SHAPE THE FUTURE.

NITCO LIMITED

ANNUAL REPORT, 2010-11

Forward-looking statement

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise

CONTENTS

AT NITCO, WE RESTRUCTURED THE ORGANISATION WITH URGENCY IN 2010-11.

TO EMERGE BIGGER AND BETTER.

We reported a 57% increase in revenues and achieved a post-tax bottomline of Rs. 26.30 crores.

However, the full impact of our restructuring will only be visible from 2011-12 onwards.

Emphasising that the time is always right to do something that is right.

NITCO LIMITED IS ONE OF INDIA'S LEADING PLAYERS IN THE FLOORING AND INTERIOR SOLUTIONS SPACE.

OFFERING THE MOST EXTENSIVE VARIETY OF WALL TILES, FLOOR TILES, MARBLE, MOSAIC AND INLAYS.

CUTTING A LONG STORY SHORT

1966
- Incorporated as Nitco Tiles Pvt. Limited
- Commenced cement tile manufacture at Thane (Mumbai)

1984
Commenced marble processing at Kanjurmarg

1997
Commissioned ceramic tile unit at Alibaug

2002
Received quality excellence award for ceramic floor tiles from the Institute of Trade and Industrial Development

2004
Upgraded Alibaug plant for manufacturing porcelain tiles

2006
- Mobilised Rs. 168 crores through an IPO
- Installed six windmills (7.5 MW) at Dhule (Maharashtra)

Origin
Incorporated in 1966 by first-generation entrepreneur Pran Nath Talwar, and now headed by Vivek Talwar.

Presence
Headquartered in Mumbai; vibrant presence across India through a network of 1,096 dealers, around 4,380 sub-dealers, 28 sales and marketing offices, and 73 dedicated display counters across all important cities.

Products
Wide range of floor tiles (ceramic, vitrified, naturoc and duracottura tiles), wall tiles (highlighters and mosaic highlighters), marble (natural and engineered) and mosaic (inlays, steps and risers) in various colours and designs

Listing
Equity shares listed on the Bombay and National stock exchanges; market capitalisation of Rs. 194.83 cr (March 31, 2011)

Facilities
Tile manufacturing unit with an annual installed capacity of 1.80 lakh MT p.a. and gas-based cogeneration power plant of 5.5 MW located at Alibaug (off Mumbai), and marble facilities at Kanjurmarg (Mumbai) and Silvassa (Dadra and Nagar Haveli).

Awards
- Received 13 Capexil awards for excellence in export performance.
- Received two Construction World awards for exceptional contribution to the sector.
- Accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certificates
- Received Best SAP Project Implementation award from SAP India
- Received quality excellence award for ceramic floor tiles from the Institute of Trade and Industrial Development

Synergy
Entered into real estate development in 2007, through a wholly-owned subsidiary called Nitco Realties Private Limited with land banks at Alibaug, Kanjurmarg and Thane

Vision
To be better and faster than everybody else in the business

Mission
- To launch innovative and world-class products to help customers realise their dreams
- To manufacture products of the highest quality, creating industry benchmarks
- To be fast and flexible to be able to grasp opportunities in a fast-changing world
- To be transparent and fair to customers, shareholders, suppliers and employees in all our dealings

2007
- Entered real estate development through Nitco Realties (subsidiary)
- Launched 12 exclusive showrooms under the Le Studio brand

2008
- Embarked on the creation of exclusive franchised showrooms under Le Studio Express

2009
- Received ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007 certifications
- GAIL started supplying RLNG at tile plant at Alibaug

2010
- Launched premium category porcelain tiles under Naturoc brand

2011
- Commissioned a 5.5-MW cogeneration gas-based power plant at the tile plant at Alibaug
- Expansion at marble processing plant at Silvassa completed
- Installed automatic palletiser, reducing breakages
- Biz Park at Thane admeasuring around 2 lakhs sq. ft. completed.

