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NITCO TILES LIMITED, ANNUAL REPORT 2002-3

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this Annual Report should be read in conjunction with the following cautionary statements. Certain expectations and projections regarding future performance of the Company referenced in this Annual Report are forward-looking statements. These expectations and projections are based on currently available competitive, financial and economic data along with the Company's operating plans and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those that may be indicated by such statements.



Directors' Report Auditors' Report Balance Sheet Profit And Loss Account
Schedules Balance Sheet Abstract Corporate Information

DIRECTORS' REPORT

To the Members,

Your Directors take pleasure in presenting the Annual Report with the audited statement of accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

The highlights of the financial results for the financial year ended 31st March 2003 are:

(Rs in Lacs)

	31.3.2003	31.3.2002
Sales and other Income	15110.66	14203.79
Profit before interest and depreciation	2290.56	2580.24
Less: Interest and other Financial Charges	978.69	1310.68
Gross Profit	1311.87	1269.56
Less: Depreciation	489.08	475.12
Profit before Tax and Extra-Ordinary items	822.79	794.44
Less: Provision for Income Tax	65.00	60.00
Less: Provision for Deferred Taxes	157.32	0.00
Profit after Tax	600.47	734.44
Add: Excess Provision for Tax in earlier Year	44.55	(3.17)
Less: Deferred Tax Liability upto 31.3.2002	800.70	0.00
Add: Balance brought forward from previous year	2643.37	1912.10
Profit Carried Forward to Balance Sheet	2487.69	2643.37

REVIEW OF OPERATIONS

Sales during the year increased by 6.38 per cent over the previous year while the Profit Before Tax increased by 3.57 per cent. Tough economic conditions prevailed in the year due to failure of the monsoons in large parts of India leading to poor agricultural growth, and increased competition from imports.

Your Directors are pleased to report an encouraging increase in volume terms of both ceramic tiles, vitrified / wall tiles and mosaic tiles during the year. The decline in sales of marble was due to licensing restrictions imposed by Government policies. Improved working capital management with stress on stringent inventory and debtor control, coupled with

prudent treasury management by replacing high cost borrowings with low cost borrowings resulted in the interest cost declining from Rs. 1310.68 lacs during the previous year to Rs. 978.69 lacs.

CURRENT YEAR OUTLOOK

The progress of the monsoon so far has been very encouraging. Agriculture continues to be the backbone of the Indian economy. A good monsoon after last year's drought is the trigger that the economy required for all round substantial growth. The Indian economy is poised on a high growth trajectory and is one of the fastest growing economies in the world. Favourable government policies and increased competitiveness of Indian companies have provided a strong springboard for a potentially high growth. Interest rates continue to be heading downwards and with inflation under control, the housing industry continues its amazing growth.

Your company with its enviable marketing network combined with an array of products suited to all segments of the flooring requirement looks forward to an encouraging performance in the coming year.

EXPORTS

The Company's exports during the year ended 31st March 2003 was Rs. 1326.34 lacs as compared to Rs. 1588.789 lacs achieved during the previous year.

DIVIDEND

In order to conserve the financial resources to meet the increased fund requirements of the business, your Directors do not recommend payment of equity dividend for the year under review.

DIRECTORS

Mr. P.N. Talwar, Director of the Company, retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment. Your Directors recommend his reappointment.

DIRECTORS' RESPONSIBILITY

Pursuant to Section 217(2AA) of the Companies Act as amended by the Companies (Amendment) Act, 2000, the Directors confirm that:

i) In the preparation of the annual accounts, the applicable accounting

standards have been followed along with proper explanations relating to material departures,

- ii) Appropriate accounting policies have been selected and applied consistently and have 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 as on 31st March 2003 and of the Profit of the Company for the year ended 31st March 2003.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended forms part of this Report.

AUDITORS

The present auditors of the Company, M/s. A. Hussein Noumanali & Co. retire at the conclusion of the Annual General Meeting and being eligible, offer themselves for reappointment. Your Directors recommend their appointment.

Particulars as per the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

The company's manufacturing operations are energy intensive. The concern for more efficient utilization and conservation of energy has remained not only in the domain of the top management but has also percolated to the shopfloor. Continuous improvements in the manufacturing processes and practices are carried out with one

of the objectives of energy conservation.

B. Technology Absorption

The entire Plant and Machinery for the manufacture of ceramic tiles has been imported from SACMI, Italy on a turnkey basis. The Company's technicians have been imparted training in maintenance of these equipments by SACMI. The technology has been fully absorbed by the Company's personnel. Barring major problems, the Company's technical personnel are fully competent and equipped to attend to preventive maintenance of the machines. The Company has also identified vendors for indigenously procuring certain spare parts of the machines.

