows:**

- a) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year

Name of the Director	Ratio of Director's remuneration to the median remuneration of the employees of the Company for the financial year
Shri Satish Rama Shetty	16.57

**NOTE :** All other Non-executive directors are not drawing any remuneration from the Company.

- b) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year

Name of the Director	Percentage increase in remuneration in the financial year
Shri Satish Rama Shetty	-
Shri N.M. Hegde	-
Shri Lakshmisha Babu S.	24.26%

- c) The percentage increase in the median remuneration of employees in the financial year : 14.88%  
d) The number of permanent employees on the rolls of the company : 424  
e) The explanation on the relationship between average increase in remuneration and company performance

Sl.No.	Particulars	Explanation
1.	Increase in median remuneration of employees has been : 14.88%	Increase in remuneration has been made to retain talented employees. The remuneration was paid to employees on par with other similar Industry.
2.	Company performance has improved from a PAT of ₹116.80 Lakhs to ₹171.90 lakhs	

- f) Comparison of the remuneration of the Key Managerial Personnel against the Performance of the Company

Sl.No.	Particulars of remuneration for Key Managerial Personnel	Percentage of Standalone Operating Profit
1.	Shri Satish Rama Shetty	12.5%
2.	Shri N.M. Hegde	3.85%
3.	Shri Lakshmisha Babu S.	5.23%

- g) Market and financial performance related information:

Particulars	March 31, 2015	March 31, 2014	% Change
Market Capitalization (₹ lakhs)	9,040.28	5,664.97	59.58%
P/E Ratio	52.73	47.86	10.17%

- h) **Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year, its comparison with the percentage increase in the managerial remuneration, justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration :** Not applicable
- i) **The key parameters for any variable component of remuneration availed by the directors :** No such variable component is paid
- j) **The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year :** There is no employee who received remuneration in excess of highest paid Director.
- k) **Affirmation that the remuneration is as per the remuneration policy of the Company:** It is affirmed that the remuneration is as per the 'Remuneration Policy for Directors, Key Managerial Personnel and other employees' adopted by the Company.