STRATEGIC BLUEPRINT

VISION

To be better and faster than everybody else in the business

MISSION

To launch innovative and world-class products to help customers realise their dreams

STRATEGIC INTENT

Participate in India's growth by being the preferred choice for the Indian consumer

MISSION

To be fast and flexible to grasp opportunities in a fast-changing world

STRATEGIC INTENT

Focus on a design portfolio to appeal to the discerning customer. Provide global choices to the Indian customer – where he wants it

MISSION

To manufacture products of the highest quality, creating industry benchmarks

STRATEGIC INTENT

Relentless pursuit of quality, and communicate the same through the power of our brand

MISSION

To be agile, transparent and fair to customers, shareholders, suppliers and employees in our dealings

STRATEGIC INTENT

Pursuit of operational excellence in all spheres

STRATEGIES

- Expand and leverage deep distribution reach as a strategic advantage
- Enhance already strong relationships with large institutional clients
- Expand presence to all, and emerging consumption centers. Expand presence to Tier-II towns and district headquarters
- Strengthen our presence in synergistic areas that leverage our existing capabilities by foraying into residential and commercial real estate development

OUTCOME

10,000 retail counters. 300 LSE and nooks in the next 3 to 5 years

STRATEGIES

- Leverage manufacturing and design competence – Innovation for a better life
- Leverage consumer insight through exclusive showrooms and deep relationships with architects and interior designers
- Reinforce position as a preferred retailer of products, meeting consumer expectations, while not necessarily being a manufacturer of the same
- Leverage global sourcing and distribution model to provide cost-effective options for dealers and retailers, ultimately benefiting the Indian consumer
- Enhance product range to cater to diverse customer tastes

OUTCOME

30% revenues to be generated from these segments

STRATEGIES

- Establish trust for our products and respect for the brand by leveraging our brand equity
- Position ourselves across mid to premium end for wall and floor tiles, marble and mosaic to cater to different customer segments
- Invest proactively in branding activities by allocating a certain percentage of our annual revenues for advertisements and marketing
- Position ourselves as an environment-friendly real estate developer by embarking on the development of residential and commercial property equipped with intelligent building management systems, leading to LEED certification (leadership in energy and environmental design)

