



NITCO TILES LIMITED, ANNUAL REPORT 2004-2005

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. P.N.Talwar – Chairman

Mr. Vivek Talwar – Managing Director

Ms. Poonam Talwar – Whole time Director

Mr. Dinesh Kanabar – Director

CHIEF FINANCE OFFICER & COMPANY SECRETARY

Mr. B.G.Borkar

AUDITORS

A.Husein Noumanali & Co.
Chartered Accountants

CONTENTS

Directors' Report	01
Auditors' Report	03
Balance Sheet	06
Profit And Loss Account	07
Schedules	08
Balance Sheet Abstract	18
Cash Flow Statement	19
Five Years Financial Summary	20

BANKERS

Punjab National Bank

State Bank of India

SBI Commercial & International Bank Ltd

Syndicate Bank

REGISTERED OFFICE

8th Floor, Maker Chambers III,

Nariman Point, Mumbai – 400 021.

Tel: 91-22-55521555, Fax: 91-22-22024404

Email: nitco@nitcotiles.com

MARKETING OFFICE

Nitco House, Recondo Compound,

Near Satyam Theatre, S.K.Ahire Marg,

Worli, Mumbai – 400018.

Tel: 91-22-24919922 / 24915398

WORKS

Ceramic Tiles Division

Village Shrigaon, Taluka Alibaug,

Post Poynad, District Raigad, Maharashtra.

Mosaic Tiles Division

C-19, Wagle Industrial Estate, Thane – 400 604

Marble Division (Mumbai)

Nitco Marble Land, Plot No. 3,

Kanjur Village Road,

Kanjurmarg (East), Mumbai – 400 078

Marble Division (Silvasa)

Survey no.387/2, Village Kharadpada, Naroli,

Near Reliance Main Gate, Silvasa – 330 396

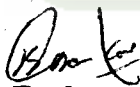
NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of the Members of Nitco Tiles Limited will be held, on Friday, the 23rd day of September, 2005 at the Registered Office of the Company situate at 86-A, Maker Chambers III, Nariman Point, Mumbai-400 021 at 11.00 a.m. to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as at and the Profit and Loss Account for the year ended 31st March, 2005 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Ms. Poonam Talwar who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint M/s. A. Husein A. Noumanali & Co., Chartered Accountants, retiring Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board
For Nitco Tiles Limited



E.G. Borkar
CFO & Company Secretary

Place : Mumbai.

Date : 29th August, 2005

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF/HERSELF AND A PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Registered Office of the company not less than 48hours before the commencement of the meeting.

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, 2005

FINANCIAL RESULTS

The highlights of the financial results for the financial year ended 31st March 2005 are:

	(Rs. in Lakhs)	
	03.2005	
Sales and other Income	20882.19	17238.76
Profit before interest and depreciation	2401.37	2213.00
Less: Interest and other Financial Charges	855.54	762.44
Gross Profit	1545.83	1450.56
Less: Depreciation	564.08	524.94
Profit before Tax and Extra-Ordinary items	981.75	925.62
Less: Provision for Income Tax	77.00	70.00
Less : Provision for Deferred Tax	150.90	304.85
Profit after Tax	753.85	550.77
Balance brought forward from previous year	2069.31	2487.69
Deferred Tax Liability for the earlier years	1078.93	0.00
Short Provision for Tax in earlier Year	(4.04)	(4.15)
Transfer to Capital Redemption Reserve	0.00	(965.00)
Profit Carried Forward to Balance Sheet	3898.05	2069.31

REVIEW OF OPERATIONS

Sales during the year increased by 21% over the previous year while the Profit before Tax increased by 6%. The growth in Profit Before Tax was lower mainly on account of increased spends on brand building and promotional activities, and also premium paid under Keyman Insurance Policy.

CURRENT YEAR OUTLOOK

The improvement in the overall business scenario in the country and also due to the booming construction and realty sector, the Company expects substantial growth in turnover and profits in the current financial year. The Company's products have been well accepted in the market and the Company is now one of the top three Companies in terms of turnover in the tile industry. With a view to cater to the growing business and to have better control on the operations ERP package, SAP is being implemented.

EXPORTS

Due to improvement in the domestic demand and lower prices prevailing in the international market coupled with appreciation of the Indian Rupee, the company consciously restricted its level of exports. The Company's exports during the year ended 31st March 2005 was Rs.337.35 lakhs as compared to Rs.663.51 lakhs 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

Ms. Poonam Talwar, Director of the Company, retires by rotation at the forthcoming Annual General Meeting and being eligible offers herself for reappointment. Your Directors recommend her reappointment.

