

**BOARD OF DIRECTORS**

**Dr. R N SHETTY**

Chairman

**Shri K SUNDER NAIK (UPTO 11-09-2016)**

**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

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

Sy. No. 139, 141/1

Huildore Village, Bukkapatna Hobli

Tal : Sira, Dist. : Tumkur

Pin Code : 572 137

## NOTICE

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

NOTICE is hereby given that the Thirty fourth Annual General Meeting of the Members of Murudeshwar Ceramics Limited will be held at Shri R N Shetty Kalyana Mantap, Opp. Indira Glass House, Hubli – 580 029 on Friday 22nd day of September, 2017 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, 2017 and the Profit and Loss Account for the year ended on the said date and the Cash Flow Statement together with Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Naveen Rama Shetty (DIN 00058779), who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint of M/s. K.A. Raghupathy & Co., (Firm Registration No.0115735) Chartered Accountants, Bengaluru, as the Statutory Auditors of the Company.

To consider and, if thought fit, to pass, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof), M/s. K.A. Raghupathy & Co., (Firm Registration No.0115735) having office at No.81, "SRI GURUKRUPA", 2<sup>nd</sup> Main, 3<sup>rd</sup> A Cross, Nanjappa Layout, Vidyanarayapura, Bengaluru - 560 097 be and is hereby appointed as the Statutory Auditors of the Company in place of M/s. M A Narasimhan & Co., Chartered Accountants, (Regn. No. 002347S, Statutory Auditors of the Company retiring at the conclusion of this Annual General Meeting) for a period of five years i.e. from the conclusion of this 34th Annual General Meeting till the conclusion of 39th Annual General Meeting of the Company, subject to annual ratification by the shareholders at every Annual General Meeting and at such remuneration as may be fixed by the Board of Directors of the Company on the recommendation of the Audit Committee."

### SPECIAL BUSINESS

4. To re-appoint Shri Satish Rama Shetty (DIN 00037526), as Managing Director of the Company.  
To Consider and if thought fit, to pass with or without modification, the following resolution as SPECIAL RESOLUTION:  
**"RESOLVED THAT**
- (1) Pursuant to recommendation of the Nomination and Remuneration Committee, and approval of the Board and subject to the provisions of Sections 196, 197, 198, 203 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification or re-enactment thereof) read with Schedule-V of the Companies Act, 2013, approval of the members of the Company be and is hereby accorded to re-appoint Shri Satish Rama Shetty (DIN 00037526), as Managing Director of the Company for a period of three years with effect from June 27, 2017 on the following remuneration, Terms and Conditions.
  - i) **Salary** : ₹ 5,00,000/- (Rupees Five lakhs only) per month
  - ii) **Housing** : House Rent Allowance as may be decided by the Board of Directors subject to maximum of 20% of the salary
  - iii) **Provident Fund** : Employers contribution not exceeding 12% of the salary
  - iv) **Superannuation Fund** : As per Company's rules not exceeding the non-taxable maximum limits
  - v) **Gratuity** : As applicable to senior executives of the Company subject to limit not exceeding non-taxable maximum limits.
  - vi) **Leave & leave encashment** : As per leave rules of the Company
  - vii) **Leave Travel concession** : For self, wife and dependent children once in a year as per rules applicable to senior executives of the Company
  - viii) **Medical Reimbursement** : Actual expenses incurred for self, wife and dependent children subject to maximum of one month's salary per year
  - ix) **Club Membership** : Fees for membership of any two clubs excluding life membership  
Company's car with driver for official purposes of the Company
  - x) **Telephone** : Free telephone facility at residence for official purposes of the Company.
- (2) the salary and perquisites payable to Shri Satish Rama Shetty pursuant to this resolution shall be the minimum remuneration payable irrespective of whether there is adequate profit in any year or not.
- (3) the term of office of Shri Satish Rama Shetty shall be liable to be determined by retirement by rotation.
- (4) the Board of Directors is hereby authorized to modify, alter or vary the aforesaid terms and conditions and/or prescribed such further terms and conditions as may be deemed fit by the Board of Directors, from time to time.

