



Innovation for a better life

Regd. Office: Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai – 400030.

NOTICE

Notice is hereby given that the **44TH Annual General Meeting** of the Members of **Nitco Limited** will be held on Wednesday the 15th day of September, 2010 at 11.00 a.m. at M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400001 to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors of the Company thereon;
2. To appoint a Director in place of Mr. Prannath Talwar who retires from office by rotation and being eligible, offers himself for re-appointment;
3. To re-appoint M/s. A. Husein Noumanali & Co., Chartered Accountants, the retiring Auditors, as a Statutory Auditor of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:
“RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 11th December, 2007, pursuant to provisions of Section 293(1)(d) of the Companies Act, 1956 and applicable statutory provisions, including any statutory modifications or re-enactments thereof for the time being in force, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loan obtained from the bankers in the ordinary course of business) will or may

exceed the aggregate of paid up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) provided however, that the total amount(s) so borrowed by the Board and outstanding at any point of time shall not exceed the sum of Rs. 1,000 Crores, exclusive of interest.

RESOLVED FURTHER THAT the Board be and is hereby authorized to borrow as referred above, from any banks, person(s), firms, body corporate, financial institutions and foreign source by way of deposits, advances, debentures, bonds, commercial papers, foreign currency convertible Bonds (FCCBs), other borrowing and any other instrument/form, either in Indian rupees and foreign currencies on such terms and conditions as may be agreed upon and the Board thinks fit.

RESOLVED FURTHER THAT the above supersession shall not in any way affect any right, obligation, liability or acts acquired, accrued, incurred or done there under.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized 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 agreements, deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the committee of Directors or the Managing Director or any officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution.”

5. To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution:
“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any modification(s) or re-enactment thereof, for the time being in

force) and subject to such approvals as may be necessary, approval of the Company be and is hereby accorded for the reappointment of and terms of remuneration payable to including the remuneration to be paid in the event of loss or inadequacy of profit in any financial year during the tenure of appointment of Mr. Vivek Talwar as the Managing Director of the Company, for a period of three years from 1st April 2011 to 31st March 2014 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice conveying this Meeting, with liberty to the Board (which term shall be deemed to include the Committee of the Board constituted to exercise its powers, including the powers by this resolution), from time to time, to alter and vary the terms and conditions of the said appointment/remuneration in such manner as may be agreed to between the Board and Mr. Vivek Talwar, subject to the same not exceeding the limits specified under Schedule XIII of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof.

RESOLVED FURTHER THAT in the event of no profit or the profits being inadequate in any financial year of the Company during the currency of tenure of Mr. Vivek Talwar as Managing Director, he shall be paid salary, allowances and perquisites not exceeding limits as set out in Schedule XIII to the Companies Act, 1956 or any modification thereof unless otherwise approved by the Central Government.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all steps as may be necessary, proper or expedient to give effect to this Resolution.”

By Order of the Board of Directors
For **NITCO LIMITED**

B. G. BORKAR
CFO & Company Secretary

3rd August, 2010
Mumbai

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the Meeting.
2. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956, relating to the Special Businesses to be transacted at the Meeting (Item No.4 and 5 of the Notice) is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 9th day of September, 2010 to Wednesday, the 15th day of September, 2010 (both days inclusive).
4. Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write to the Company at least one week before the Meeting, so that the information could be made available at the Meeting.
5. Members are requested to notify any change in their address and bank account details to the Depository Participant where they maintain their Demat account.
6. Members are advised to get their shares demated by sending Dematerialization Request Form (DRF) alongwith Share Certificates through their Depository Participant (DP) to Company's Registrar Link Intime India Private Limited (Link Intime).
7. Particulars of Directors seeking reappointment: Relevant particulars of Mr. Prannath Talwar and Mr. Vivek Talwar are given in the report on Corporate Governance.
8. Members wishing to claim dividends, which remain unclaimed, are requested to approach the Company Secretary at its registered office address and/or Link Intime. Members are requested to note that the Dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
9. Corporate Members intending to send their authorised representatives are requested to send a certified copy of the Board Resolution/Power of Attorney authorizing their representatives to attend and vote on their behalf at the Meeting.
10. As a measure of economy, members are requested to bring copy of the Annual Report to the Meeting. Member / proxy holders shall hand over the attendance slips, duly filled in all respect, at the entrance for attending the Meeting.

Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956

Item No. 4

Under section 293(1)(d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the Company in General Meeting, borrow monies apart from temporary loan obtained from the Company's banker in the ordinary course of business in excess of the aggregate of the paid up capital and free reserves, that is to say, reserves not set apart for any specific purpose. The Company at its Annual General Meeting held on 11th December, 2007, had empowered the Board of Directors of the Company to borrow and raise money not exceeding Rs. 600 Crores. Considering the increase in the level of operations and its expansion plans, the Board is of the opinion that this limit needs to be increased to Rs. 1,000 crores from the existing limit of Rs. 600 crores. It is desirable, as a matter of abundant caution also, to provide a sufficient margin for such loans/borrowing by one or another means as detailed in the resolution, to be covered under borrowing powers of the Board.

The consent of the Members is being sought in terms of section 293(1)(d) of the Companies Act, 1956 to authorize the Board of Directors to borrow monies in excess of paid up capital and free reserve, and to specify total amount up to which the amount may be borrowed by the Board of Directors.

The Board recommends the resolution for approval of the Members.

None of the directors are interested in the resolution.

Item No. 5

Mr. Vivek Talwar was reappointed as Managing Director of the Company for a period of 5 years w.e.f. 1st April, 2006. Accordingly, his tenure of appointment will expire on 31st March, 2011. In terms of the recommendations of the Remuneration Committee and subject to the approval of the members, the Board of Directors of the Company in its meeting held on 3rd August, 2010 has decided to re-appoint Mr. Vivek Talwar as Managing Director for a further period of three years with effect from 1st April, 2011, on the terms and conditions as are set out hereunder:

A. Remuneration:

- i) **Salary:** Rs. 4,00,000/- per month
- ii) **Commission:** 1% of the net profit of the Company for the financial year computed in the manner laid down in Section 349 to 351 of the Companies Act, 1956.

B. Perquisites & allowances in addition to above:

In addition to the salary and commission as outlined above Mr. Vivek Talwar would be entitled to perquisites and allowances as given hereunder:

- i) **Housing I:** The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to the following ceiling :

60% of the salary over and above 10% payable by the Managing Director.

Housing II: In case the accommodation is owned by the Company 10 % of the Salary of the Managing Director shall be deducted by the Company.

Housing III: In case no accommodation is provided by the Company the Managing Director shall be entitled for House Rent Allowance subject to the Ceiling laid down in Housing I.

- ii) The Company will reimburse the Managing Director the expenditure incurred by him on gas, electricity, water, furnishings and repairs at his residence.
- iii) **Medical Reimbursement:** Expenses incurred for the Managing Director and his family subject to a ceiling of one month salary in a year or three months' salary over a period of three years.
- iv) **Leave Travel Concession:** For the Managing Director and his family once in a year incurred in accordance with any rules specified by the Company.
- v) **Club Fees:** Fees of Club subject to a maximum of two Clubs. This will not include admission and life membership fees.
- vi) **Personal Accident Insurance:** Premium not to exceed Rs. 10,000/- per annum.

In addition to the perquisites at (i) (ii), (iii), (iv), (v) and (vi) as above, the Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration.

Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

Provident Fund, Superannuation / Annuity Fund:

- i) Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.
- ii) Gratuity payable at a rate not exceeding half a month's salary for each year of completed service.
- iii) Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling or perquisites.

Notes:

1. Notwithstanding anything herein, where in any financial year during the currency of the tenure of office of the Managing Director, the Company has no profits or its profits are inadequate, the remuneration by way of salary, commission and perquisites shall not exceed, the maximum limits as prescribed in Schedule XIII of the Companies Act, 1956 or any modification thereof unless otherwise approved by the Central Government.
2. The Board of Directors/Remuneration Committee be and are hereby authorised to enhance, alter or vary the scope and quantum of remuneration and perquisites of Mr. Vivek Talwar in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956.
3. So long as Mr. Vivek Talwar functions as the Managing Director of the Company, he shall not be paid any sitting fees for attending the meetings of the Board or any Committee thereof.
4. Mr. Vivek Talwar shall not be subject to retirement so long as he continues as the Managing Director of the Company.
5. The office of the Managing Director may be terminated by the Company or the concerned Director by giving three (3) months' prior notice in writing.

The re-appointment & remuneration payable to the appointee needs to be approved by the shareholders in a general meeting and accordingly, the resolution is placed before the members. Your Directors recommend the resolution mentioned in this notice for the approval of the members.

Mr. Vivek Talwar, Mr. Prannath Talwar and Ms. Poonam Talwar, being related to each other, may be deemed to be interested in this resolution. None of the other directors is in any way concerned or interested in this resolution.

The additional information as required under schedule XIII of the Companies Act, 1956 is given below:

I. General Information:**(i) Nature of Industry**

The Company is in the business of manufacturing ceramic (floor/wall) tiles, processing of marble, outsourcing of vitrified tiles and development of real estates.

(ii) Date or expected date of commencement of commercial production

The Company was incorporated on 25th July, 1966. Since 1966, the Company commenced the manufacture of cement tiles.

(iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus

Not Applicable.

(iv) Financial performance based on given indicators

The relevant financial figures (Audited) as at year ended 31st March 2010 are as under:-

Particulars	Rs. In Lakhs
Total Turnover and other Income (net of excise)	44,940.74
Total Expenses	45,811.42
Profit/(Loss) after Tax	(870.68)
Net worth	50,938.38

(v) Export performance and net foreign exchange collaborations

The Company's earnings in foreign exchange were Rs.360.68 lakhs in the financial year 2009-10. The Company has no significant foreign exchange earnings or outgo in relation to any foreign collaborations.

(vi) Foreign Investments or collaborators, if any

Not Applicable.

II. Information about the Appointee:**(a) Background Details**

Mr. Vivek Talwar is the Managing Director of your Company. He joined the Company as a Director in 1980. The operational responsibility and day-to-day functioning of the Company were gradually handed over to him. He was instrumental in setting up a plant at Alibaug to manufacture ceramic floor tiles and also in diversifying the business of the Company by entering into new activities such as marketing

of imported marble, vitrified tiles and development of real estates.

(b) Past Remuneration

Mr. Vivek Talwar received remuneration of Rs.49.12 lakhs in the financial year 2009-10 which is subject to the approval of the Central Government under section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956.

(c) Recognition or Awards

Under his stewardship, the Company has grown rapidly. He has played a pivotal role in promoting the 'NITCO' brand.

(d) Job Profile and his Suitability

Mr. Vivek Talwar is associated with the Company since 1980. At present, he is the Managing Director of the Company. Taking into consideration his qualifications and expertise in relevant fields, Mr. Vivek Talwar is ideally suited to the nature of our Industry, the benefits of which, the Company has reaped over the years.

(e) Remuneration Proposed

The salary proposed for Mr. Vivek Talwar is Rs.4,00,000 per month and other perquisites and allowances as fully set out in the Item No. 5 of the Explanatory Statement to the Notice.

(f) 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 w.r.t. the country of his origin)

Taking into account the turnover of the Company, Mr. Vivek Talwar's invaluable contribution to the Company, his role in placing the Company in pre-eminent position in the Industry, his strategic role in turning around the Company from its difficult position, the proposed remuneration to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

(g) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any

Mr. Vivek Talwar has a pecuniary relationship with the Company as the Promoter and Managing Director of the Company. He is also related to Mr. Prannath Talwar, Chairman and Ms. Poonam Talwar, Whole-time Director of the Company.

III. Other Information:

(a) Reasons of loss or inadequate profits

The financial year 2009-10 was a challenging year for the Company following a search by the Department of Revenue Investigation (DRI) on company's premises leading to the seizure of imported material belonging to the Company lying at the ports and warehouses. The result of this unexpected action was virtual freeze of the sale of imported material for around five months, resulting in revenue decline. Weaker trade sentiment prevented our dealers from stocking afresh and people attrition due to lingering corporate identity further lead to the underperformance of the Company. All these factors correspondingly impacted our profitability for the financial year 2009-10.

(b) Steps taken or proposed to be taken for improvement and Expected increase in productivity and profit in measurable terms

The Company has mitigated the impact of loss through the introduction of Wall tiles, Gres Porcelain tiles and commissioning of a polishing line during the course of the year. The Global and Indian ceramic tile industry remains fundamentally strong and has a robust outlook. Further the business model of the Company continues to be strong and sustainable and will continue to derive profitability. The steps taken and proposed to be taken by the Company for improvement along with the expected increase in productivity are listed more elaborately in the Company's Annual Report for the financial year 2009-10.

IV. Disclosures:

The shareholders are being informed of the remuneration package by way of explanatory statement as given above.

The information and disclosures of the remuneration package of the Board of Directors have been mentioned in the Annual Report in the Corporate Governance Report Section for the year ended 31st March, 2010.

The resolution along with the explanatory statement may also be treated as an abstract of the terms governing the re-appointment of the Managing Director and memorandum of interest under section 302 of the Companies Act, 1956.

By Order of the Board of Directors
For **NITCO LIMITED**

B. G. BORKAR
CFO & Company Secretary

3rd August, 2010
Mumbai





Innovation for a better life

Regd. Office: Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai – 400030.

PROXY FORM

DP & Client ID no.: No. of Shares:.....

Regd. Folio No.:

I / We.....of.....in the district of..... being a Member / Members of the above named company hereby appoint of in the district of or failing him / her..... of in the district of..... as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday the 15th day of September, 2010 at 11.00 a.m. and at any adjournment thereof.

Signed this day of 2010.



Signature of Member

Notes:

- 1. The Instrument of proxy duly stamped, signed and completed, must be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
- 2. The Proxy need not be a member of the Company.



Innovation for a better life

Regd. Office: Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai – 400030.

ATTENDANCE SLIP

DP & Client ID no.: No. of Shares:.....

Regd. Folio No.:

Full Name of the Member:

Full Name of the Proxy :

I hereby record my presence at the Annual General Meeting of the Company being held on Wednesday the 15th day of September, 2010 at 11.00 a.m. at M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400001.

Signature of Member/ Authorized Representative

Signature of Proxy

Notes: A Member / Proxy attending the meeting must complete this Attendance slip in legible writing and hand it over at the entrance. Sign at appropriate place as applicable to you.



BRAND NITCO

Nitco Limited | Annual report, 2009-10



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 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.

WHAT'S INSIDE...

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It was a year that reinforced our conviction that the most precious property in Nitco is Nitco itself.

NITCO

THE BRAND.

NITCO

THE RECALL.

NITCO

THE MINDSHARE.

Result: the Nitco brand helped protect our downside in 2009-10 and we expect it will maximise our upside over the foreseeable future.



**ENGAGED IN
THE BUSINESS OF
VITRIFIED TILES,
CERAMIC TILES
(WALL AND FLOOR),
MARBLE AND REALTY
DEVELOPMENT.**





Parentage

- The Company was incorporated in 1966 by Pran Nath Talwar and is currently managed by Vivek Talwar.
- The Company offers prominent flooring solutions with a presence in the manufacture and marketing of vitrified tiles, ceramic tiles, marble processing and realty development.
- The Company entered realty development through its wholly-owned subsidiary Nitco Realities Pvt. Ltd in 2007.

Presence

- Manufacturing unit located in Alibaug (Maharashtra) with an installed capacity of 1.80 Lakhs metric tons (MT) per annum
- Over 800 dealers, 18 sales and marketing offices and 23 warehouses
- Around 36 Le Studio Express franchisee showrooms and 14 exclusive display centres (Le Studio) across Tier-I and Tier-II cities
- Listed on the National Stock Exchange and the Bombay Stock Exchange in India
- Market capitalisation of Rs. 16,335 Lakhs as on 31st March 2010

Products

Vitrified tiles : The Company primarily sources premium tiles from large Chinese manufacturers and manufactures gres porcelain tiles.

Ceramic tiles : The Company's Alibaug manufacturing facility produces a diverse product mix of ceramic tiles (floor and wall tiles) including glossy, matt, wood, metal, stone, leather, rustic, dirt-free and glazed aqua finishes.

Marble : The Company sources multiple shades and patterns from Italy and other countries.