C. Foreign Exchange Earnings and Outgo

The information on foreign exchange earnings and outgo is furnished in the Notes to the Accounts.

APPRECIATION

Your Directors wish to place on record their appreciation of the dedicated efforts put in by employees of the Company at all levels.

The Directors wish to record their appreciation of the support, assistance and cooperation given by the various Banks, Financial Institutions, various Government authorities and the Suppliers.

To the valued customers of the Company, your Directors wish to reaffirm their commitment to the best quality of all the Company's products and the high standards of service that has helped the Company perform satisfactorily every year.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 25th June, 2003

Vivek Talwar
Managing Director

Poonam Talwar
Wholetime Director

AUDITORS' REPORT

To the Members of Nitco Tiles Limited

We have audited the attached Balance Sheet of M/s NITCO TILES LIMITED as on 31 March 2003 and also the Profit & Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- 1) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 2) in our opinion proper books of accounts as required by law have been kept by the Company, so far as appears from our examination

of the books;

- 3) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of accounts;
- 4) in our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable.
- 5) on the basis of written representations received from the directors of the Company, as on 31 March 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 6) in our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information as required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the Balance Sheet of the state of affair of the Company as at 31 March 2003. and
 - b) in the case of Profit & Loss account of the Profit for the year ended on that date.

For A. Husein Noumanali & Co.
Chartered Accountants

Address
Fountain Chamber, 1st Floor
1-C, Nanabhai Lane, Fort,
Mumbai : 400 001
Date: 25th June, 2003

A. Husein Noumanali
Proprietor
M.No. 14757

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management in accordance with a three year phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable. As informed to us, no material discrepancies were noticed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. Physical verification has been conducted by management at reasonable intervals in respect of inventory of raw materials, stores and spare parts and finished goods in the Company's possession. The existence of stock lying with third parties as at 31 March 2003 has been confirmed based on confirmation or statements of account received from such third parties. In our opinion, the frequency of physical verification is reasonable.
4. In our opinion the procedure of physical verification of finished goods, stores, spare parts and raw materials followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed between the physical stocks as verified and book records were not material in relation to the operations of the company.
6. In our opinion the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. According to the information and explanations given to us, the Company has not, during the year, taken / granted any loans, secured or unsecured, from / to companies, firms or other parties listed in the registers maintained under section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions of such loans are prima facie prejudicial to the interest of the Company
8. According to information and explanations given to us in respect of loans or advances in the nature of loans given by the Company, where stipulations have been made, parties are generally repaying the principal amount and are regular in the payment of interest where applicable.
9. According to the information and explanations given to us the Company has not granted loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301. The Company has advanced loan to its employees, and the recoveries against the same are being made as stipulated.
10. In our opinion and according to the information and explanations given to us, the internal control procedure with respect to purchase of raw materials including components, Plant & Machinery and other assets is adequate and commensurate with the size of the company and the nature of its business.
11. In our opinion, purchase of materials made in pursuance of contracts arrangement entered in their Register maintained u/s 301 of the Companies Act, 1956, aggregating during the year to Rs. 50000/- or more in value in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices of such purchases.
12. As explained to us the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the terms so determined.
13. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap. As informed to us, the Company's operations do not generate any by-products.
14. The Company has not accepted any deposits from the public.

15. The Company has an internal audit system commensurate with the size of the Company and nature of its business.
16. According to the records of the company, provident fund dues have been regularly deposited during the year with the appropriate authorities. In respect of the Employees State Insurance (ESIC) dues, on the basis of information and explanations given to us, inter alia, that the provisions of the Employees State Insurance Act, 1948, have not been extended to some of the locations, and on the basis of the records made available to us, where deductions / payments of such dues have been made, ESIC dues have been regularly deposited with the appropriate authorities.
17. According to the books and records examined by us and information and explanation given to us, there are no undisputed outstanding amounts payable in respect of Income Tax, Wealth Tax, Sale Tax, Custom Duty and Excise Duty as at the last day of the financial year concerned for the period of more than six months from the date they become payable.

18. According to the information and explanations given to us no personal expenses of employees and directors have been charged to revenue account, other than those payable under the contractual obligations or in accordance with generally accepted business practices.
19. In our opinion the Company is not Sick Industrial Company as defined in section 3(1)(0) of the Sick Industrial Companies (special provision) Act, 1985.
20. In respect of the Company's trading activities, adequate provision has been made for damaged goods identified.

For A. Husein Noumanali & Co.

Chartered Accountants

Address

Fountain Chamber, 1st Floor

1-C, Nanabhai Lane, Fort,

Mumbai : 400 001

Date: 25th June, 2003

A. Husein Noumanali

Proprietor

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B.G. Borkar, Vice President - Fin & company

Secretary