Place : Bengaluru  
Date : July 31, 2017

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 propose to be appointed/reappointed is furnished in the Corporate Governance Report forming part of this Annual Report.
- (5) Register of Members/Transfer books of the Company will be closed from Saturday September 16, 2017 to Friday September 22, 2017 (both days inclusive).
- (6) Members seeking any information/clarification concerning the Accounts for the year 2016-17 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.
- (10) Please refer last page of Annual Report for AGM Location Map.

### The instructions for e-voting are as under:

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

- (a) Open the e-mail and also open PDF file namely "Remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
- (b) Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>.
- (c) Click on Shareholder – Login.
- (d) If you are already registered with NSDL for e-voting then you can use your existing user ID and password.
- (e) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password.
- (f) The Password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.
- (g) Once the e-voting home page opens, click on e-voting> Active Voting Cycles.
- (h) Select "EVEN" (E-Voting Event Number) of Murudeshwar Ceramics Limited. Now you are ready for E-voting as Cast Vote page opens.
- (i) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (j) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (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 of Member receives physical copy of Notice of AGM (for Members whose e-mail addresses are not registered with the Company/Depositories):**

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

**C. Other Instructions:**

- (a) The e-voting period commences on September 19, 2017 (9.00 a.m. IST) and ends on September 21, 2017 (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 15, 2017 (Cutoff date {record date}) may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, he shall not be allowed to change it subsequently.
- (b) A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again in the AGM.
- (c) The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on September 15, 2017 (Cutoff date {record date}).
- (d) Mr. Sunil J. Shah, Practicing Company Secretary (Membership No. ACS:8717), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- (e) The Scrutinizer shall after the conclusion of voting at the General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of 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 authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- (f) The results declared along with the Scrutinizer's Report shall be placed on the Company's website [www.naveentiles.co.in](http://www.naveentiles.co.in) and on the website of NSDL immediately after the declaration of the results by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to Stock exchanges.

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

**Item No. 5**

**Re-appointment of Shri Satish Rama Shetty as Managing Director of the Company**

The Members may note that based on the recommendations of the Nomination and Remuneration Committee, the Board of Directors of the Company at their meeting held on 24th May, 2017, approved the re-appoint of Shri Satish Rama Shetty as a Managing Director of the Company for a period of three years w.e.f. 27.06.2017. The remuneration of Shri Satish Rama Shetty has been increased from ₹2 lakhs to ₹5 lakhs with other perquisites and facilities as mentioned in the resolution subject to the approval of the members of the Company.

In pursuance to Schedule V, Part II, Section II Part (B), proviso (iv), a Statement containing following information is reproduced:

**I. General Information :**

**(1) Nature of the Industry:**

Murudeshwar Ceramics Limited (MCL) is engaged in the business of manufacture and sale of a wide range of Ceramic and Vitrified tiles.

**(2) Incorporation Details**

The Company was incorporated pursuant to a Certificate of Incorporation dated June 29, 1983 (bearing Registration No. 5401 and Corporate Identification Number L26914KA1983PLC005401 issued by Registrar of Companies, Karnataka, as a Public Limited Company under the provisions of the Companies Act, 1956, as amended under the name Murdeshwar Ceramics Limited. The Company commenced its business pursuant to a Certificate of the Commencement of Business dated July 19, 1983 issued by the Registrar of Companies, Karnataka. The name of the Company was changed to Murudeshwar Ceramics Limited pursuant to a Fresh Certificate of Incorporation Consequent to Change of Name dated December 2, 1987.

**(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable**

## NOTICE (Contd.)

### (4) Financial Performance

The financial performance (standalone) of the company for the past 3 years is given below : (₹ in lakhs)

Particulars	2016-17	2015-16	2014-15
Turnover	10524.53	11502.23	13807.12
Profit/(Loss) Before Tax	325.05	169.28	201.60
Profit/(Loss) After Tax	239.37	157.03	171.90
Dividend (%)	Nil	Nil	Nil

### (5) Foreign investments or collaborations, if any : Not Applicable.

## II. Information about the Managerial Person being appointed :

### (1) Background Details

Shri Satish Rama Shetty aged about 55 years is a graduate in Mechanical Engineering from Karnataka University. He is on the Board of this Company since December 1987. Shri Satish Rama Shetty has taken a very active part in every expansion and diversification projects of the Company including establishment of Vitrified tile manufacturing unit at Karaikal and at Sira, Tumkur. He has been continuously involved in upgradation and value addition to the product manufacturing by adopting improved technology, body matrix, improved designs and varieties.