VISION

To be better and faster than everybody else in the business

HIGHLIGHTS, 2009-10

--	--

Launched premium Naturoc, a new gres porcelain floor tile category, manufactured for the first time in India and also launched premium wall tiles with highlighters

Installed an automatic palletiser to reduce handling breakages

MILESTONES

1966

Commenced the manufacture of cement tiles in Thane, Mumbai

1984

Commenced processing of imported marble

1997

Commissioned ceramic floor tiles unit in Alibaug (8,000 sq. mtr per day)

2001

Commenced the outsourcing of vitrified tiles from China

2002

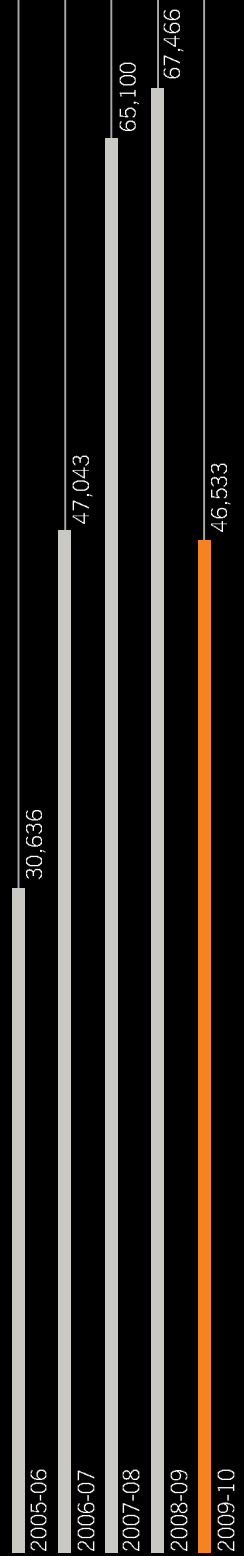
Received the Institute of Trade and Industrial Development – Quality Excellence Award for ceramic floor tiles

MISSION

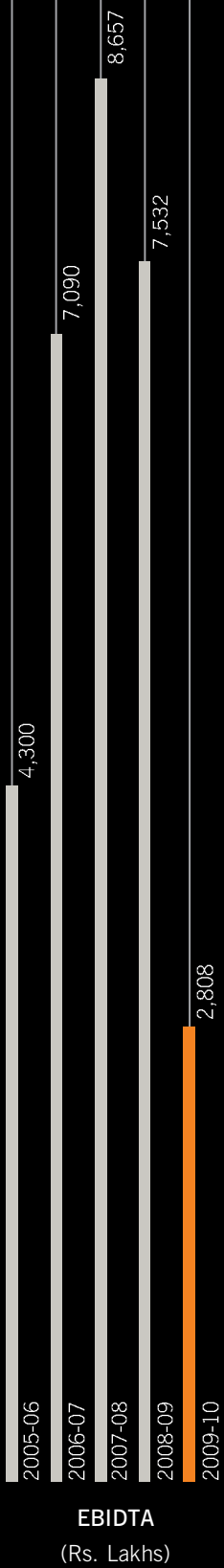
- To launch innovative and world class products to help customers realise their dreams
- To manufacture products of the highest quality which create a benchmark for the rest of the industry
- To be fast and flexible so as to be able to grasp opportunity in the fast-changing world
- To be transparent and fair to customers, shareholders, suppliers and employees in all our dealings

Embarked on the co-generation of 5.5 MW	Embarked on a marble processing plant at Silvassa	Certified for Integrated Management System (IMS), a combination of three standards – ISO 9001, ISO 14001 and OHSAS 18001 by TUV NORD		
2004	2006	2007	2008	2009
Upgraded the Alibaug plant for the manufacture of porcelain tiles	Mobilised Rs. 168 crores through an IPO; installed six windmills (7.5 MW) in Dhule	Ventured into realty development; launched 12 exclusive showrooms (Le Studio)	Embarked on the construction of an IT park in Thane; embarked on the creation of exclusive franchised showrooms (Le Studio Express); embarked on ceramic tile capacity expansion in Alibaug	Expanded retail presence to 14 owned Le Studio and 36 franchisee Le Studio Express showrooms; launched premium category tiles and wall tiles

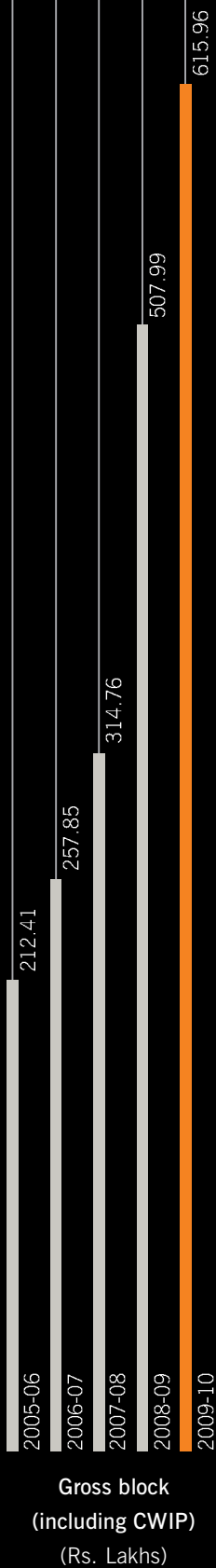
OUR NUMBERS



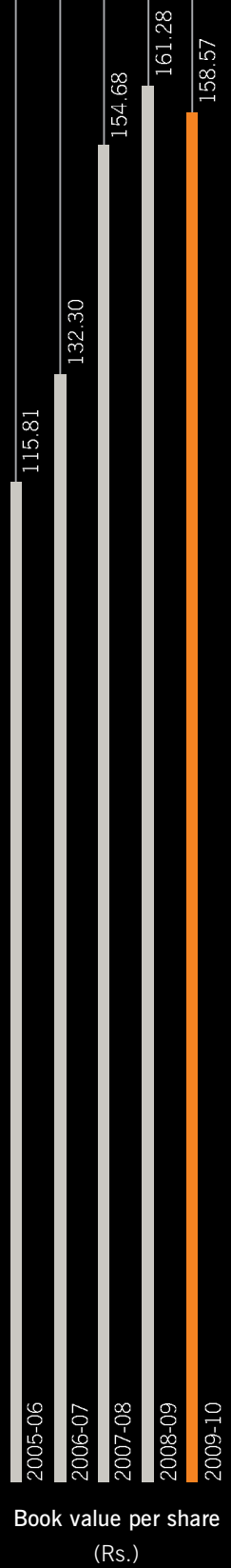
Income from operations
(Rs. Lakhs)



EBIDTA
(Rs. Lakhs)



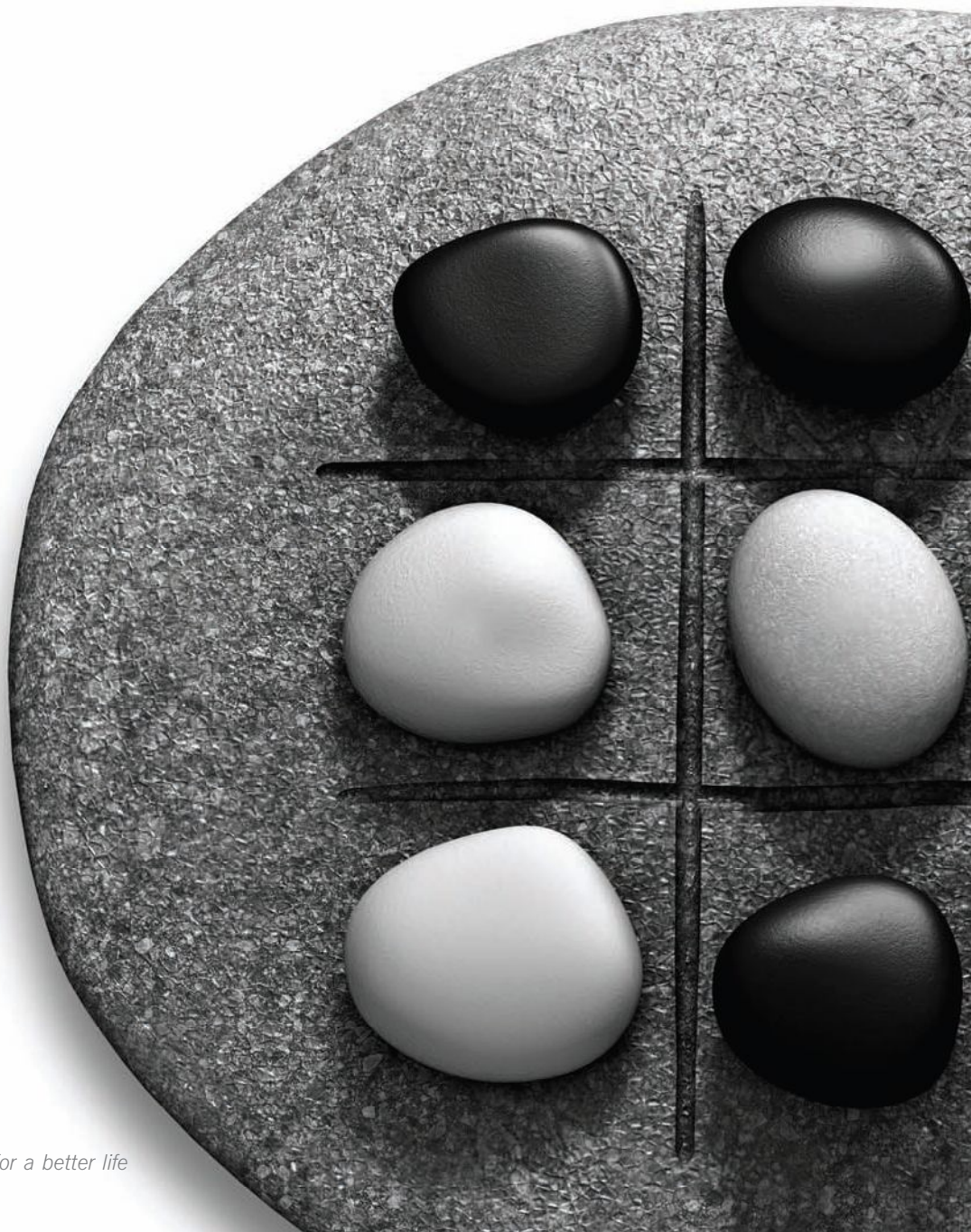
Gross block
(including CWIP)
(Rs. Lakhs)



Book value per share
(Rs.)

This is how we strengthened our business in a challenging year

SWITCH.





FOR YEARS, WE SUSTAINED OUR MANUFACTURING OPERATIONS IN ALIBAUG WITH MULTI-FUEL FEEDSTOCK.

Last year, we switched to the use of RLNG (natural gas). Our advantages: cleaner fuel, cheaper feedstock and proximate availability.

Besides, we are investing in a 5.5 MW waste heat recovery system to reduce power and fuel costs, which will reflect in our margins 2010-11 onwards. The project will help reduce carbon emissions and would therefore help protect the environment. The decision to invest in turbine was taken in view of the revenue from carbon credit.

2

NITCO WAS THE FIRST COMPANY WITHIN THE CERAMIC TILE INDUSTRY TO STORE FINISHED PRODUCTS IN WOODEN PALLETS, STRETCH-WRAPPED BY POLYTHENE FILMS TO PROTECT FROM SEVERE WEATHER CONDITIONS WHEN MOST COMPANIES STORE FINISHED PRODUCTS IN LOOSE CARTONS. BESIDES, NITCO WAS THE ONLY TILE COMPANY IN INDIA TO TRANSPORT THE FINISHED PRODUCT IN PALLETS.

As part of its technology upgradation programme, Nitco invested in a sophisticated pallet finishing line from Italy, comprising a fully automatic thermo shrinking technology covering the entire pallet with thermo shrink film. This will strengthen the packing, making it possible for pallets to be stored in the open.

This switch enabled the Company to 'increase' warehousing capacity and correspondingly reduce storage cost in high-cost locations like Mumbai, Delhi, Chennai and Bangalore, among others.

This is how we strengthened our business in a challenging year

LAUNCH.





3

FOR YEARS, WE IMPORTED VITRIFIED TILES ON THE GROUNDS THAT THIS WAS CHEAPER TO OUTSOURCE THAN MANUFACTURE DIRECTLY.

The imposition of an anti-dumping duty of Rs. 137 per sq. mtr on vitrified tiles altered the economics towards manufacture.

In 2009-10, the Company commissioned the manufacture of vitrified gres porcelain tiles with an installed capacity of 7,000 sq. mtr a day.

4

FOR YEARS, WE WERE RESPECTED BY OUR PRIMARY (RETAILERS AND INSTITUTIONAL) AND SECONDARY (CONSUMERS) CUSTOMERS FOR THE ABILITY TO INTRODUCE NEW PRODUCTS, DESIGNS, TEXTURES AND SIZES.

During a challenging 2009-10, this is one feature of our working that we consistently sustained.

The Company manufactured gres porcelain for the first time in the country and wall tiles. It also commissioned a polishing line for these manufactured glazed porcelain tiles.

These products attracted realisations ranging from Rs. 450 to Rs. 1,250 per sq. mtr, emphasising the Company's value-added positioning.

5

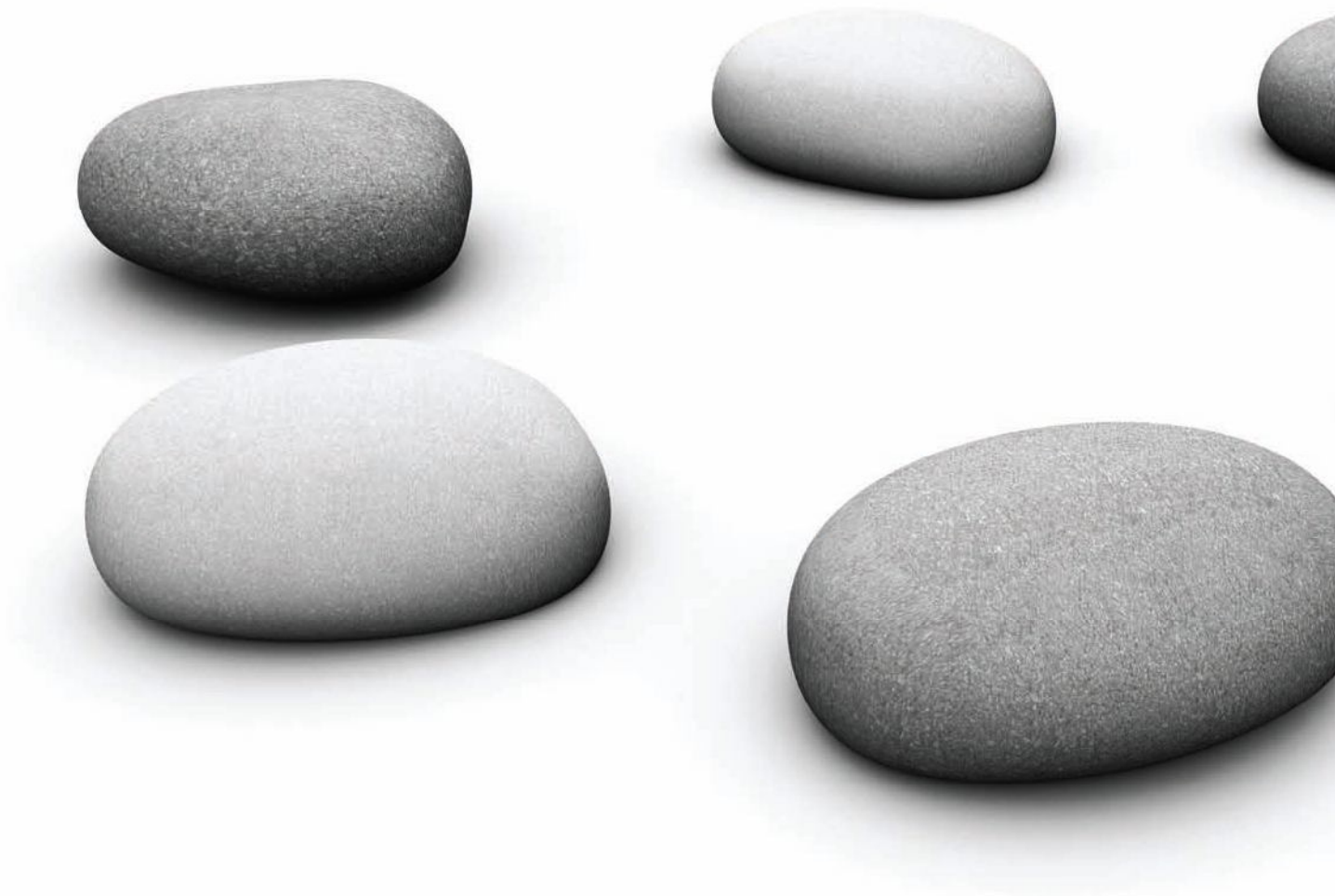
DURING THE COURSE OF THE CRISIS IN 2009, WE WERE AFFECTED BY ATTRITION IN OUR SALES AND MARKETING TEAM AND SUPPORT FUNCTIONS.

Rather than rush to plug the vacancy, the Company responded with an unusual strategy. It decided to train its existing team to enhance productivity without needing to recruit afresh across all the support functions.

The result was that our support functions are now being managed by a smaller team supported by IT systems, leading to informed decision making.

This is how we strengthened our business in a challenging year

CREATE.





6

FOR YEARS, WE NURSED OUR REAL ESTATE PORTFOLIO, WAITING FOR THE RIGHT JUNCTURE TO COMMENCE COMMERCIAL DEVELOPMENT.

The Company embarked on the decision to monetise the value of some of these properties in 2009-10.

The construction of around 2 lakh-sq. ft Thane business park is nearing completion, comprising outright sale and lease with one-time and sustainable revenue implications.