OUTCOME

More investment in branding activities

STRATEGIES

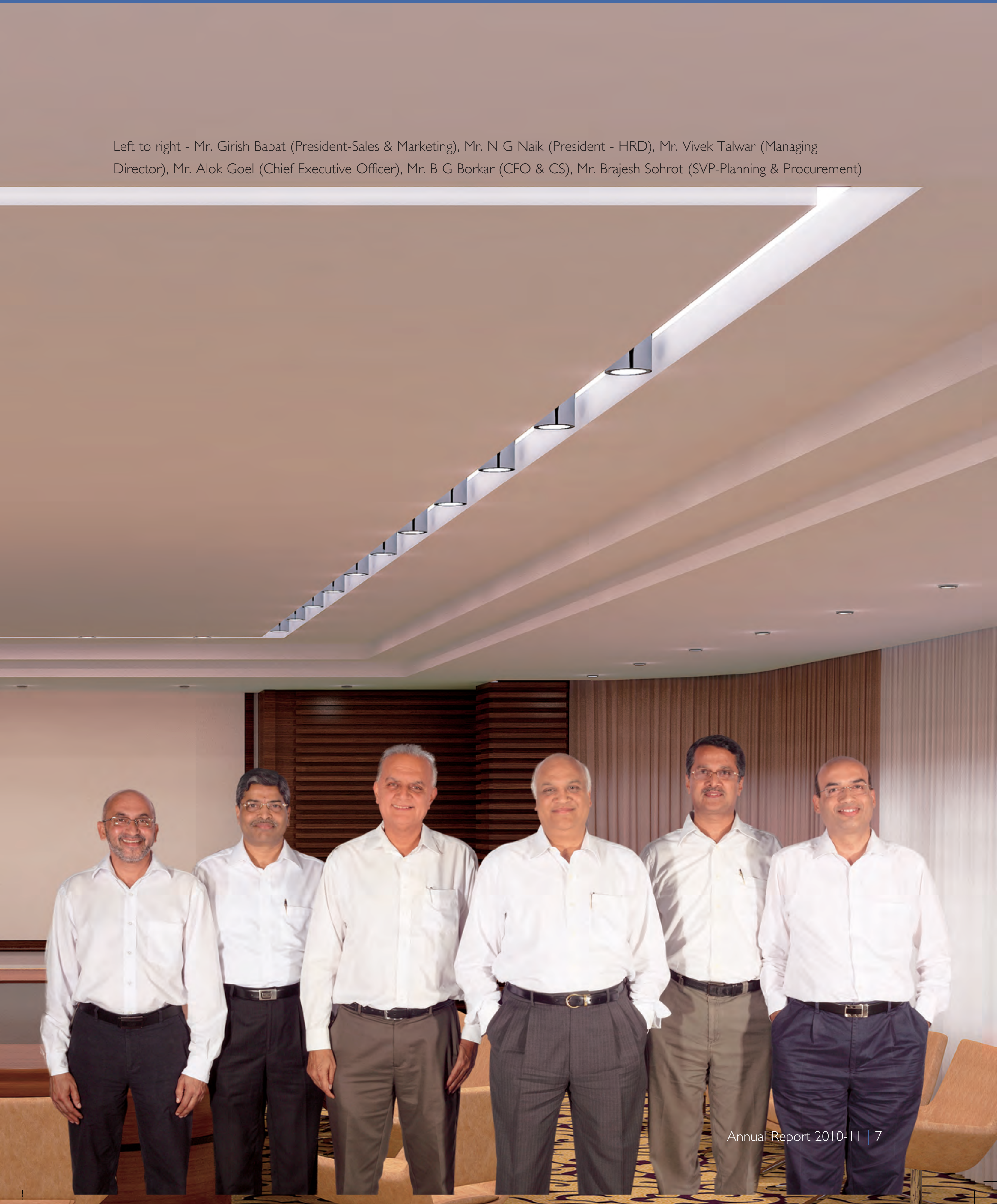
- Enhance our operational productivity with the objective to achieve one of the most competitive manufacturing costs in the industry
- Invest in growing production capacities with the objective to achieve economies of scale and strengthen our competitiveness
- Introduce new and advanced technologies to offer innovative and differentiated tile, marble and mosaic art varieties
- De-bottleneck our production capacity to enhance output and improve plant capacity utilisation
- Leverage IT to provide an agile platform for better customer relationship management