Shri Satish Rama Shetty is a member of the Executive Committee of directors. Shri Satish Rama Shetty is a Directors in RNS Infrastructure Ltd, Naveen Hotels Ltd., Naveen Mechanised Construction Co. Pvt. Ltd., Naveen Structurals & Engineering Co Pvt. Ltd., Murudeshwar Power Corporation Ltd., Murudeshwar Developers Ltd., Murudeshwar Infosystems Ltd., Firebricks & Potteries Pvt. Ltd. SHP Auto Service Pvt. Ltd., RNS Motors Ltd., Shri Murudeshwar Tiles Pvt. Ltd. and RNS Power Ltd.

### (2) Past remuneration

Salary for the past 3 years : 2014-15 (₹28.89 lakhs), 2015-16 (₹30.48 lakhs) and 2016-17 (₹30.48 lakhs)

### (3) Recognition or awards : Nil

### (4) Job Profile and his suitability

Since inception of the Murudeshwar Ceramics Limited he is looking after day to day business of Murudeshwar Ceramics Limited as Executive Director. He has been appointed as a Managing Director in 1997. The various expansion projects of the Company since 1991 have been implemented under his technical supervision and guidance. He is not only looking after the production quality maintenance but also marketing, finance and other administration activities of the Company. Under the able leadership of Shri Satish R Shetty, the Murudeshwar Ceramics Ltd. has been awarded ISO-9001:2008 Certificate by United Registrar of Systems (URS) in recognition of its commitment to quality.

### (5) Remuneration proposed

Breakup of the remuneration is mentioned in the resolution.

### (6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)

Our Company cannot be compared to another company in the industry due to various parameters. However, the remuneration paid to the Managing Director is very less compared to industry standard as a whole.

### (7) Pecuniary relationship directly or indirectly with the company or relationship with the managerial personnel, if any : Shri Satish Rama Shetty is the son of Dr. R N Shetty –Chairman and brother of Shri Sunil Rama Shetty and Shri Naveen Rama Shetty – Non Executive Directors of the Company.

## III. Other Information :

### (1) Reasons for loss or inadequate profits : The company is gaining profits over a period of time, but those profits are inadequate to pay remuneration as mentioned in the resolution. Accordingly management has decided to pay remuneration as per Schedule V of the Companies Act, 2013.

### (2) Steps taken or proposed to be taken for improvement : Covered under Directors' Report in the Annual Report (Starting From Page No.6).

### (3) Expected increase in productivity and profit in measureable terms : Our business is complex since there are many unorganized players with fetch unethical competition to us. Since major customers are located with the country, futuristic prediction may not be realistic. Hence the number cannot be derived in absolute terms. However, the Board of Directors are taking all the necessary steps to increase the productivity and profitability in the interest of all the stakeholders.

Place : Bengaluru  
Date : July 31, 2017

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 the Thirty fourth Annual Report on the business and operations of the Company and the accounts for the financial year ended March 31, 2017

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

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

(₹ In Lacs)		
Particulars	2017	2016
Sales Income	10,524.53	11,502.23
Other Income	89.22	134.05
Total Income	10,613.75	11,636.28
Operational Expenditure	8,179.97	8,797.13
Increase/(Decrease) in stock	(295.44)	(21.98)
Interest	1,683.39	1,978.22
Depreciation	720.78	713.63
Total Expenditure	10,288.70	11,467.00
<b>Profit / (Loss) for the year</b>	<b>325.05</b>	<b>169.28</b>
Less Provision for tax	66.25	18.41
Less MAT Credit	(66.25)	(18.41)
Less Excess Provision written back	-	-
Add Deferred Tax Liability	85.68	12.25
<b>Profit / (Loss) after tax</b>	<b>239.37</b>	<b>157.03</b>
<b>Profit available for appropriation</b>	<b>239.37</b>	<b>157.03</b>