Following a recovery in the real estate market, the Company will evaluate opportunities for monetising some of its other real estate assets.

The full impact of these developments are expected to be realised over the next three years.

7

FOR YEARS, OUR EXPOSURE TO MARBLE PROCESSING WAS MAINLY THROUGH OUR PLANT IN KANJURMARG.

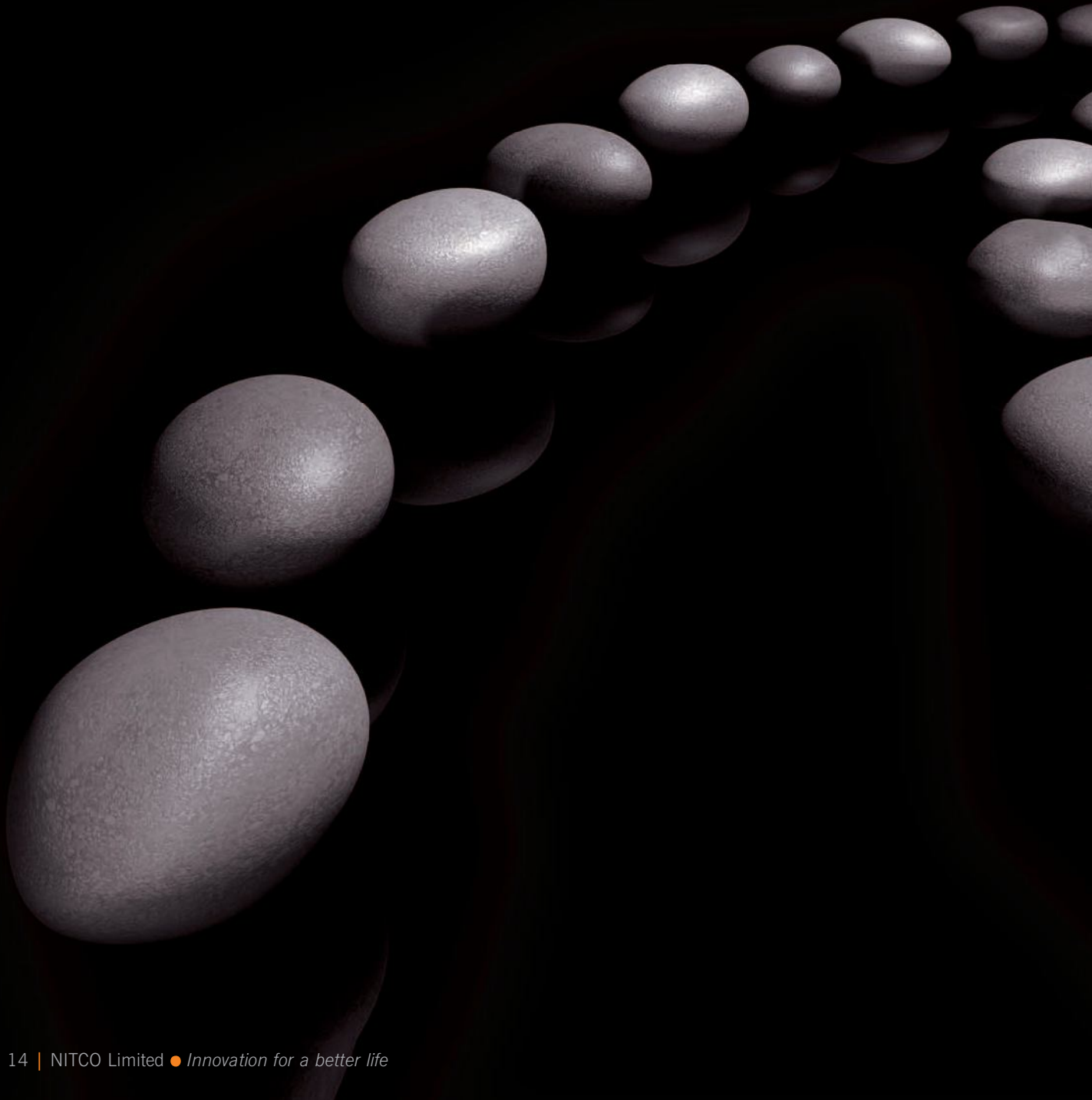
The Company expanded its state-of-the-art marble processing plant in Silvassa.

This state-of-the-art plant, comprising the latest gang saws and polishing line (mainly from Europe), will enable us to replace job-work assignments given out to other processors with captive processing, resulting in enhanced quality and timely product availability.

Besides, the unit enjoys attractive sales tax incentives, enhancing returns.

This is how we strengthened our business in a challenging year

EXPORT.





8

FOR YEARS, WE FOCUSED ON THE DOMESTIC MARKET WITH A SMALL PROPORTION OF OUR PRODUCTS DIRECTED AT EXPORTS.

During 2009-10, we strengthened our focus on exports to Saudi Arabia, Taiwan, Maldives, Mauritius and Italy. This was done in line with the conviction that our products are world-class and in line with the demanding standards of developed markets.

As a result, we expect to report a substantial increase in our exports 2011-12 onwards.

MD's review

“WE ARE MOVING FROM A VOLUME-DRIVEN TO VALUE-FOCUSED MODEL AND INTEND TO EMERGE STRONGER WITH A TOPLINE OF MORE THAN RS. 1,000 CRORES AND EBIDTA MARGIN OF MORE THAN 12-13% BY 2012-13”

Vivek Talwar, MD, reviews the Company's performance and prospects

Q. How would you describe the performance of the Company in 2009-10?

A. A search was conducted by the Directorate of Revenue Intelligence (DRI) on various the premises of our Company on 27th and 28th August 2009 to investigate certain import and export transactions. The DRI seized all our imported material lying at the ports and warehouses. As a result, the Company could not clear, sell or deal in imported material, sales declined sharply for nearly five months and this action impacted our second and third

quarters of the financial year under review.

The impact was visible in the numbers: the Company reported Rs. 16,002 Lakhs revenues in the first quarter, Rs. 9,461 Lakhs in the second, Rs. 8,931 Lakhs in the third and Rs. 12,139 Lakhs in the fourth. So against Rs. 67,466 Lakhs reported in 2008-09, the Company reported a revenue under-performance of Rs. 20,933 Lakhs, which correspondingly impacted our margins and profits.

Q. In what ways was the Company affected by the underperformance?

A. There were a number of ways in which the search affected our working:

- Loss of sale due to a non-availability of imported material for despatches
- Weaker trade sentiment, which prevented our dealers from stocking afresh
- Revenue deposit of nearly Rs. 2,500 Lakhs with the customs (paid under protest)
- Paid detention charge and demurrage (paid under protest) of Rs. 1,909.23 Lakhs.
- People attrition due to lingering corporate uncertainty

I have no hesitation in stating that this was the most challenging period in the history of our Company, one that would have normally sounded the death knell for most companies.

Q. How did the Company survive?

A. The Company survived due to a number of inherent strengths aggregated over the years.

One, our bankers supported us by providing required credit lines to enhance our liquidity.

Two, Nitco's brand equity established trust.

Three, we continued to service the needs of our customers (retail and institutional).

Four, we addressed all supply commitments at agreed rates without seeking to renegotiate.

Five, we continued to manufacture differentiated products, so we did not lose market share.

Six, all our planned capex projects

continued at full pace despite the DRI problem.

A combination of these initiatives helped the Company rebound in the last quarter of 2009-10.

Q. What is the principal message that you would like to send out to your shareholders?

A. Two messages really. One, as per the Customs Act, 1962, the Company is given an opportunity to explain its case only after the issuance of showcause notice by DRI. Although it is almost a year following the date of the search, no show cause notice has been received. The Company will decide on its future course of action following the receipt of the show cause notice. Two, despite all problems, we strengthened our business and I am optimistic that the benefits of this will be visible from the current financial year onwards.

Q. In what ways did the Company strengthen its business during the last financial year?

A. There were a number of ways in which we created a stronger Nitco to address the challenges and opportunities of the future.

One, we strengthened the confidence of the trade and I am pleased to state that as a result there was no dealer attrition in 2009-10. We now have a strong dealer network of more than 800 dealers.

Two, we countered the attrition of some support staff with enhanced training. As a result, the smaller team managed to address the challenges of the moment and subsequent growth without needing additional reinforcements through higher productivity.

Three, we utilised the temporary sales lull to resolve all pending issues with

our dealers, reinforcing their confidence and I am optimistic that effect of this will reflect in our growth in 2010-11.

Four, we participated in the Cevisama (Spain) trade exhibition in February 2010, showcased our world-class products and generated global orders, which enhanced our confidence.

Five, we launched various new tile designs, reinforcing our brand as an innovation-led company.

Q. How would you explain the improvement in performance during the last quarter of 2009-10?

A. We started liquidating our seized products from January 2010 and importing afresh from March 2010. The result was that dealers began to re-stock our products in the last quarter, strengthening our revenues 35.92% to Rs. 12,139 Lakhs over the immediately preceding quarter and margins from 1.24% to 7.24%.

Besides, we also received an increasing number of enquiries related to our real estate portfolio following an improvement in industry sentiment. These developments when put together resulted in the fourth quarter being a turnaround quarter for us in morale and performance. I am pleased to state that the growth has extended into the first quarter of 2010-11.

Q. What are the prospects of the Company's real estate business?

A. Nitco embarked on the development of land in Mumbai with the objective to unlock its latent value and generate sustainable revenues. About 2,00,000 sq. ft commercial property (certified green building) in Thane is near completion and a sale-cum-lease model will generate one-time revenues in addition to sustainable income.

Q. What is the road ahead for the Company?

A. There are a number of ways through which we are taking the performance rebound ahead. We are strengthening our senior management team through the appointment of a CEO, President (Sales) and Head of Supply Chain Management. We have a large product basket of wall and flooring material (ceramic tiles, gres porcelain tiles, vitrified tiles, wall tiles, natural marble and engineered marble), which we are confident will result in the best value proposition for our clients. We expect attractive revenues to be generated from our gres porcelain tile line, which is being manufactured for the first time in the country and marketed at reasonable prices. Our state-of-the-art marble processing plant in Silvassa is being recognised as world-class with few other global equivalents, which should generate attractive revenues from 2010-11. Besides, our 50 showrooms will result in a wider display of material, resulting in an increasing offtake. A combination of both should help us generate a respectable topline, based on our existing capital investments coupled with healthy margins, resulting in attractive value in the hands of our shareholders.

Q. What is the vision for the Company?

A. It took us less than a decade to move from number seven in the industry to number two. We expect to sustain the momentum and emerge as the number one tile Company in India in revenues, volume and customer-fit over the foreseeable future. We grew revenues at 30-40% compounded over the last seven years and we expect to sustain this growth rate 2010-11 onwards, leading to US\$1 billion in revenues by 2017.

OUR STRENGTHS

One-stop

The Company provides comprehensive wall and flooring solutions comprising vitrified tiles, ceramic tiles and marble (natural and engineered). The Company is also engaged in realty development.

Brand

The Company enjoys the brand of an innovator, having launched several pioneering designs in India.

Leadership

The Company is a leading player in western India.

Realty

The Company possesses a large land bank in and around Mumbai, which will be used for commercial and residential development.

Value-addition

The Company focuses on a value-added product mix; nearly 76% of its wall and flooring solutions were derived from products generating realisations in excess of Rs. 400 per sq. mtr

Business model

The Company has a flexible business model – products are either manufactured or outsourced for sale, making it easier to respond to marketplace developments with speed.

Integrated

The Company's 5.5 MW power plant will provide 100% of the Company's requirements at its tiles manufacturing plant at Alibaug in Maharashtra (power accounts for 11.36% of the Company's manufacturing cost).

Location

Raw materials are easily available. Western and southern markets account for 80% of revenues whereas North India accounts for 15% and East India accounts for 5%

Global

The Company exports products to eight countries namely Bahrain, Mauritius, UAE, Qatar, Oman, New Zealand, West Indies and the United Kingdom (UK).

Distribution

The Company's products are distributed across India through a network of more than 800 dealers and 18 sales-cum-marketing offices.

Retail

The Company's retail presence is marked by the ownership of 14 exclusive display showrooms (Le Studio) and 36 franchised showrooms (Le Studio Express).

Portfolio

The Company's products are available from the mid to premium end for ceramic tiles (Rs. 350 to Rs. 900 per sq. mtr), vitrified tiles (Rs. 450 to Rs. 1,900 per sq. mtr) and gres porcelain (Naturac) tiles (Rs. 800 to Rs. 1,250 per sq. mtr).

Bankers

The Company's bankers represents a solid support for emergency and ongoing funding needs.

Institutional clients

Nearly 40% of the Company's revenues in 2009-10 were generated from institutional clients like DLF, Hiranandani, Raheja, Pantaloons, Oberoi Constructions, Godrej Properties, Reliance Retail and Unitech, among others.

MANAGEMENT DISCUSSION AND ANALYSIS



THE FINANCIAL YEAR 2009-10 WAS a challenging year for your Company following a search by the Department of Revenue Intelligence on the Company's premises leading to the seizure of imported material belonging to the Company lying at the ports and warehouses. The result of this unexpected action was a virtual freeze on the sale of imported material for around five months, resulting in a revenue decline by 31.03% in 2009-10 when compared with the previous year.

The result was a decline in the sale of vitrified tiles by 40.88% to Rs. 20,188 Lakhs and of marble by 42.09% to Rs. 7,875 Lakhs, which was partly offset by an increase in the offtake of

ceramic floor and wall tiles from Rs. 15,049 Lakhs to Rs. 18,471 Lakhs. The result was a 62.73% decline in earnings before interest, taxes, depreciation and amortisation (EBIDTA) to Rs. 2,808 Lakhs corresponding to an EBIDTA margin of 6.97%.

Following the release of seized material, the Company is attractively placed to report a revenue rebound in 2010-11 and after for the following reasons:

- Your Company is a complete flooring solution provider (ceramic and vitrified tiles and marble).
- Your Company consistently distinguished itself from the broad tile industry through a focus on the

premium tile segment through a combination of in-house manufacturing and selective outsourcing.

- Your Company largely focused on the retail market to derisk from a dependence on a few institutional customers and enhance realisations.
- Your Company consistently invested in its product portfolio through periodic product launches.
- Your Company widened and deepened its national footprint through the launch of 50 Le Studios (14 owned and 36 franchisee based Le Studio Express) across Tier I and Tier II cities.
- Pan-India sale with a network of over 800 dealers, 18 sales and marketing offices and 23 warehouses.

Our contribution to the national exchequer

(Rs. in Cr)

	2009-10	2008-09	2007-08	2006-07	2005-06	Total
Revenue	465.33	674.66	651.00	470.43	306.36	2,567.78
Contribution to Exchequer						
Excise duty/Service tax	13.74	10.38	12.06	11.99	8.08	56.26
Customs duty (excluding revenue deposit)	25.09	57.72	69.09	62.58	29.26	243.73
VAT/octroi	49.62	65.14	65.24	53.04	29.80	262.84
Income tax	–	4.82	10.52	6.33	2.48	24.15
Dividend Distribution Tax	–	0.55	1.09	1.09	0.31	3.04
Total	88.45	138.60	158.00	135.04	69.94	590.03
Percentage of contribution to Exchequer to revenue	19%	21%	24%	29%	23%	23%

Our Company is the highest contributor to custom revenue amongst the tiles sector

Highlights, 2009-10

Increasing production

- The Company increased its ceramic tiles production from 0.83 Lakhs MT in 2008-09 to 1.18 Lakhs MT in 2009-10.

Value addition

- The Company generated 76% of its revenues from the valued-added segment, higher than the corresponding average for peer companies. The average sales realisation of ceramic floor/wall tiles was Rs. 396 per sq. mtr, for vitrified tiles Rs. 482 per sq. mtr and for marble Rs. 285 per sq. ft.

Enhancing product portfolio

- Launched the premium Naturoc gres porcelain floor tile (600 x 600 mm), manufactured for the first time in India
- Pioneered the introduction of the 600x600 mm Lapato finish tiles in India

- Pioneered the introduction of a coloured body in Lapato as well as a coloured body in glazed porcelain tile
- Pioneered the introduction of fully polished glazed porcelain tiles
- Ventured into the manufacture of wall tiles (250x300 mm and 600x300 mm) from September 2009 and exclusive highlighters

Strengthening retail network

- Retail to institutional sales at 60:40 in 2009-10
- Maintained 50 showrooms (14 owned, 36 franchised) in 2009-10
- Strong base of more than 800 dealers

Real estate development

- Business park in Thane of around 2,00,000 sq. ft is nearing completion.