DIRECTORS' RESPONSIBILITY

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures,
- 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 2005 and of the Profit of the Company for the year ended 31st March 2005.
- 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.
- 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

Your Company continues to be committed to energy conservation in its manufacturing operations. The following are energy conservation measures taken during the year under review.

1. Specific energy consumption reduced in the slip ball mills by judiciously grinding soft material and hard material separately.
2. Optimization of compressor working - by reducing the unloading time and reduction in pressure from 5.5kg to 4.5kg.
3. Various heavy duty motors replaced by lower duty motors without compromising the output.
4. Replaced 120 KW refrigerated chilling unit for cooling hydraulic oil system in the press unit by a 20 KW water cooling tower.
5. Judiciously revamped the operations so as to enable reduced electricity consumption during the peak hour.

The following proposals are being planned to implement for the reduction of consumption of energy during the year 2005-2006

1. Waste heat from the kiln to be utilized for drying the tiles in the cutting plant in place of conventional electrical heating.

2. Street lights inside the factory will be replaced by Solar Powered street light.
3. Solar powered vaporizer unit to be installed in place of electrically heated vaporizer unit.

B. Technology absorption

The single firing fuel efficient technology for manufacture of ceramic floor tiles imported from SACMI, Italy has been fully absorbed.

The Company has full fledged Research & Development Department which is constantly engaged in product innovation, productivity improvement, quality improvement and cost reduction. During the year Porcelain white body tiles were successfully developed replacing the existing red body tiles. The tiles of higher sizes namely 450x450mm, 600x300mm tiles were also developed. During the year AQUA SERIES which is a unique designer tile as also several new products were launched.

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 sincere thanks to:

Customers, who continue to be delighted in the company's range of products and their quality, and who therefore continue to patronize the company's products in spite of competition.

Banks, Financial institutions for their unwavering faith in the company in extending their support to the company at all times, and to the various Government Departments who have extended their support and co-operation to the company at all times.

Employees of the company whose sincere efforts add to the strength of the company.

For and on behalf of the Board of Directors

Place: Mumbai

Date: 24th June, 2005.

Vivek Talwar

Managing Director

Poonam Talwar

Wholtime 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 2005 and also the Profit & Loss Account and the Cash Flow Statement 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 Companies (Auditors' Report) Order, 2003 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 paragraph 4 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, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- 4) In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement 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 2005, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2005 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 2005. and
 - b) In the case of Profit & Loss account of the Profit for the year ended on that date.
 - c) In the case of the the Cash Flow Statement of the cash flow for the year ended on that date.

For A. Husein Noumanali & Co.
Chartered Accountants

Address
610, Mount Mary Apartment
Dr. Peter Dias Road, Bandra (W)
Mumbai - 400 050
Date : 24th June, 2005

A. Husein Noumanali
Proprietor
M.NO. 14757



ANNEXURE TO THE AUDITORS' REPORT

- 1 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) As per the information and explanations given to us, physical verification of fixed assets has been carried out in terms of the phased programme of verification of its fixed assets adopted by the Company and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable, having regard to the size of the Company and nature of its business.
- (c) During the year, the Company has not disposed of any substantial / major part of fixed assets.
- 2 (a) Physical verification of inventory has been conducted during the year by the management at reasonable intervals.
- (b) In our opinion and according to the information and explanations given to us, procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
- 3 (a) The Company has not granted any loans to companies, firms or other parties covered in the Register, maintained under Section 301 of the Companies Act, 1956. The Company has taken loans from three parties covered in the Register maintained under Section 301 of the Companies Act, 1956, The maximum amount involved during the year was Rs. 267.14 lakhs and the year end balance of the loan taken from such parties was Rs. 187.97 lakhs.
- (b) The rate of interest and other terms and conditions on which loans have been taken by the Company are not, prima facie, prejudicial to the interest of the Company. The Company has not given any loans during the year.
- (c) In respect of loans taken, the Company has been regular in repayment of principal and interest wherever applicable.
- (d) In respect of such loans taken by the Company, there are no overdue amounts more than Rs. 100,000/-.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
- 5 (a) In our opinion and according to the information and explanations given to us, transactions that need to be entered into the Register in pursuance of Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions exceeding Rupees Five Lakhs in respect of each party made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made thereunder. Hence, the Clause (vi) of the order is not applicable.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
8. Paragraph 4(viii) is not applicable as the Company is not required to maintain records u/s 209(1)(d) of the Companies Act, 1956.
- 9 (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2005 for a period more than six months from the date they became payable.