### OPERATIONAL PERFORMANCE

During the year under report the Company has produced 15,69,487 Sq.mtrs., of Vitrified tiles and has not produced any Ceramic tiles. Whereas compared to previous year production of Vitrified tiles is reduced by 21.32%. The sales income from Vitrified tiles has reduced by 21.58% at ₹6,546.01 lakhs compared to ₹8,347.57 lakhs of the previous year. Sales income from Ceramic tile segment including Gujarat Wall tiles segment has increased by 12.55% at ₹680.12 lakhs compared to ₹604.24 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 ₹239.37 lakhs (Previous year ₹157.03 lakhs) which leads to an increase of 52.43% as compared to previous year 2015-16.

### DIVIDEND

Since the Profits of the Company is minimal and your Directors intent to reduce the finance cost as early as possible. Your Directors have decided to skip the dividend for the year 2016-17. Your directors are working towards achieving higher results during the forth coming years.

### TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO IEPF

During the year an amount of ₹4,68,698.40 lying in the unpaid dividend account of the year 2008-09 was transferred to IEPF account.

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

#### PROSPECTS

All the Vitrified and Ceramic Tiles are value-added products in the urban areas. There is a increasing penetration of Ceramic tile as a preferred option in rural areas. Rising awareness towards personal hygiene along with massive schemes launched by the Government of India, the industry is expecting a positive growth in the near future. India's domestic consumer market, increase in working-age population and urbanisation is envisaged to augur well for the aesthetically and technically superior high-end Ceramic tiles in the urban segment than in the past. Our Company has started producing the Vitrified tiles of double and multi charge tiles in its new unit and our Karaikal unit is functioning with improved gas allocation. The new unit at Sira Taluk, Tumkur District may fetch better market for quality products. The Company is expecting a better growth in the near future.



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

### **MARKETING STRATEGY**

The Showroom sales is yielding satisfactory return in major urban and rural areas. The places where showrooms are not feasible the Company has expanded the dealership network. Depots located at various parts of the Country are providing quick services to the customers. The Company is focusing on Brand building according advertisements are given on regular basis to increase the sales. The Company continues the strategy of both project and retail marketing. The incentives based payment to the marketing staff are fetching better returns to the company. Advertisements in newspapers and on hoardings are given on regular basis. Your Directors are hopeful of achieving better results in the year 2017-18.

### **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 associate Companies.

### **RESERVES**

The net movement in the major reserves of the Company for FY17 and the previous year are as follows :

Particulars	₹ In Lacs)	
	FY17	FY16
Capital Reserve	15.02	15.02
Capital Redemption reserve	1,600.00	1,600.00
Securities premium account	11,676.73	11,184.53
General Reserve	12,795.85	12,795.85
Profit and Loss Account	2,052.51	1,813.14

### **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 Companies Act, 2013 the Members, at their meeting held on 27th September 2014, appointed the following as Independent Directors of the Company :

- Shri K Sunder Naik (upto 11-09-2016)
- Dr. S S Hiremath
- Shri Annappayya K
- Shri Sankappa Keremane Shetty
- Smt Sarvani Alva

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

- Shri Satish Rama Shetty, 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 SEBI (LODR) Regulation 2015.

### **EVALUATION OF THE BOARD'S PERFORMANCE**

Your Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which include criteria for performance evaluation of the non-executive directors and executive director. Pursuant to the provisions of Companies Act, 2013 and Regulation 25 of the Listing Regulations, the Board and the Nomination and Remuneration Committee have carried out annual performance evaluation of its own performance, the directors individually as well the evaluation of the working of its Audit, Nomination & Remuneration and Stakeholder Committee. Each Board member completed a questionnaire providing feedback on the functioning and overall engagement of the Board and its committees on various parameters such as the composition, execution of specific duties, quality,

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

quantity and timelines of flow of information, deliberations at the meeting etc., Besides this, one meeting of the individual directors with the Chairman of the Board was also conducted as a part of self-appraisal and peer group evaluation. The Directors were also asked to provide their valuable feedback and suggestions about the overall functioning of the Board and its committees. In a separate meeting of Independent Directors, performance of non-Independent Directors and the board as a whole was evaluated. Performance evaluation of Independent Directors was done by the entire Board, excluding the Independent Director being evaluated.