Outlook

Your Company expects to strengthen its business through the following

initiatives in 2010-11:

- Increase showrooms to 100 Le Studios in the next one year
- Increase retail revenues to 70% of turnover, enjoying 15% higher realisations than the institutional segment
- Commission the wasteheat generation plant of 5.5 MW
- Commission a 48 head polishing line to produce fully polished glazed porcelain tiles for the first time in India
- Commission a world class marble processing plant in Silvassa
- Sustain first quality tile production at 85-90%
- Strengthen succession planning across all teams
- Complete automation in the area of raw material handling

INDUSTRY OVERVIEW

Global ceramic tiles industry

The global ceramic tile industry (worth US\$36 billion) is growing at 6% annually. Production is dominated by Brazil, Italy, Spain and China (produces 40% and consumes 34% of the global ceramic tiles output). Italy's ceramic tile output and sales are expected to decline 22% and 18% in 2010, Germany's tile production declined 18% in 2009 and Spain's ceramic tile output and sales decreased 55% and 37% in 2009 owing to the global slowdown (*Source: theceramic.com, March 2010*). The growth of the global ceramic tile industry was affected by the following factors:

- **Raw material cost:** The cost of clay (key input for the industry) increased following a rise in fuel costs.
- **Fuel cost:** The increase in oil price affected input and distribution costs.
- **Currency volatility:** Currency fluctuation affected global trade in the industry.

Indian economy overview

The Indian GDP of US\$1,217 (1.96% of the world economy) grew 7.4% in 2009-10 compared with 6.7% in 2008-09 following strong fiscal stimulus, monetary easing, improving consumer confidence, return of risk appetite and large capital inflows. The real turnaround happened in the last

quarter of 2009-10, when the economy grew 8.6%. India's gross domestic savings declined from 36.4% in 2008 to 32.5% in 2009 whereas gross domestic capital formation declined from 37.7% in 2008-09 to 34.9% in 2009-10. The per capita income of the Indian economy grew 10.5% from Rs. 40,141 in 2008-09 (*Source: Economic Times*) to Rs. 44,345 in 2009-10. Going ahead, the Finance Ministry estimated 8.5% GDP growth in 2010-11 with fiscal deficit declining to 4.8% of GDP in 2011-12 and further to 4.1% in 2012-13. India's GDP is set to quadruple over ten years with the economy size at Rs. 205 trillion (US\$4.5 trillion) by 2020 (*Source: Edelweiss report*).

Encouraging highlights

- India was ranked third in global foreign direct investment in 2009 and will continue to remain among the top five attractive destinations for international investors during 2010-11 (Source: *United Nations Conference on Trade and Development*). FDI equity inflows in 2009-10 were US\$26 billion with housing and real estate (third highest) attracting FDI worth US\$2.8 billion (Source: *DIPP*).
- India is expected to become the world's fifth-largest consumer by 2025 (Source: *McKinsey*).
- India's retail sector is likely to grow to US\$419.93 billion by 2015 (Source: *McKinsey*).

Indian ceramic tile industry

India is among the top five ceramic tile manufacturing countries. India's tile production is around 390 million sq. mtr a year, with a 20% increase in 2009 compared with the previous year (Source: *theceramics.com*), outperforming the global average of 6% (Source: *Indiansharemarket.com*). The ceramic tile industry comprises wall tiles (market share 35%), floor tiles (12%), vitrified and porcelain tiles (53%) (Source: *Indiansharemarket.com*). The unorganised sector accounts for approximately 60% of the ceramic tile segment. India's per capita consumption of ceramic tiles is around 0.36 sq. mtr compared with 2 sq. mtr in China.

Industry drivers: The Indian ceramic tile industry is expected to register robust growth due to the following drivers:

- **Real estate:** The US\$2.8-billion FDI (2009-10) in Indian real estate will catalyse the tile industry. The medium housing segment is expected to grow at a CAGR of 25%, while luxury housing at 33% during 2009-13.

- **Commercial space:** The commercial market (including IT/ITeS, BPO, banking and financial services, pharmaceutical and telecom) in India is expected to grow at 20-22% over the next five years (Source: *Cushman & Wakefield report*) in cities like Delhi, Bangalore, Mumbai, Chennai and Hyderabad, among others.

- **Retail:** The US\$353-billion Indian retail market is the world's fifth largest and expected to grow to US\$543.2 billion by 2014. The organised retail segment is likely to grow around 15% by 2015 (Source: *McKinsey*) covering 323 million sq. ft by 2012 across 400 new malls (Source: *Fortune Research*).

- **Healthcare:** The healthcare sector is expected at US\$76.4 billion in 2012-13 from US\$38 billion in 2008-09 (Source: *Fortis Healthcare*) following an infrastructure development of Rs. 1,300 billion.

Revenue from this sector is likely to reach 8% of the GDP (from the current 5%) by 2012.

- **Hospitality:** As India emerges as a preferred tourist destination, the number of branded hotel rooms is expected to double in three years. The demand and capital investment in the travel and tourism sector is likely to grow 8.2% and 8.8% in another nine years.

- **Affluence:** The average net worth of the Indian household is expected to grow from US\$12,000 in 2007 to US\$57,000 in 2017. Moreover, India has been urbanising at 28%, faster than its population growth (Source: *Indian urban poverty report*). Discretionary spending in lifestyle and premium products is expected to increase to around 70% of most of the household expense pie by 2025 (Source: *Emkay research report*).

The business

Nitco is engaged in the manufacture and marketing of ceramic tiles (wall and floor), Naturoc (gres porcelain tiles), vitrified tiles, marble as well as real estate development. Revenue contribution from vitrified tiles was 43.38%, followed by ceramics 39.70% and marble 16.92%.

Vitrified tiles: This is the largest product segment for the Company. The Company has a sourcing arrangement with large vitrified tile manufacturers in China to address increasing demand across dimensions (600 x 600 mm, 800 x 800 mm, 1000 x 1000 mm and 1200 x 600 mm) in the premium segment. The Company also tied up with some manufacturers in Gujarat for the supply of wall tiles and entry-level vitrified tiles.

Ceramic tiles: This is the second largest product segment of the Company. Floor tiles are available in four sizes (300x300 mm, 445x445 mm, 600x300 mm and 600x600 mm) whereas wall tiles are available in two sizes (250x300 mm and 600x300 mm) in glossy, matt, wood, metal, stone, leather and rustic finishes. The Company launched 70 exquisite concepts across 135 SKUs categorised into five series in 2009-10. The wall tiles were complemented with highlighters. The average sales realisations of ceramic floor tiles increased from Rs. 356 per sq. mtr in 2008-09 to Rs. 396 per sq. mtr in 2009-10.

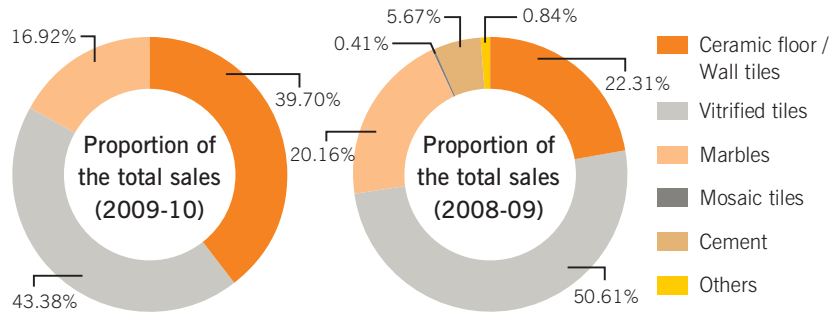
Marble: This is the third largest product segment of the Company. Marble is imported mainly in the form of blocks and processed. The Company markets natural and engineered marble to customers across 100 shades at the Company's unit at Kanjurmarg and

Silvassa. Your Company enjoys one of the highest market shares of marble imports in India (12.2%). The average sales realisations increased from Rs. 245 per sq. ft in 2008-09 to Rs. 285 per sq. ft in 2009-10.

Naturoc: This is the newest addition to the Company portfolio. The gres porcelain tile was manufactured for the first time in India by the Company in 2009, substituting imported tiles from Italy and Spain. This tile was manufactured in the 600x600 mm size across more than 40 natural designs and textures with a semi-glossy look.

Realty development: The Company's real estate development business is routed through its 100% subsidiary Nitco Realities. The subsidiary is engaged in developing properties in and around Mumbai for residential and

commercial purposes. As a step towards unlocking value from these investments, the Company is building a 200,000 sq. ft commercial premises in Thane with outright sale-cum-lease implications.



Success drivers 1



IN A COMPETITIVE VOLUME-DRIVEN business it is imperative to operate the plant at a high efficiency with the objective to maximise the production of first-through tiles, reduce waste and derive operational efficiencies. The Company has a tile manufacturing unit at Alibaug (installed capacity 1.80 MT per annum) and marble processing units at Kanjurmarg and Silvassa.

The Company's tile range comprised glossy, matt, wood, metal, stone, leather and rustic finish tiles, among others.

The Company reported a higher manufacturing effectiveness during the year.

- Optimised continuous ball mill running hours
- Implemented superior heat installation in all the hot surfaces to reduce heat loss
- Improved automation and instrumentation systems
- Used energy efficient lighting
- Used translucent roof sheets to enhance the use of natural light
- Commissioned co-generation to reduce the use of finite fuels and reduce emissions
- Commissioned effluent water recycling
- Explored energy saving opportunities with SACMI

GAIL started supplying RLNG, a cheaper and cleaner fuel.

Water consumption declined from 1,82,830 cu. m in 2008-09 to 1,54,660 cu. m in 2009-10 as a big tank was built in the factory to collect rainwater and dam overflow for

onward use following filtration. Specific water consumption declined from 1.943 cu .meter/MT to 1.164 cu .meter/MT in 2009-10.

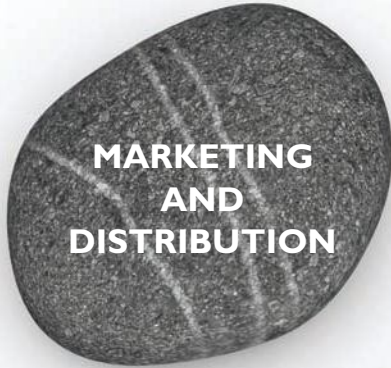
The Company strengthened the environment friendliness of its operations. The Company was certified for ISO 9001, ISO 14001 and OHSAS 18001 in 2009. In the years leading to 2009-10, the Company invested in pollution-mitigating assets like dust collectors and scrubbers, strengthening the green cover, recycling treated effluents, enhancing the proportion of 15% recycled paper in packaging cartons and reusing wooden pallets.

Going forward, the Company will commission its co-generation plant of 5.5 MW capacity. A 48 head polishing line will be commissioned to produce fully polished glazed porcelain tiles. World class marble processing unit at Silvassa will commence in 2010-11 and the Company will automate raw material handling.

Nitco's energy-efficiency is reflected in the following numbers:

	2009-10	2008-09	2007-08
Electricity (in kwh per MT)	227	235	259
Thermal (in M kcl/MT)	1.41	1.55	1.56

Success drivers 2



IN THE BUSINESS OF FLOORING solutions, it is imperative to market and deliver products to consumers in the quickest and most effective way. Nitco enjoys a pan-India presence – over 800 dealers, over 5,000 retail outlets, 18 sales and marketing offices and 23 warehouses – that makes it possible to provide material on demand across a wide sales footprint.

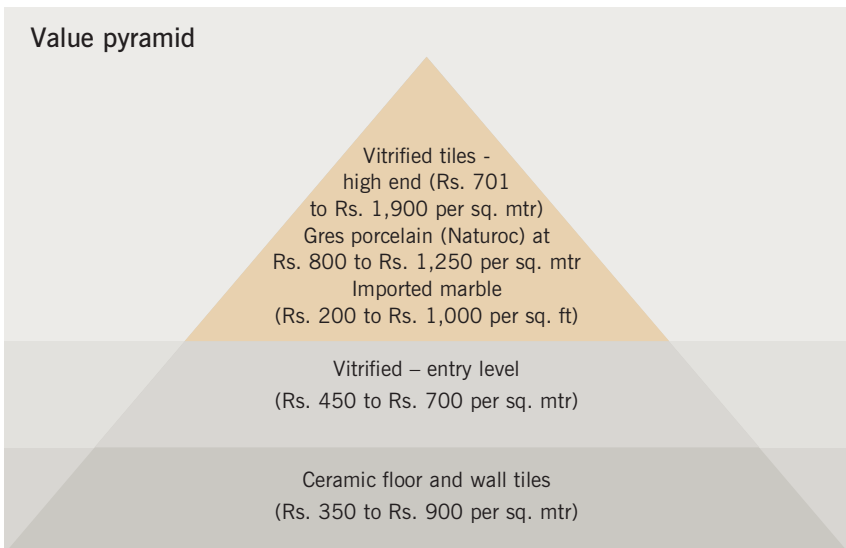
Your Company has 14 Le Studio (owned showrooms) in all metro cities and 36 Le Studio express stores (franchised showrooms) in Tier-I and Tier-II cities like Ahmedabad, Bardoli (Gujarat), Goa, Chandigarh, Chennai, Kolkata, Nasik, Pune, Coimbatore, Cochin, Trivandrum, Madurai, Hyderabad, Indore, Mumbai, Sonapat, Agra, Gurgaon, Jaipur, Bangalore, Hosur, New Delhi and Lonavala, among others. Your Company plans to increase its footprint to 100 showrooms in the next year.

The Company strengthened its merchandising and branding to promote the product through various trade magazines, bus-backs and catalogues in 2009-10. It participated in exhibitions in India and abroad; it organised 'Mega 10', one of the largest B2B activities in India to launch Naturoc and wall tiles across 10 cities (Chandigarh, Delhi, Mumbai, Ahmedabad, Kolkata, Pune, Hyderabad, Chennai, Bangalore and Cochin). The event was attended by over 12,000 business partners including prominent architects, builders, interior designers, dealers and media.

The Company marketed premium products to the retail segment and mid-end and high-end products to institutional clients. The proportion of retail to institutional clients was 60:40 in 2009-10 and is targeted at 70:30 in the next one year.

The result of these initiatives was that the Company retained its leadership position in western India. Western and Southern zones accounted for a cumulative 80% of the Company's revenues in 2009-10.

The Company's focus on value-addition was reflected in a 11.08% increase in realisation per sq. mtr across ceramic tiles. Nearly 76% of the Company's ceramic tile and vitrified output can be classified as value-added, one of the highest such proportions among Indian tile manufacturers. The Company launched gres porcelain tiles in the range of Rs. 800 to Rs. 1,250 per sq. mtr and implemented a polishing line for enhanced value-addition during the year under review, reinforcing this positioning.



List of major institutional clients, 2009-10

Reliance Industries Ltd	Indiabulls Properties Pvt Ltd	Unitech Ltd	Runwal Developers P. Ltd
Larsen & Toubro Ltd	Shapoorji Pallonji & Co. Ltd	Godrej Properties Ltd	Nitesh Estates
IVRCL Infrastructure & Projects	Lodha Developers Pvt. Ltd	Kalpataru Limited	Prestige Group
DLF Group	Lanco Hills Tech Park Pvt Ltd	Ramky Infrastructure Ltd	Nagarjuna Construction Company Ltd
Hiranandani Construction	K. Raheja Universal	Peninsular Land Ltd	
Mahindra Lifespace Developers Ltd	Oberoi Realty Ltd	Lokhandwala Construction I. Ltd	
	Shobha Developers Ltd	Rustomjee Development	

Success drivers 3



IN THE BUSINESS OF FLOORING solutions, it is imperative to spread one's market presence beyond India for a number of reasons: reduce the Company's risk from an excessive sales dependence on one market, address any upturn in different markets, reach premium buyers in these markets and use the Company's presence in these international markets to gain an insight into prevailing international trends.

To raise its international visibility, the Company participated in the world's largest ceramic tile fair called

CEVISAMA in Spain in February 2010. The Company showcased its gres porcelain and wall tile products in the exhibition supported by e-catalogues and swatch folders. The gres porcelain (Naturoc) and engineered marble product (Techno Marb) attracted a favourable response.

The major proportion of exports were made to UAE and Oman where the Nitco brand continued to be prominent; the Company exported to the UK, New Zealand and the Caribbean for the first time, emphasising its global competitiveness

Success drivers 4



IN THE BUSINESS OF FLOORING solutions where the product is showcased visibly and is generally used extensively, the product must not only look impeccable but must also demonstrate a robust performance over time.

The Company strengthened its quality management through the following initiatives:

- The input body and glazed raw materials were subjected to stringent quality checks.
- The Company appointed qualified geologists to regularly visit mines from which the Company prospected raw material (clays) to certify whether the material was indeed fit for use.
- The Company invested in a godown to store and age raw material scientifically.
- The Company invested substantial resources and funds in a sophisticated quality control laboratory and quality management engineers.
- The Company was the only one in India to perform quality checks online

and sort finished products using sophisticated equipment.

This priority was reflected in the following results: the proportion of quality material was maintained at a high 85% in 2009-10; the Company reported an average ceramic floor tile realisation in 2009-10 that was 11.08% higher than in the previous year. Besides, the Company enlisted reputable institutional clients like Indiabulls Properties Pvt. Ltd, Mahindra Lifespace, Lanco Hills Tech Park Pvt. Ltd and Ramky Infrastructure Ltd during the course of the year, testifying to its attractive price-value proposition.

The Company received the Construction World Award in 2008 and 2009.