OUTCOME

Over 90% capacity utilisation anticipated over the next three years

FUTURE SHAPERS

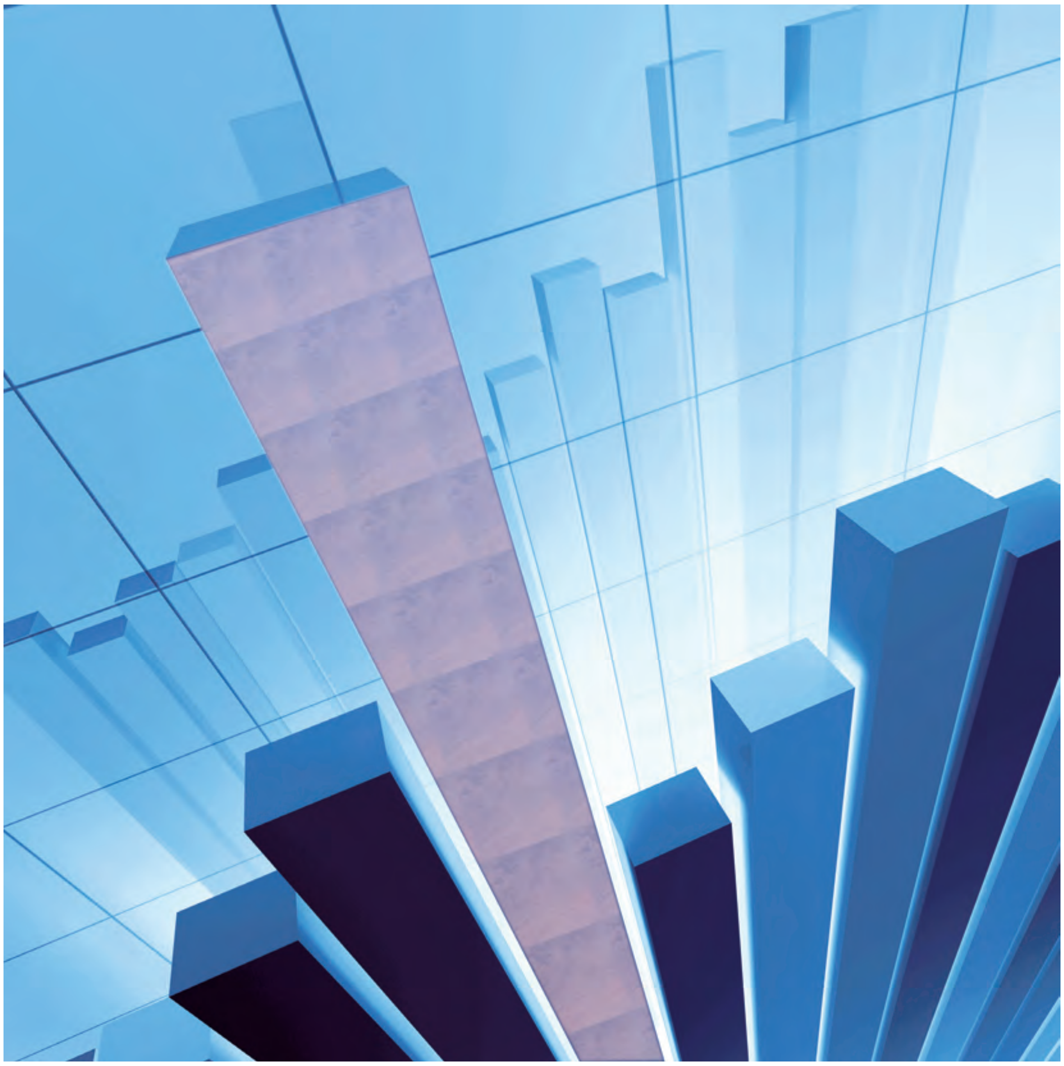
Left to right - Mr. Indrajit Chatterjee (VP-HRD), Mr. Satej Revankar (VP-IT), Mr. Jogendra Sethi (VP-Finance), Mr. Subrata Basu (AVP-Marketing), Mr. Nishesh Gupta (AVP-Corporate Planning), Mr. Sujit Guha, (VP-SCM)



Left to right - Mr. Girish Bapat (President-Sales & Marketing), Mr. N G Naik (President - HRD), Mr. Vivek Talwar (Managing Director), Mr. Alok Goel (Chief Executive Officer), Mr. B G Borkar (CFO & CS), Mr. Brajesh Sohrot (SVP-Planning & Procurement)

NITCO'S STRATEGY

REVENUE GROWTH.



CORE OBJECTIVE

AT NITCO, WE RECOGNISE THAT LASTING COMPETITIVENESS IS DERIVED FROM AN ABILITY TO GROW REVENUES SIZABLY, HELPING COVER FIXED COSTS IN A COMPETENT WAY

RELATED STRATEGIES

- Expanded annual tile production capacity to 1.80 lakh MT p.a. in 2010. Revenues for tiles and other related products increased from Rs. 465.33 cr to Rs. 707.78 cr across the period
- Generated repeat business from prominent institutional clients
- The Company's real estate segment contributed 2.85% of the total revenues amounting to Rs. 20.77 crore, following the completion of a Biz park in Thane (0.41 lakh sq. ft area sold for commercial purposes)

RESULT

A revenue increase of 57% in 2010-11 helped convert a loss of Rs. 8.71 crores in 2009-10 to a profit of Rs. 26.30 crores in 2010-11