### **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. None of the Company's employees were covered by the disclosure requirement. 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**

Six 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 Practicing Chartered Accountant Mr. B.C.Shetty and other Company's professionals during the year.

The Board has laid down separate Code 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 Companies Act, 2013 and SEBI (LODR) Regulation 2015, 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.

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 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. The details of which is given as AOC-2 in Annexure-3.



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

### **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 Companies Act, 2013. The details of investments are provided in the schedules to the financial statements.

### **EXTRACT OF THE ANNUAL RETURN**

Pursuant to Section 92 of the Companies Act, 2013 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-4.

### **STATUTORY AUDITORS**

The present auditors M/s. M A Narasimhan & Co., Chartered Accountants (ICAI Registration No.002347S), Bengaluru, will be holding office as Auditors of the Company until conclusion of the ensuing Annual General Meeting. The said Auditors would vacate office as Auditors of the Company at the conclusion of ensuing Annual General Meeting pursuant to section 139(2)(b) of the Companies Act, 2013 dealing with compulsory rotation of auditors.

Pursuant to applicable provisions of the Companies Act, 2013, on the recommendation of the Audit Committee, it is proposed to appoint M/s. K.A. Raghupathy & Co., Chartered Accountants, Bengaluru (Firm Registration No. 0115735), having office at No.81, "SRI GURUKRUPA", 2<sup>nd</sup> Main, 3<sup>rd</sup> A Cross, Nanjappa Layout, Vidyanarayapura, Bengaluru - 560 097 as Statutory Auditors of the Company to hold office from conclusion of this 34th Annual General Meeting of the Company until conclusion of 39th Annual General Meeting. Necessary resolution for the appointment of M/s. K.A. Raghupathy & Co., Chartered Accountants is included in the Notice of the Annual General Meeting.

### **AUDITOR'S REPORT**

No qualification, adverse remarks or disclaimer have been made by the Statutory Auditors with regard to the financial statements for the financial year 2016-17. The Statutory Auditors of the Company have not reported any fraud as specified under Section 143(12) of the Companies Act, 2013.

### **INDIAN ACCOUNTING STANDARDS**

Pursuant to the notification, issued by the Ministry of Corporate Affairs dated February 16,2015 relating to the Companies (Indian Accounting Standard) Rules, 2015, your Company has adopted "IndAS" with effect from April 01,2017. The implementation of IndAS is a major change process for which the Company had dedicated considerable resources. The impact of the Change on adoption of IndAS has been assessed and the Company is ready to adopt IndAS.

### **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 Hemanth & Co., Practicing Company Secretaries to undertake the secretarial audit of the Company. The Secretarial Audit Report is appended hereto and forms part of this Report as Annexure-5.

### **CORPORATE GOVERNANCE**

Pursuant to relevant regulations of SEBI (LODR) Regulations 2015 and relevant sections of the Companies Act, 2013, 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 SEBI (LODR) Regulation, 2015 from the period 01.04.2016 to 31.03.2017 is 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 Companies Act, 2013, 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.)****DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROL**

Pursuant to Sec.134(5)(c) your Company has proper and adequate system of internal controls. All transactions are authorized, recorded and reported correctly. In addition there are operational controls and fraud risk controls, covering the entire spectrum of internal financial control. The ERP system which the company has implemented has helped in further strengthening the Internal Financial Control.

**FAMILIRISATION PROGRAM**

With a view to familiarize the Independent Directors with the company's operations, as required under listing regulation 25(7) the company has held various programmes ongoing basis which interalia includes various presentation by practicing professionals, business heads and KMPs of the Company.

**SHARE CAPITAL**

During the year the Company has allotted 21,40,000 Equity Shares and 46,20,000 Convertible Share Warrants to Promoter/Promoter Group Company Murudeshwar Power Corporation Limited, hence the Paid up Equity Share Capital of the Company increased from ₹4,082.17 lakhs to ₹4,296.17 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 2016-17.

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:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures there from;
- 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;
- 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;
- They have prepared the annual accounts on a going concern basis;
- 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;
- 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, 2017