IN A BUSINESS MARKED BY A number of raw materials, products, designs, patterns, sizes, locations and customers, it is imperative to wire the organisation for informed decision making.

The Company invested in SAP ECC 5.0 to strengthen its business processes (sales, manufacturing, distribution, financial accounting, costing, HR and administrative), build a scalable IT infrastructure to meet growing business requirements and to enhance customer relationships through innovative ways and, reflected in the following improvements:

- Invested around Rs. 1,000 Lakhs in IT infrastructure development in the last five years
- Reinforced the IT backbone with multiple servers and storage systems, MPLS connectivity across all locations, Lotus Domino email system integrated with Blackberry Enterprise Server, robust and secure IT application platforms and SAP Disaster Recovery center at Chennai for business continuity.
- Reduced inventory and supply chain costs; reduced response time through automated supply chain from vendor to Nitco (outsourcing supply chain) and from Nitco to depot (distribution

supply chain)

- Generated information in real time resulting in a better understanding of ground realities
- Generated visibility of online stocks and order status across the depots
- Extended the online stock visibility from SAP and direct order placement, to key dealers through an exclusive web portal
- Developed a portal based showroom activity management system to track the status of all walk-in customers visiting Nitco showrooms and manage the relationships through this online portal; automated the branding and showroom display to help the marketing team
- Automated call centres for sample, catalogue and product enquiries
- Introduced SAP to manage logistics, purchase, stores, accounts, manufacturing, HR and all the back-end business processes in the accounts section at all branches, offices and factories
- Installed network perimeter security through firewalls, anti-virus and anti-spam protection at all server sites as well as at all end points, virtual private network to access all applications, implemented information security policies such as password changes; blocked USB ports at end points, information access, among others.

Highlights, 2009-10

- Established video conferencing at Gurgaon, Chennai, Alibaug, Kanjurmarg and Worli to minimise physical travel
- Shifted the in-house server data centre to the external agency to increase uptime and reliability
- Established MPLS network connectivity at all the branches

- Established an online portal for dealers to place orders and check stock
- Rendered order dispatch details to dealers, customers and sales executives through SMS alerts
- Revamped the Company's website in 2009-10
- Improved the supply chain through automation
- Developed an intranet portal for the benefit of employees and administrative processes
- Reduced 14 servers to 2 through server virtualisation technology to save power and maintenance costs

Five benefits of IT

1. Improved stock control through SAP
2. Achieved accuracy in accounts through SAP
3. Automated processes, quickening response time, simplifying processes and eliminating manual interventions
4. Exercised better control over pricing decisions through discount approvals, credit limit checks and approvals
5. Enhanced use of video conferencing, web presence and dealers' portal

Way ahead

The Company plans to extend SAP facilities to all the divisions, extend online stock availability and order placements through Blackberry phones, implement Business Intelligence and CRM systems, strengthen customer relationships and marketing, reduce the outsourcing cost of the payroll system by implementing SAP Payroll module, install IP Surveillance system at Silvassa and Alibaug factories and extend video conferencing to other offices.



FINANCIAL ANALYSIS

THE COMPANY PREPARED THE financial statements under the historical cost convention in accordance with generally accepted accounting principles and relevant provisions of the Companies Act 1956, as adopted by the Company. The accounts were prepared on a going concern basis.

Revenues

Your Company's gross revenues declined 31.03% from Rs. 67,466 Lakhs in 2008-09 to Rs. 46,533 Lakhs in 2009-10 due to Department of Revenue Intelligence (DRI) action in August 2009 which resulted in the suspension of the sale of imported

products (vitrified tiles and marble) for more than five months. However, the Company mitigated this impact through the introduction of wall tiles, gres porcelain tiles and the commissioning of a polishing line during the course of the year.

Revenues

	2009-10	2008-09	2007-08
Vitrified tiles			
Sales (in Lakhs sq. mtr) per annum	41.84	62.67	67.14
Sales value (Rs. Lakhs)	20,188	34,144	33,316
Average realisation (in Rs. per sq. mtr)	482.47	544.83	496.21
Ceramic tiles			
Sales (in Lakhs sq. mtr) per annum	46.67	42.24	45.78
Sales value (Rs. Lakhs)	18,471	15,049	14,633
Average realisation (in Rs. per sq. mtr)	395.74	356.27	319.62
Marble			
Sales (in Lakhs sq. ft) per annum	27.67	55.40	56.41
Sales value (Rs. Lakhs)	7,875	13,598	12,818
Average realisation (in Rs. per sq. ft)	284.57	245.45	227.26

Product-wise analysis

Vitrified tiles

- Income from vitrified tiles declined by 40.88% from Rs. 34,144 Lakhs in 2008-09 to Rs. 20,188 Lakhs in 2009-10 driven by volume reduction of 33.23% from 62.67 Lakhs sq. mtr in 2008-09 to 41.84 Lakhs sq. mtr in 2009-10
- Realisations declined 11.45% from Rs. 544.83 per sq. mtr in 2008-09 to Rs. 482.47 per sq. mtr in 2009-10

Ceramic tiles

- Income from ceramic tiles increased by 22.74% from Rs. 15,049 Lakhs in 2008-09 to Rs. 18,471 Lakhs in 2009-10
- Realisation increased 11.08% from Rs. 356.27 per sq. mtr in 2008-09 to Rs. 395.74 per sq. mtr in 2009-10

Marble

- Income from marble dropped 42.09% from Rs. 13,598 Lakhs in 2008-09 to Rs. 7,875 Lakhs in 2009-10 due to volume reduction of 50.05% from 55.40 Lakhs sq. ft in 2008-09 to 27.67 Lakhs sq. ft in 2009-10
- Realisations increased 15.94% from Rs. 245.45 per sq. ft in 2008-09 to Rs. 284.57 per sq. ft in 2009-10

Revenues by region: Your Company's revenues are mainly derived from domestic sales – 50% West, 30% from South, 15% from North and 5% from East. Exports accounted for a mere 0.78% of the total sales in 2009-10 (previous year 2.74%) due to an organisational disruption.

	2009-10	2008-09
Domestic	461.72	656.20
Export	3.61	18.46

Revenues by source: Other income increased from Rs. 9 Lakhs to Rs. 30 Lakhs in 2009-10, the increase mainly due to increased rent received from the extra office space given out. Other income accounted for only 0.07% of the total income, indicating the importance of the Company's core business.

Margins

The Company's EBIDTA declined 62.73% from Rs. 7,532 Lakhs in 2008-09 to Rs. 2,808 Lakhs in 2009-10, whereas EBIDTA margins declined from 12.44% to 6.97% mainly due to a decline in sales which affected the Company's ability to cover

its fixed costs effectively. PAT declined significantly from Rs. 24.97 crores in 2008-09 to Rs. (8.71) crores in 2009-10; PAT margin declined from 4.12% to (2.16)%.

Cost analysis

Your Company's total cost (excluding depreciation and interest) decreased 28.70% from Rs. 59,092 Lakhs in 2008-09 to Rs. 42,133 Lakhs in 2009-10 mainly owing to a decline in the overall business.

Cost of raw materials: The total raw material costs declined 40.53% from Rs. 38,678 Lakhs in 2008-09 to Rs. 23,000 Lakhs in 2009-10. Raw material costs, as a proportion of net sales, decreased 685 bps and accounted for 51.21% of net sales as the percentage of manufactured goods was higher compared with the previous year.

Stores consumed: Total stores consumed declined 8.13% from Rs. 529 Lakhs in 2008-09 to Rs. 486 Lakhs in 2009-10, while stores, as a percentage of net sales, increased marginally by 29 bps.

Power and fuel: Power and fuel increased 6.58% from Rs. 2,825 Lakhs in 2008-09 to Rs. 3,011 Lakhs in 2009-10; cost, as a percentage of sales, increased 246 bps due to higher ceramic tiles sales.

Personnel costs: Personnel costs increased 6.38% from Rs. 2,921 Lakhs in 2008-09 to Rs. 3,107 Lakhs in 2009-10 owing to an increase in recruitment and salaries. Personnel cost, as a percentage of net sales, increased 253 bps due to lower sales.

Administrative expenses: Administrative expenses increased 1.64% from Rs. 2,536 Lakhs in 2008-09 to Rs. 2,578 Lakhs in 2009-10; the cost head increased 193 bps as a percentage of net sales.

Selling and distribution expenses: Selling and distribution expenses declined 14.23% from Rs. 11,603 Lakhs in 2008-09 to Rs. 9,951 Lakhs in 2009-10 owing to decline in business throughput, while the cost, as a percentage of net sales, grew 474 bps due to fixed nature of certain expenses.

Interest and other financial charges

Interest and other financial charges (net) declined 33.58% from Rs. 2,356 Lakhs in 2008-09 to Rs. 1,565 Lakhs in 2009-10 due to an increase in foreign exchange gains of Rs. 302.46 Lakhs. Interest cover declined from 3.2x in 2008-09 to 1.79x in 2009-10 due to a decline in profits.

Depreciation

The Company provided depreciation on the straight line method in accordance with and at the rates prescribed in the Companies Act 1956. Depreciation provision increased significantly by 46.68% from Rs. 1,441 Lakhs to Rs. 2,114 Lakhs in 2009-10 due to an increase in gross block for expansion at the ceramic tiles plant at Alibaug during the course of the year under review.

Tax

No tax was provided during the year owing to the loss.

Balance sheet items

Share capital

Your Company's share capital was Rs. 3,212 Lakhs (3.21,23,552 equity shares of Rs. 10 each) as on 31st March 2010, which remained unchanged during the year.

Reserves and surplus

Reserves and surplus declined from Rs. 48,597 Lakhs in 2008-09 to

Rs. 47,726 Lakhs on account of the loss in operations during the year.

Loan funds

Secured/unsecured loans increased from Rs. 29,113 Lakhs in 2008-09 to Rs. 45,550 Lakhs in 2009-10 to part finance capital expenditure of Rs. 10,797 Lakhs and increase in working capital requirement.

Fixed assets

Total gross block, including capital work-in-progress, increased from Rs. 50,799 Lakhs in 2008-09 to Rs. 61,596 Lakhs in 2009-10 owing to ongoing construction at the IT facility in Thane, ceramic tile plant investment at Alibaug and a marble processing plant in Silvassa.

Investments

Investments increased from Rs. 857 Lakhs in 2008-09 to Rs. 916 Lakhs in 2009-10 due to an increase in equity investments in subsidiaries like Foshan Nitco Trading Company Ltd and Chongqing Nitco Marble Ltd of Rs. 137 Lakhs and Rs. 73 Lakhs respectively.

Inventories

Inventories increased from Rs. 20,215 Lakhs in 2008-09 to Rs. 26,900 Lakhs in 2009-10 due to an increase in the inventory of finished goods following DRI action and the seizure of material. As a result, your Company could not market its inventory, which is being gradually liquidated in 2010-11. The inventory quality will

remain undiminished and will not impair realisations.

Sundry debtors

Sundry debtors declined from Rs. 10,682 Lakhs to Rs. 9,250 Lakhs in 2009-10 owing to lower sales. The average debtors' cycle increased from 61 days (last quarter, 2008-09) to 69 days (last quarter, 2009-10) owing to the slower collection from the customers.

Cash and bank balances

The cash and bank balances increased from Rs. 682 Lakhs to Rs. 1,959 Lakhs in 2009-10 owing to a growth in the margin money deposited with banks amounting to Rs. 746 Lakhs for issuing guarantees.

Loans and advances

Loans and advances increased from Rs. 22,210 Lakhs in 2008-09 to Rs. 28,343 Lakhs in 2009-10 due to a Customs Revenue Deposit of Rs. 2,500 Lakhs and detention charges amounting to Rs. 1,909.23 Lakhs paid to shipping companies under protest.

Current liabilities

Current liabilities increased from Rs. 14,737 Lakhs in 2008-09 to Rs. 20,961 Lakhs in 2009-10

Creditors increased to Rs. 18,879 Lakhs in 2009-10 from Rs. 13,404 Lakhs in 2008-09. Your Company negotiated better with creditors who extended the credit period.

FIVE-YEAR FINANCIALS

(Rs. in Cr)

	2009-10	2008-09	2007-08	2006-07	2005-06
Share capital*	32.12	32.12	32.12	25.97	22.27
Reserves	477.26	485.97	464.76	268.69	235.63
Loan funds	455.50	291.13	128.13	127.72	82.86
Gross block	466.90	442.03	245.07	224.82	198.98
Net block	370.06	366.23	183.17	173.68	157.56
Capital work in progress	149.06	65.96	69.69	33.03	13.43
Investments	9.16	8.57	32.08	43.02	74.83
Current assets	664.51	537.89	497.79	319.38	181.56
Current liabilities	209.61	151.13	147.08	134.27	82.56
Net current assets	454.90	386.76	350.71	185.11	99.00
Deferred tax (assets)/liability	18.30	18.30	10.64	12.46	4.06
Turnover	465.33	674.66	651.00	470.43	306.36
Other income	0.30	0.09	3.63	1.18	0.02
Materials costs	230.00	386.78	361.03	231.43	144.43
Excise duty	16.23	8.52	13.51	11.06	7.97
Power costs	30.11	28.25	27.05	24.31	21.94
Employee costs	31.07	29.21	26.22	18.29	14.70
Other manufacturing expenses	6.98	7.09	6.29	5.40	3.98
Administration and selling expenses	123.16	139.58	133.96	110.22	70.36
EBDITA	28.08	75.32	86.57	70.90	43.00
Interest (Net)	15.65	23.55	13.94	8.05	13.25
EBDT	12.43	51.77	72.63	62.85	29.75
Depreciation	21.14	14.41	10.93	10.04	6.46
PBT	(8.71)	37.36	61.70	52.81	23.29
Tax	–	12.39	10.68	14.79	3.28
PAT	(8.71)	24.97	51.02	38.02	20.01
Net worth	509.38	518.09	496.88	294.66	257.90
Capital employed	983.18	827.52	635.65	434.84	344.82
EPS (Rs.)	(2.71)	7.77	18.16	16.39	15.59
Book value (Rs.)*	158.57	161.28	154.68	132.30	115.81
Dividend per share (Rs.)*	–	1.00	2.00	2.00	1.00
RONW (%)	(1.70)	4.92	12.89	13.76	11.68
ROCE (%)	0.77	8.33	14.13	15.61	13.22

* Face value of Rs. 10 per share

STATEMENT OF VALUE-ADDITION

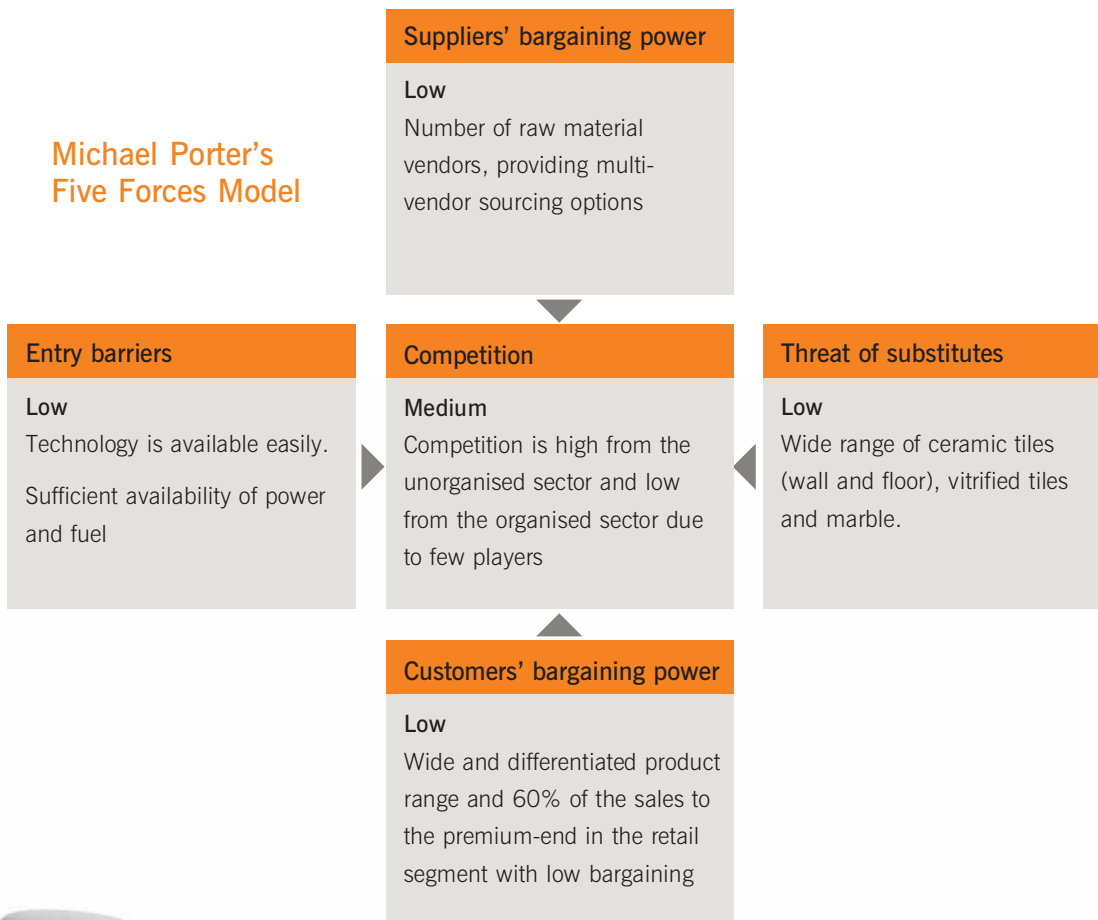
(Rs. in Cr)

	2009-10	2008-09	2007-08	2006-07	2005-06
Sales (Gross)	465.33	674.66	651.00	470.43	306.36
Other income	0.30	0.09	3.63	1.18	0.02
Increase/(decrease) in stock	62.76	(10.71)	20.48	74.27	20.75
	528.39	664.04	675.11	545.88	327.13
Less					
Raw material consumed	144.56	186.22	123.35	88.60	45.71
Goods purchased	148.20	189.85	258.16	217.10	119.47
Material consumed	292.76	376.07	381.51	305.70	165.18
Manufacturing expenses	37.09	35.34	33.34	29.71	25.91
Other expenses	77.02	78.86	74.73	63.97	42.46
	406.87	490.27	489.58	399.38	233.55
Total value-addition	121.52	173.77	185.53	146.50	93.58

RISK MANAGEMENT

Risk identification and management is an ongoing process at Nitco.

Michael Porter's Five Forces Model



INDUSTRY**RISK**

Economic downturns might impede infrastructure development (real estate, SEZs and aviation), affecting the Company's business.

Mitigation factors

- The Indian real estate industry is expected to grow from US\$12 billion in 2005 to US\$90 billion by 2015 (Source: ICRA).
- Domestic housing demand is expected to grow at a CAGR of around 10% during 2009-2013 (Source: Indian housing sector analysis report).
- With an estimated real growth rate of 7.6%, India is projected to become the fifth fastest growing business travel destination from 2010-2019 (Source: IBEF), which is likely to result in the creation of more hotels.

3 COMPETITION**RISK**

Since the entry barrier into the industry is low, growing competition could affect the Company's margins.

Mitigation factors

- The Company offers a floor and wall tiling (ceramic and vitrified) solution in addition to processed marble – a one-stop solution.
- The Company invested in brand promotion through advertisements, showrooms, exhibitions and display centres.
- The Company provides a 24x7 helpline for customers, strengthening its brand.
- The Company established its showroom network (owned and franchised) across 50 Indian locations, strengthening its customer connect.
- The Company grew its market status from seventh largest in 2004-05 to third largest in 2009-10.

5 BRAND**RISK**

Inefficient brand management can reduce customer brand recall.

Mitigation factors

- The Company invested substantial resources across four decades in its brand.
- The Company occupied a niche in the value-added end with relatively low competition; the Company derived 76% of its revenues from value-added products in 2009-10.
- The Company positioned itself around innovation and contemporariness.
- The Company worked closely with architects, masons and opinion makers, catering to their evolving requirements.
- The Company participated in international fairs and exhibitions (Cevisama trade exhibition in Spain in February 2010, for instance).

STATUTORY COMPLIANCE**RISK**

Any unfavourable statutory compliance could hamper the Company's strategic decisions.

Mitigation factors

- The Company is licensed to import marbles, which is mandatory and also meet the value-cap requirement for importing.
- The Company complies with all statutory requirements.
- The supplier of vitrified tiles to the US is exempt from the payment of anti-dumping duty required for importing vitrified tiles from China.

4 CHEAPER IMPORT**RISK**

Cheaper imports could dent the Company's margins.

Mitigation factors

- The Company tied up with manufacturers, fulfilling all sourcing requirements and providing good quality products.
- The Company has made sourcing arrangements from manufacturers in China, whose imports to India do not attract anti-dumping duty.

FOREIGN EXCHANGE**RISK**

Nitco imported Rs. 13,185 Lakhs of material and exported Rs. 361 Lakhs of products in 2009-10. A Rs.12,824 Lakhs exposure to foreign currency transactions enhanced related volatility risk.

Mitigation factors

- The Company engaged foreign exchange experts to advise it on the right strategy to protect export earnings and reduce import costs through prudent forex decisions.
- The Company entered into foreign exchange forward contracts to hedge its imports.
- The Company reported a foreign exchange gain of Rs. 302.46 Lakhs in 2009-10 as against a forex loss of Rs. 837.38 Lakhs in 2008-09.

HUMAN RESOURCE

RISK

People are critical to success as they are the repositories of all experience and expertise that drives corporate growth. Any attrition could set the Company back.

Mitigation factors

- The Company is headed by Mr. Vivek Talwar, who possesses 29 years of industry experience.
- The Company addressed employee attrition in the marketing team through enhanced training.
- The Company possesses a transparent performance-linked remuneration system.
- The Company has created an empowered organisation marked by passion, innovation and growth.
- The Company strengthened its team from 960 members in 2008-09 to 1,046 in 2009-10.

CLIENT ATTRITION

RISK

Nearly 40% of the Company's revenues are derived from institutional clients. Client attrition could affect growth.

Mitigation factors

- The Company hedged its institutional exposure with retail sales (60% of revenues).
- The Company is respected for its after-sales service that looks into product performance following installation, suitably incorporating customer feedback into product improvement.
- The Company customises products in line with footfall and client use.
- The Company invests in product contemporariness and quality.
- The result is enduring relationships with companies like Pantaloons Retail, Reliance Retail, Hiranandani, Rahejas, Godrej, Oberoi Construction, DLF, Unitech, Sobha Developers and Nirmal Lifestyle, among others.

DEALER ATTRITION

RISK

Any attrition in the number of dealers could affect the Company's sales.

Mitigation factors

- The Company strengthened its dealer connect through an accelerated introduction of new products, designs, patterns and textures, and widened its product offering to gres porcelain and wall tiles in 2009-10, strengthening income prospects for dealers. The Company is now a comprehensive wall and flooring solutions organisation with positive implications for dealer retention.
- The Company's strong dealer network is reflected in the fact that it did not suffer any dealer attrition; not even during the 2009-10 crisis, and that 80% of its dealers had worked with the Company for nine years or more by the end of 2009-10.
- The Company's 800 plus-dealer family is among the industry's largest.

ENERGY

RISK

Power and fuel costs account for 11.36% of the Company's manufacturing cost. Any increase in power costs could dent profitability.

Mitigation factors

- The Company invested in 7.5 MW of windmills with negligible running cost; these windmills wheeled power for the Company's consumption, sufficing for existing needs.
- The Company was connected with re-liquified natural gas (RLNG) from Gas Authority of India (GAIL) which will reduce its dependence on diverse expensive feedstock.
- The Company is investing in a 5.5 MW waste heat recovery system to reduce power and fuel costs.

GEOGRAPHIC CONCENTRATION

RISK

The concentration of sales on a specific region could affect revenues in the event of a selective downturn.

Mitigation factors

- The Company spread its sales footprint across India and the world.
- Indian revenues were derived from the western, southern, northern and eastern region – 50%, 30%, 15% and 5% respectively. The high concentration of revenues from western India is explained by the Company's principal manufacturing location being in Alibaug, 80 km from Mumbai, the country's financial capital.
- The Company's international revenues were derived from around eight countries.

TECHNOLOGICAL OBSOLESCENCE

RISK

A new competitor with access to upgraded technology could undercut the Company and compel it to reinvest at a higher cost to compete – a dual risk.

Mitigation factors

- The Company invested in a robust ceramic tile manufacturing technology from the SACMI Group and marble-processing technology from the Breton Spa, both of Italy.
- The Company's technological contemporariness is reflected in its power and fuel consumption, which declined 12.36% per MT over the last three years.
- The Company invested in the advanced SAP ECC 5.0 for all its business processes, and around Rs. 1,000 lakhs in IT development in the last five years.

DIRECTORS' REPORT



Your Directors take pleasure in presenting the annual report with the audited statement of the Company's accounts for the year ended 31st March 2010.

Financial results

The highlights of the financial results for the year ended 31st March 2010 are as follows:

	Rs. in crores	
For the year ended 31st March	2010	2009
Gross Sales	465.33	674.66
Profit before interest depreciation and tax	28.08	75.32
Interest and other financial charges (net)	15.65	23.56
Depreciation	21.14	14.41
Profit/(loss) before tax	(8.71)	37.36
Provision for tax (including fringe benefit tax)	-	12.38
Profit/(loss) after tax	(8.71)	24.97
Balance brought forward from previous year	121.62	110.41
Amount available for appropriation	112.91	135.38
Proposed dividend	-	3.21
Dividend tax on proposed dividend	-	0.55
Transferred to General Reserve	-	10.00
Balance carried forward	112.91	121.62

Review of operations

During the year under review, the Company sales were down to Rs. 465.33 crores against Rs. 674.66 crores, the previous year. A search was conducted by the Department of Revenue Intelligence (DRI) on various premises of the Company in the month

of August 2009 to investigate certain import and export transactions and seized all the imported materials lying at the ports and warehouses of the Company. On the instructions of DRI, the Customs Authorities released the major imported material during December 2009 to January 2010.

Hence sales of imported vitrified tiles and imported marble were suspended for around 5 months and sales of vitrified tiles were down by 40.88% to Rs. 201.88 crores against sales of Rs. 341.44 crores in the previous year and sales of marble were down by 42.09% to Rs. 78.75 crores as

compared to Rs. 135.98 crores in the previous year. Due to lower sales, there was a loss of Rs. 8.71 crores in the year under review against a net profit of Rs. 24.97 crores in the previous year.

Real estate foray

The Company's business park project at Thane is nearing completion. The Company has already finalised leave and license with 2 parties admeasuring 0.38 Lakhs sq. ft. Leave and license for the balance area are expected to be finalised within the next six month's.

Strong distribution network

The Company has a strong distribution network of more than 800 dealers and more than 50 showrooms across the country.

New Products launched

During the year, new brand 'NATUROC' was launched, a superior quality gres porcelain floor tiles manufactured for the first time in India and also launched a large collection of wall tiles.

Dividend

In view of the loss incurred during the current financial year, your Board does not recommend any dividend for the financial year ended 2009-10 (previous year Re. 1 per share).

Credit rating

The Company has been rated by Credit Analysis and Research Limited and they have assigned a 'CARE BBB+' {Triple B Plus} rating to the Company's long term bank facilities and 'PR2' {PR Two} rating to the Company's short term bank facilities.

Current year's outlook

With the healthy growth of the Indian economy and the industry in which the Company operates, the Company should be able to improve sales and corresponding profitability in the current year.

Expansion plans

A gas turbine is being installed at the Company's ceramic tiles plant at Alibaug with a capacity of 5.5 MW. The turbine has already reached the Alibaug factory and it is expected to be installed by end of September 2010. Work is also going on commissioning of palletisers at the ceramic tiles plant at Alibaug to make the Packing Department fully automatic, which will eliminate the manual errors in the packing line. 48 head polishing line is also being commissioned at the ceramic tiles plant at Alibaug to produce the fully polished glazed porcelain tiles in the

current year which will be introduced in India for the first time.

The state-of-the-art marble processing plant at Silvassa will be ready in the current year.

Consolidated financial statements

As required by the listing agreement with the Stock Exchanges and in accordance with the Accounting Standards AS-21 on consolidated financial statements, your Directors provide the audited annual consolidated financial statements in this Annual Report.

Investigation by Directorate of Revenue Intelligence

A search was conducted by the Department of Revenue Intelligence ("DRI") on various premises of the Company on 27th and 28th August 2009 to investigate certain import and export transactions and had seized all the imported materials lying both at the ports and the warehouses of the Company.

The Company had 'Under Protest' voluntarily paid Rs. 25 crores by way of revenue deposit to the customs authorities based on which, the seized imported goods at the port and

warehouses were released. As per the extant regulations under the Customs Act, 1975 upon completion of the investigation, DRI is required to issue a show cause notice detailing the breach if any, of any provisions / regulations relating to imports / exports conducted by the Company and the amount of duty payable by the Company. As on date, no show cause notice has been received by the Company. Upon receipt of show cause notice, if any, the Company wishes to litigate the matters or present it's case before appropriate authorities (including settlement commission), based on the advice of the tax advisors and senior counsels.

Directors

Mr. Dinesh Kanabar resigned as Independent Director of the Board. The Board placed on record its deep sense of appreciation for the services rendered by Mr. Kanabar as an independent member of the Board.

Mr. Prannath Talwar, Director of the Company, is due for retirement by rotation at the ensuing Annual General Meeting and, being eligible, offer himself for re-appointment.

The tenure of Mr. Vivek Talwar, Managing Director, would expire on 31st March 2011 and the Board of Directors recommends his re-appointment as the Managing Director for a further period of three years with effect from 1st April 2011. Brief resume of Mr. Prannath Talwar and Mr. Vivek Talwar, the nature of their expertise in specific functional areas and the names of the companies in which they hold directorships as stipulated in Clause 49 of the Listing

agreement are provided in the report on Corporate Governance annexed to the Annual Report.

Directors' responsibility statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, the Directors confirm that:

- a) In preparation of the annual accounts, applicable accounting standards have been followed along with proper explanations relating to material departures;
- b) Appropriate accounting policies have been selected and applied consistently and have made judgments 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 2010 and of the loss of the Company for the year ended 31st March 2010;
- c) Proper and sufficient care has been taken for 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; and
- d) The annual accounts have been prepared on a going concern basis.

Subsidiary companies

Subsequent to the year under review, the Company has invested in a marble quarry through a wholly owned subsidiary in Turkey.

The Central Government in exercise of

the power conferred by Section 212 (8) of the Companies Act, 1956, (the Act) has accorded its approval for exemption from attaching the accounts of the subsidiaries to the balance sheet of your Company. The Company shall provide a copy of the annual report of its subsidiary companies, free of cost, as required under Section 212 of the Act to members on their written request to the Company Secretary at the registered office of the Company. These documents will also be available for inspection by any shareholder at the registered office of the Company on any working day during business hours.

A statement pursuant to section 212 of the Companies Act, 1956, containing details of subsidiaries of the Company also forms part of this annual report.

Corporate governance

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a detailed report on Corporate Governance forms a part of this annual report. A certificate from the auditors of the Company confirming their compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is attached to this report.

Management discussion and analysis

Management discussion and analysis on matters related to business performance, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, is given in a separate statement which forms part of the annual report.

Personnel

Relationships with employees continued to be cordial. The HR policies of the Company were focused on the development potential of each employee. With this premise, a comprehensive set of HR policies were laid down, aimed at attracting, retaining and motivating employees at all levels. Information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is provided in the annexure forming part of the Directors' report. In terms of Section 219(1)(b)(iv) of the Act, the report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary at the registered office of the Company.

Conservation of energy, technology absorption and foreign exchange earnings/outgo

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is given in Annexure A, which forms part of this report.

Auditors' report

The Board has duly examined the statutory auditor's report to accounts and clarifications, wherever necessary, have been included in the Notes to Accounts section of the annual report.

Auditors

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

Corporate social responsibilities

Being a responsible corporate citizen, the Company continues to involve itself in activities aimed at the overall development of the society. The Company contributed actively towards community welfare measures, taking several initiatives related to education, health, environmental improvement and other development measures at its Alibaug (Maharashtra) plant, such as:

- Blood donation camp
- Tree plantation programme on the World Environment Day to promote awareness about the effect of climate change and importance of environment protection
- Safety Awareness programme during

'National Safety Week'

- Support to sports activities and encouraging healthcare among the youth
- First aid centre at plant

IMS Certification

The Company has been certified for Integrated Management System i.e. IMS which is a combined certification of 3 standards (ISO 9001: 2008, ISO 14001: 2004 & OHSAS 18001: 2007) by TUV NORD, which is one of the leading certifying agency for ISO standards. Yours is the first tile company to get the IMS i.e.; being certified for all the three ISO standards at a time. This certification means that, the Company as an organisation have been able to attain the benchmark set by the ISO Standards worldwide in terms of world class quality, environment & safety systems and processes.

Appreciation

Your Directors wish to place on record their sincere thanks to the following stakeholders:

- Customers, who continue to be delighted in the Company's range of products and their quality, and who therefore continue to patronise the Company's products despite competition
- Banks and financial institutions for their continued support
- Employees for their dedicated services during the year

For and on behalf of the Board

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

Mumbai, 3rd August 2010

ANNEXURE TO THE DIRECTORS' REPORT

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 utilisation 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. This has resulted in reducing the electricity cost to 175.76

kwh per MT in the year under review from 178.70 kwh per MT in the financial year 2007-08.

B. Technology absorption

During the year the Company has commissioned plant for manufacturing Naturoc – a gres premium porcelain floor tile which is being manufactured for the first time in India as a substitute for high end tiles from Italy and Spain. The entire plant & machinery has been imported from SACMI, Italy on a

turnkey basis. The Company's technicians have been imparted training in maintenance of this equipment by SACMI. Technology has been fully absorbed.

C. Foreign exchange earnings and outgo

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

For and on behalf of the Board

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

Mumbai, 3rd August 2010

REPORT ON **CORPORATE** **GOVERNANCE**



Corporate Governance pertains to the system by which companies are directed and controlled, keeping in mind the long-term interests of stakeholders. It refers to the blend of law, regulations and voluntary practices, which enable the Company to attract financial and human capital, perform efficiently and thereby perpetually generate long-term economic value for its shareholders, while respecting and balancing the interests of other stakeholders and society as a whole.

It aims to align the interest of the Company with that of its shareholders and other key stakeholders. The incentive for companies, and for those who own and manage them, to adopt global governance standards is that these standards will help them achieve a long-term partnership with their stakeholders and achieve their corporate objectives efficiently. The principal characteristics of Corporate Governance are transparency, independence, accountability, responsibility, fairness, and social responsibility.

In sum, Corporate Governance focuses on the treatment of all shareholders and reinforces the belief among the shareholders that it is “Your Company” as it belongs to them. The Chairman and Board of Directors are the shareholders’ fiduciaries and trustees

pushing the business forward and maximising long-term value for them.

A good governance process provides transparency of corporate policies, strategies and the decision-making process and also strengthens internal control systems and helps in building relationships with all stakeholders. We at NITCO believe in being transparent and commit ourselves to adherence to good Corporate Governance practices at all times, as we believe that good governance generates goodwill among business partners, customers and investors and helps the Company grow.

A. Board of Directors

1. Composition of the Board and a brief profile of Directors

The Company has a Non-Executive Chairman. The Board of Nitco consists of three Independent Directors, which together constitute 50% of the total number of Board of Directors. The Company also has an optimum combination of Executive and Non-Executive Directors.

The composition of the Board of Directors is in conformity with Clause 49 of the Listing Agreement.

The day-to-day management of the Company is conducted by the Managing Director who is ably assisted by the Wholetime Director.

Mr. Pran Nath Talwar, aged 84 years, is the Chairman of your Company. He started his industrial venture in 1956 by setting up the partnership firm Northern India Tiles Corporation (Delhi) for manufacturing mosaic tiles. He is the founder of the Nitco Group and our Company. He has more than 50 years of experience in the tile industry. He has been instrumental in the growth of the Nitco Group. In recognition of his contribution to the industry, he received an award from the Institute of Trade and Industrial Development in 1999 and 2000 for excellence in industrial performance. Mr. Talwar holds 3,17,952 equity shares in the Company. He retires by rotation and is eligible for re-appointment at the ensuing Annual General Meeting. He is a Director in Nitco Paints Private Limited, Nitco Tiles & Marble Industries (Andhra) Private Limited, Nitco Construction Materials Private Limited and Nitco Terrazzo Tiles Private Limited.

Mr. Vivek Talwar, son of Mr. Pran Nath Talwar and aged 53 years, is the Managing Director of your Company. He holds a Bachelor’s degree in Science and has rich experience of over 29 years in the tile industry. He joined the Company as a Director in 1980. The operational responsibility and day-to-day functioning of the Company were gradually handed over to him. He was

instrumental in setting up a plant at Alibaug to manufacture ceramic floor tiles and also in diversifying the business of the Company by entering into new activities such as marketing of imported marble, vitrified tiles and cement in India. The Board of Directors has proposed the re-appointment of Mr. Vivek Talwar as the Managing Director for three years with effect from 1st April 2011, subject to the approval of members in the Annual General Meeting. Mr. Vivek Talwar holds 63,23,669 equity shares in the Company. He is a Director in Nitco Paints Private Limited, Cosmos Realtors Private Limited, Rhythm Real Estates Private Limited, Orchid Realtors Private Limited, Merino Realtors Private Limited, Alpine Agro and Dairy Farms Private Limited, Rejoice Realty Private Limited, Opera Properties Private Limited, Nitco Tiles & Marble Industries (Andhra) Private Limited, Nitco Construction Materials Private Limited, Nitco Terrazzo Tiles Private Limited and Saumya Buildcon Private Limited.

Ms. Poonam Talwar, aged 46 years, daughter of Mr. Pran Nath Talwar holds a Bachelor's degree in commerce and law and is the Wholtime Director of the Company. She joined the Company as a Director in 2002. She looks after the administrative function of the Company and holds 65,062 equity shares in the Company.

Mr. S. K. Bhardwaj, aged 65 years, is an Independent Director of the Company. He is a postgraduate from Punjab University. He has held various senior positions with the Government of India such as Chief Commissioner Customs – Mumbai, Chief Commissioner - Central Excise and Service Tax, Mumbai, Commissioner-

Customs and Central Excise, Baroda, Commissioner of Customs, Mumbai and Joint Secretary, Ministry of Defence, Government of India. He has a vast experience of nearly 39 years in the field of indirect taxation, public administration, among others. He has dealt with issues relating to fiscal policy and VAT at Harvard University, Boston, USA. He retired as a member of the Central Board of Excise and Customs, Ministry of Finance, Government of India. He is currently engaged in providing consultancy services in the field of indirect taxes to several corporates. He is also a Director of Taurus Agile Technology Corporation Pvt. Ltd

Mr. Atul Sud, aged 53 years, is an Independent Director of the Company. Mr. Sud has completed a postgraduate diploma in business management from IIM Ahmedabad, and holds a Master's degree in economics from the Delhi School of Economics. After over a decade of service in a senior position at American Express Bank as India Head for Commercial Banking, Treasury and Investment Banking, he founded the Strategic Group a boutique investment bank, and money management firm. He is currently Chairman of EFG Wealth Management India, the Indian subsidiary of a Swiss-owned private bank.

Mr. Gaurav Burman, aged 38 years, joined the Company as a Director in 2007. Gaurav Burman has 15 years of experience in private equity investing, which has seen him invest in India, Europe and the US. Mr. Burman spent 8 years in the private equity arm of Dresdner Kleinwort Wasserstein where he ran the US Media and Technology private equity team. Since leaving

Dresdner in 2005, Mr. Burman founded and manages Elephant Capital a US\$115 million Aim Listed Private Equity business focused on investing in India. Mr. Burman is also a 5th generation member of a family business in India, Dabur, which is a US\$3.5 billion market-capitalisation, fast-moving consumer goods company. Mr. Burman has been responsible for a number of their non-core investments and joint ventures, including Fidelity India, Aviva India and Centurion Bank. Mr. Burman has also been an early stage investor and funded businesses like Quintessentially, Kilgour, Soho House New York, Il Mulino, and more recently an Indian Premier League cricket team, the Kings XI Punjab. Mr. Burman holds 40,000 equity shares in the Company.

2. Board procedure

To follow transparency, the Board follows the procedure of advance planning in matters requiring discussions/decisions by the Board. The Board is given presentations on finance, sales, marketing, major business segments and operations of the Company and other matters, as members want. The Managing Director along with the Company Secretary finalises the agenda papers for the Board meeting in consultation with other persons concerned. The agenda folder is sent to each Director in advance of the meetings. The minutes of the proceedings of each Board meeting are maintained in terms of statutory provisions. Meetings of various Committees are held properly. The minutes of Committees and Board meetings of subsidiary companies are placed regularly before the Board for its review.

3. Directorships and attendance

Your Company in the last financial year had seven Directors. The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of directorships and committee chairmanships/memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, private companies with unlimited liability, companies incorporated outside India, companies under section 25 of the Companies Act, 1956 and other body corporates. Chairmanship/membership of Board Committees includes only Audit and Shareholders'/Investors' Grievance Committees.

Name	Category	No. of Board meetings held during the year 2009-10		No. of directorships held in other companies		No. of committee positions held in other public companies		Whether attended the last AGM
		Held	Attended	Chairman	Member	Chairman	Member	
Executive								
Mr. Vivek Talwar (Managing Director)	Promoter	6	6	–	–	–	–	No
Ms. Poonam Talwar (Wholetime Director)	Non-Independent	6	5	–	–	–	–	Yes
Non-Executive								
Mr. Pran Nath Talwar (Chairman)	Promoter	6	–	–	–	–	–	No
Mr. Dinesh H. Kanabar*	Independent	6	3	–	–	–	–	Yes
Mr. S.K. Bhardwaj	Independent	6	6	–	–	–	–	Yes
Mr. Atul Sud	Independent	6	3	–	1	–	–	Yes
Mr. Gaurav Burman	Independent	6	3	–	–	–	–	No

*Ceased to be a Director with effect from 15th March 2010.

Six Board meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held are:

29th April 2009; 24th June 2009; 28th July 2009; 21st October 2009; 30th November 2009 and 29th January 2010.

<p>4. Code of conduct</p> <p>The Board has laid down a code of conduct for all Board members and senior management of the Company. The same is posted on the website of the Company. A declaration by the Managing Director providing affirmation towards the compliance of the code of conduct by all Board members and senior management is attached to this Corporate Governance report.</p> <p>None of the Non-Executive Directors</p>	<p>have any material pecuniary relationship or transactions with the Company which may affect their independence.</p> <p>Necessary information pursuant to Clause 49 of the Listing Agreement has been placed before the Board from time to time.</p> <p>B. Committees of the Board</p> <p>1. Audit Committee</p> <p>The Company has an Audit Committee</p>	<p>in accordance with the requirement of Section 292A of the Companies Act, 1956, and the terms of reference are in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges. All the members of the Committee possess strong accounting and financial knowledge. The composition and attendance of each member at the meetings held during the year ended 31st March 2010, is as follows:</p>
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Name of Director	Category	No. of Committee meetings	
		Held	Attended
Mr. Dinesh H. Kanabar (Chairman)*	Independent	5	2
Mr. S. K. Bhardwaj	Independent	5	5
Mr. Vivek Talwar	Managing Director	5	5

*Ceased to be a member with effect from 15th March 2010.

The Audit Committee was re-constituted in the Board meeting held on 14th May 2010, owing to the resignation of Mr. Dinesh Kanabar as the member/Chairman of the Committee, as follows:

1. Mr. S. K. Bhardwaj, Chairman
2. Mr. Atul Sud
3. Mr. Vivek Talwar

Mr. B. G. Borkar, CFO and Company Secretary is the Secretary to the Committee.

Terms of reference of the Audit Committee, inter alia, are:

- (a) Authority to investigate any matter pertaining to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board
- (b) Investigation of any activity within its terms of reference
- (c) Overseeing of the Company's

financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible

(d) Reviewing of the annual financial statement with the management

(e) Reviewing of the adequacy of internal control systems with the management and the external and internal auditors

(f) Reviewing of the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit

(g) Reviewing of the Company's financial and risk management policies

(h) Periodic discussion with the Auditor about the internal control system, scope of audit including observations of

auditors and review the quarterly, half-yearly, and annual financial statement before submissions to the Board.

2. Shareholders'/Investors' Grievance Committee

The Company has constituted a Shareholders'/Investors' Grievance and Share Transfer Committee to look into various issues relating to shareholders including transfer and transmission of shares as well as non-receipt of dividend, annual report and shares after transfers, delay in transfer of shares and other requests made by the shareholders. In addition, the Committee looks into other issues including status of dematerialisation/rematerialisation of shares as well as systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.

The composition of the Shareholders'/Investors' Grievance Committee is given below:

Name of Director	Category
Mr. S. K. Bhardwaj, (Chairman)	Independent
Mr. Atul Sud	Independent
Mr. Vivek Talwar	Managing Director

Mr. B. G. Borkar, CFO and Company Secretary has been appointed as the Compliance Officer.

During the financial year 2009–2010, one meeting of the Committee was held on 29th January 2010. All the Members of the Committee attended the Meeting.

The Company's shares are listed for trading on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. During the year, 18 investor complaints were received and resolved. There were no pending investor complaints as on 31st March 2010.

3. Remuneration Committee

The Board, on the recommendation of the Remuneration Committee, determines the remuneration payable to the Managing Director and Wholetime Director. The remuneration of the Non-

Executive Directors is restricted only to sitting fees for attending the Board/Committee meetings. The members of the Remuneration Committee are all Independent Directors. They are as follows:

● Mr. Atul Sud	Member
● Mr. Dinesh H. Kanabar*	Member
● Mr. S. K. Bhardwaj	Member

**Ceased to be a member with effect from 15th March 2010.*

The Remuneration Committee was re-constituted in the Board meeting

held on 14th May 2010, and Mr. Gaurav Burman was appointed as a member of the Committee in place of Mr. Dinesh Kanabar.

The members elect a Chairman of the Committee from amongst themselves.

Meetings of the Remuneration Committee are held as and when required, for appointments of Executive Directors. Time schedule for holding the meetings is finalised in consultation with the Committee members. During the year, no meeting of the Remuneration Committee was required to be held.

Details of remuneration paid to Directors during the financial year ended 31st March 2010 are as under:

Rs. in Lakhs

Name of Directors	Category	Salary	Perquisites and other benefits	Commission	Sitting fees	Total
Mr. Pran Nath Talwar	Chairman	–	–	–	–	–
Mr. Vivek Talwar	Managing Director	38.40**	10.72	–	–	49.12
Ms. Poonam Talwar	Wholetime Director	16.80	3.32	–	–	20.12
Mr. Dinesh H. Kanabar*	Independent Director	–	–	–	1.00	1.00
Mr. S.K. Bhardwaj	Independent Director	–	–	–	2.22	2.22
Mr. Atul Sud	Independent Director	–	–	–	0.62	0.62
Mr. Gaurav Burman	Independent Director	–	–	–	0.60	0.60

**Ceased to be a Director with effect from 15th March 2010.*

*** Subject to approval of the Central Government under section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956*

Notes: Notice period applicable to the Managing Director and the Wholetime Director is three months.

Tenure of the Managing Director is five years from 1st April 2006

Tenure of Wholetime Director is five years from 1st April 2007

None of the Directors hold any instrument convertible to shares.

Criteria for payment to Independent Directors: At present, the Company pays sitting fees to Independent Directors for the Board/Committee meetings they attend.

C. Details of shares of the Company held by Directors as on 31st March 2010 are as below:

Directors	No. of equity shares held
Mr. Pran Nath Talwar	3,17,952
Mr. Vivek Talwar	63,23,669
Ms. Poonam Talwar	65,062
Mr. Atul Sud	–
Mr. S. K. Bhardwaj	–
Mr. Gaurav Burman	40,000

D. General body meetings

The details of the last three Annual General Meetings held are as given below:

Year	Date	Time	Venue	Special Resolution passed
2008-09	17th September 2009	10.30 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	–
2007-08	23rd September 2008	11.30 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	–
2006-07	11th December 2007	11.30 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	<ul style="list-style-type: none"> a. Approval for keeping the registers and indexes of members and debenture-holders at the office of the Company's Registrar and Transfer Agents; b. Approval for creating, offering, issuing and granting employee stock options to the eligible employees of the Company under section 81(1A) of the Companies Act, 1956; c. Approval for increase in the limit for holdings by FIIs from 49% to 60% of the paid up equity share capital of the Company

Extraordinary General Meeting held during the past three years:

Calender Year	Date	Time	Venue	Special Resolution passed
2007	15th June 2007	10.00 a.m	M.C.Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001	Approval of the scheme of merger between Nitco Tiles Limited, Nitco Realities Private Limited, Shark Properties Private Limited and Motivation Properties Private Limited and their respective shareholders and creditors.
2007	26th March 2007	10.00 a.m	Kamalnayan Bajaj Hall, Bajaj Bhavan, Nariman Point, Mumbai - 400 021	Approval for increase in limits for holding by FII's upto 49% of total paid-up equity share capital of the Company.
2007	21st February 2007	3.00 p.m	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001	a. Increase of authorised share capital from Rs. 2,750 Lakhs to Rs. 5,000 Lakhs and substitution of Clause V in the Memorandum of Association of the Company; b. Substitution of Capital Clause in Articles of Association of the Company; c. Approval of issue of shares to persons other than existing shareholders under section 81(1A) of the Companies Act, 1956.

Postal ballot: No postal ballot was conducted during the year.

E. Subsidiary companies

The revised Clause 49 of the Listing Agreement defines a "material non-listed Indian subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Under this definition, the Company does not have any "material non-listed Indian subsidiary" during the year under review. The Audit Committee reviews the financial statements and the working of the unlisted subsidiary companies.

F. Disclosures

a) Related-party transactions are

disclosed in the Notes to Accounts in the financial statements as on 31st March 2010. However the Company did not have any related-party transactions, which may have potential conflict with the interests of the Company at large.

b) The Company complied with all the provisions of the Listing Agreement entered into with the stock exchanges as well as SEBI regulations and guidelines, wherever applicable. No penalties have been imposed or strictures issued by SEBI, the stock exchanges or any statutory authority on matters relating to capital markets in the last three years.

c) The Company complied with non-mandatory requirements relating to the Remuneration Committee and financial statements of the Company are unqualified.

d) A qualified Practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), total issued and listed capital. The secretarial audit report, provided quarterly, confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and number of dematerialised shares held with NSDL and CDSL.

e) In compliance with the SEBI's regulations on prevention of insider trading, the Company has instituted a comprehensive code of conduct for the prevention of insider trading for its Directors, officers and designated employees. The code lays down guidelines which advise them on the

procedures to be followed and disclosures to be made, while dealing with the shares of the Company and cautioning them of the consequences of violations.

G. Risk management

Your Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed in detail in the management discussion and analysis chapter of this annual report. Your Company established procedures for minimising the risk and steps are taken by it for mitigating the risk.

H. Means of communication

- The quarterly, half-yearly and annual results of the Company are published within 48 hours in one English language and one Marathi language newspaper having wide circulation. The results, press releases and the shareholding pattern of the Company is displayed on the Company's website

www.nitcotiles.com from time to time. Presentations made to institutional investors and analysts after the declaration of quarterly, half-yearly and annual results are also displayed on the Company's website.

- The Company also informs, by way of intimation, to the stock exchanges all price-sensitive matters or such other matters which in its opinion are material and relevant to shareholders.

- All data/reports required to be filed electronically on EDIFAR site pursuant to Clause 51 of the Listing Agreement with the stock exchanges have been regularly filed in addition to their physical filing with the stock exchanges.

- Management discussion and analysis: A report on management discussion and analysis is appended and forms part of this annual report.

I. Shareholders' information

a) The Annual General Meeting is scheduled to be held on Wednesday,

15th day of September 2010, at 11.00 am at M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.

b) **Financial year:** The Company follows April-March as its financial year.

c) **Date of book closure:** 9th September 2010 to 15th September 2010 (both days inclusive).

d) **Listing on stock exchanges:** The Company's equity shares are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid listing fees to the stock exchanges for the financial year 2010-11.

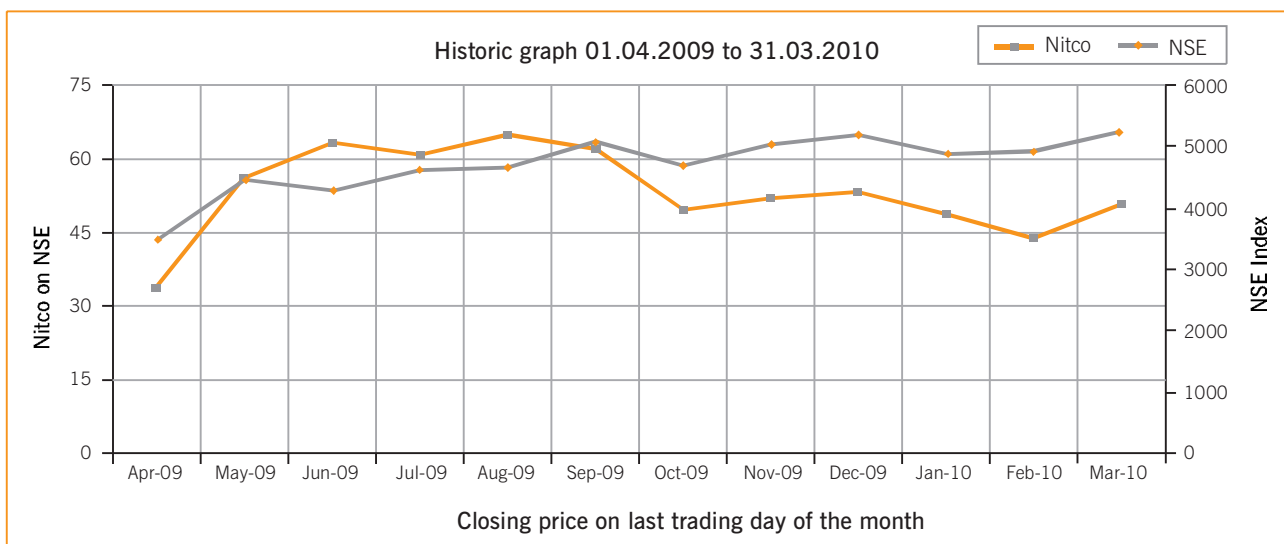
e) **Stock code/symbol:** BSE - 532722
NSE - NITCO

Demat International Security Identification Number in NSDL and CDSL for equity shares- ISIN - INE858F01012.

f) **Market price data:** The monthly high and low price of shares traded on the National Stock Exchange of India Ltd and the Bombay Stock Exchange Ltd are as follows:

Month	BSE		NSE	
	High	Low	High	Low
April '09	39.95	24.00	39.90	23.75
May '09	56.00	33.80	55.90	35.00
June '09	74.85	54.15	74.95	54.25
July '09	66.45	51.00	66.45	50.05
August '09	68.00	55.00	69.00	55.00
September '09	74.30	60.10	74.60	52.15
October '09	65.20	47.55	64.90	47.75
November '09	61.75	40.00	62.00	45.25
December '09	54.90	49.60	54.75	48.10
January '10	59.90	46.00	60.00	45.00
February '10	51.15	43.00	51.05	41.20
March '10	53.10	40.50	53.00	44.25

g) Performance of the Company's stock price vis-a-vis NSE Nifty:



h) Shareholding pattern as on 31st March 2010:

Category	No. of shares held	Percentage of total
Promoters' holding*		
Indian promoters	1,02,19,364	31.81
Promoters' group	53,37,434	16.62
Sub-total	1,55,56,798	48.43
Public shareholding*		
Mutual funds and UTI	21,59,203	6.72
Financial institutions/banks	64,128	0.20
FII's	47,16,675	14.68
Independent Director	40,000	0.12
Private corporate bodies	46,93,243	14.61
NRIs/OCBs	13,53,625	4.22
Other	35,39,880	11.02
Sub-total	1,65,66,754	51.57
Grand total	3,21,23,552	100

*For definitions of "Promoters' holding " and "Public shareholding" refer to Clause 40A of Listing Agreement.

i) Distribution of shareholding as on 31st March 2010:

No. of equity shares	No. of share holders	Percentage of share holders	No. of shares held	Percentage of share holding
1 – 5000	9,701	89.29	11,66,502	3.63
5001 – 10000	559	5.14	4,69,609	1.46
10001 – 20000	257	2.37	3,88,350	1.21
20001 – 30000	95	0.87	2,40,062	0.75
30001 – 40000	54	0.50	1,92,406	0.60
40001 – 50000	41	0.38	1,93,125	0.60
50001 - 100000	54	0.50	4,13,448	1.29
100001 and above	103	0.95	2,90,60,050	90.46
	10864	100.00	3,21,23,552	100.00

j) Registered office:

Nitco Limited, Nitco House,
Recondo Compound,
Inside Municipal Asphalt Compound,
S. K. Ahire Marg, Worli,
Mumbai - 400 030.
Tel: 022 6616 4555;
Fax: 022 6616 4657
Email: investorgrievances@nitcotiles.com
Website: www.nitcotiles.com

k) Plant locations:

Our existing production facilities are located at Poynad (Alibaug) for ceramic/porcelain tiles. Our marble processing facilities are located at Kanjurmarg (Mumbai) and Silvassa.

l) Registrars and Transfer Agents:

Link Intime India Private Limited,
C-13 Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (W),
Mumbai - 400 078.
Tel: 022 2594 6970;
Fax: 022 2596 2691
E-mail: rnt.helpdesk@linkintime.co.in

Website: www.linkintime.co.in

m) Share transfer system:

Transfers of the dematerialised shares are done through a depository where there is no involvement of the Company. The transfer of shares in physical form as and when received are normally processed within 15 days from the date of receipt subject to the documents being valid and complete in all respects. The Company has not received any request for dematerialisation of shares during the year ended 31st March 2010.

As on 31st March 2010, 94.97% of the equity shares have been dematerialised. We have no GDR/ADR or any convertible instrument.

n) Equity shares in the Suspense Account:

As per Clause 5A of the Listing Agreement, the Company reports that 825 equity shares belonging to 12

shareholders are lying in the Suspense Account as on 31st March 2010. The voting rights shall remain frozen till the rightful owner of such shares claims the shares.

o) Nomination facility:

Shareholders holding shares in the physical form and desirous of making a nomination in respect of their holding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company the prescribed Form 2B for this purpose.

For and on behalf of the Board

Sd/-

Vivek Talwar

Managing Director

Date: 3rd August 2010

Place: Mumbai

DECLARATION

In accordance with Clause 49 of the Listing Agreement with the stock exchanges, I hereby confirm and declare that all the Board of Directors and the senior management personnel of the Company have affirmed compliance with the 'Code of Conduct for Board Members and Senior Management' laid down for them for the financial year ended 31st March 2010.

For **Nitco Limited**

Sd/-

Vivek Talwar

Managing Director

Place: Mumbai

Date: 3rd August 2010

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members

Nitco Limited

We have examined the compliance of conditions of Corporate Governance procedures implemented by Nitco Limited for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges of India.

The compliance with the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we hereby certify that the Company has complied in all respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or the effectiveness with which the management has conducted the affairs of the Company.

For **A. Husein Noumanali & Co.**

Chartered Accountants

Sd/-

A. Husein Noumanali

Proprietor

Membership No. 14757

Place: Mumbai

Date: 3rd August 2010



FINANCIAL SECTION



AUDITORS' REPORT

To
The Members of **Nitco Limited**

We have audited the attached Balance Sheet of M/s NITCO LIMITED as on 31st March 2010 and also the Profit & Loss Account of the Company for the year ended on that date, annexed thereto and the Cash Flow Statement for the year ended on that date. 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 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, Profit & Loss Account and 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 Cash Flow Statements 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 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2010 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, read together with the notes to accounts and in particular note no. 8 and 9, 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 31st March 2010 and
 - b) In the case of Profit & Loss account, of the Loss for the year ended on that date and
 - c) In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For **A. Husein Noumanali & Co.**
Chartered Accountants
Firm Registration No. 107173

A. Husein Noumanali
Proprietor

Place: Mumbai
Date : 3rd August 2010

Membership No.: 14757

ANNEXURE TO THE AUDITOR'S 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 or taken any loans to/from companies, firms or other parties covered in the Register, maintained under Section 301 of the Companies Act, 1956. Accordingly sub clauses b, c & d in relation to rate of interest & terms & conditions, regularity in repayment & overdue amounts are not applicable.
- 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 cost 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 2010 for a period more than six months from the date they became payable.



(b) According to the records of the Company, the dues of Sales tax, Income-tax, Custom Duty, Wealth-tax, Excise Duty, cess which have not been deposited on account of disputes and the forum where the dispute is pending are as under:-

Name of Statute	Nature of the dues	Amount (Rs./lakhs)	Forum
Central Excise Act	Duty demand/ penalty	17.77	Customs, Excise & Service Tax Appellate Tribunal, Mumbai
Central Excise Act	Duty demand/ penalty	8.27	Commissioner Central Excise (Appeals)
Customs Act	Duty demand/ penalty	1,589.52	Customs, Excise & Service Tax Appellate Tribunal, Mumbai

10. The Company has no accumulated losses as per books of accounts at the end of the financial year and it has not incurred cash losses in the financial year under report and the immediately preceding financial year.
11. The Company has not defaulted in repayment of its dues to financial institutions and banks.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual benefit Fund / Societies are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

16. According to the information and explanations given to us, the term loans raised during the year have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued any secured debentures during the year. Hence, provisions of Clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing principles in India, and according to the information and explanation given to us, we have neither come across any instances of fraud on or by the Company, noticed or reported during the year, nor have been informed of such case by the management.

For **A. Husein Noumanali & Co.**
Chartered Accountants
 Firm Registration No. 107173

Place: Mumbai
 Date : 3rd August 2010

A. Husein Noumanali
Proprietor
 Membership No.: 14757

BALANCE SHEET

as at 31st March 2010

(Rupees in Lakhs)

	Schedules	31.03.2010	31.03.2009
I SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	I	3,212.36	3,212.36
Reserves & Surplus	II	47,726.02	48,596.70
		50,938.38	51,809.06
Loan Funds			
Secured Loans	III	39,035.76	20,113.87
Unsecured Loans	IV	6,513.97	8,998.86
		45,549.73	29,112.73
Deferred Tax Liabilities		1,830.05	1,830.05
Total		98,318.16	82,751.84
II APPLICATION OF FUNDS			
Fixed Assets			
	V		
Gross Block		46,690.14	44,203.42
Less: Depreciation		9,684.46	7,580.17
Net Block		37,005.68	36,623.25
Capital Work-in-progress (net)		14,906.17	6,595.54
		51,911.85	43,218.79
Investments			
	VI	916.15	857.14
Current Assets, Loans and Advances			
Inventories	VII	26,899.68	20,214.59
Sundry Debtors	VIII	9,249.98	10,682.01
Cash and Bank Balances	IX	1,958.62	681.70
Loans and Advances	X	28,343.27	22,210.24
		66,451.55	53,788.54
Less: Current Liabilities and Provisions			
Current Liabilities	XI	20,961.39	14,736.80
Provisions	XII	–	375.83
		20,961.39	15,112.63
Net Current Assets		45,490.16	38,675.91
Total		98,318.16	82,751.84
Statement of significant accounting policies and notes to the accounts	XX		

Schedules referred to above form an integral part of the Financial Statements

As per our report attached

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173

For and on Behalf of the Board

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary



PROFIT AND LOSS ACCOUNT for the year ended 31st March 2010

(Rupees in Lakhs)

	Schedules	31.03.2010	31.03.2009
SALES AND OTHER INCOME			
Gross Sales	XIII	46,533.01	67,466.28
Less : Excise Duty		1,622.64	851.71
Net Sales		44,910.37	66,614.57
Other Income	XIV	30.37	9.29
		44,940.74	66,623.86
EXPENDITURE			
Materials Cost	XV	23,000.40	38,678.23
Stores Consumed		485.97	528.96
Power and Fuel		3,010.65	2,824.65
Personnel	XVI	3,107.09	2,920.84
Manufacturing and Other Expenses	XVII	2,577.54	2,535.86
Selling & Distribution Expenses	XVIII	9,951.55	11,603.07
		42,133.20	59,091.61
Profit Before Interest, Depreciation & Tax		2,807.54	7,532.25
Interest and Other Financial Charges (net)	XIX	1,564.64	2,355.64
Depreciation	V	2,113.58	1,440.99
Profit Before Taxation		(870.68)	3,735.62
Provision for Current Tax		-	412.40
Provision for Fringe Benefit Tax		-	60.00
Provision for Deferred Taxes		-	766.41
Profit After Taxation		(870.68)	2,496.81
Add : Balance brought forward from previous year		12,162.11	11,041.13
Amount Available for Appropriation		11,291.43	13,537.94
Less : Proposed Dividend		-	321.24
Less : Dividend Tax on Proposed Dividend		-	54.59
Less: Transferred to General Reserve		-	1,000.00
Balance Carried to Balance Sheet		11,291.43	12,162.11
Earning Per Share - Basic & Diluted	XX(17)	(2.71)	7.77
(Face value per share of Rs. 10/- each)			
Statement of significant accounting policies and notes to the accounts	XX		

Schedules referred to above form an integral part of the Financial Statements

As per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary

SCHEDULE TO THE ACCOUNTS as at 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
I SHARE CAPITAL		
Authorised:		
5,00,00,000 Equity Shares of Rs. 10 each	5,000.00	5,000.00
	5,000.00	5,000.00
Issued and Subscribed:		
3,21,23,552 Equity Shares of Rs. 10 each fully paid-up	3,212.36	3,212.36
	3,212.36	3,212.36

Note:

Out of the above equity shares 37,03,719 equity shares have been allotted pursuant to court approved scheme of amalgamation for consideration other than cash.

II RESERVES AND SURPLUS		
Capital Reserve	0.57	0.57
Capital Redemption Reserve	965.00	965.00
Share Premium Account	32,112.39	32,112.39
General Reserve		
Opening Balance	3,356.63	2,356.63
Add: Additions	–	1,000.00
	3,356.63	3,356.63
Profit & Loss Account Balance	11,291.43	12,162.11
	47,726.02	48,596.70

III SECURED LOANS		
Term Loans		
From Banks	23,960.01	8,304.86
From Financial Institutions	5,500.00	5,500.00
Cash Credit from Banks	9,427.51	6,124.35
Hire Purchase Arrangements	148.24	184.66
	39,035.76	20,113.87

IV UNSECURED LOANS		
Short Term Loans :		
From Banks	6,513.97	8,998.86
	6,513.97	8,998.86



SCHEDULE TO THE ACCOUNTS as at 31st March 2010

V FIXED ASSETS

(Rupees in Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2009	Additions	Deductions	As at 31.03.2010	As at 1.04.2009	For the Period	Deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Freehold Land	2,162.92	115.98	190.76	2,088.14	-	-	-	-	2,088.14	2,162.92
Leasehold Land	307.66	-	-	307.66	-	-	-	-	307.66	307.66
Buildings	9,037.59	461.46	-	9,499.05	1,260.40	262.73	-	1,523.13	7,975.92	7,777.19
Office Equipment	1,154.69	157.71	8.56	1,303.84	411.30	125.84	4.26	532.88	770.96	743.39
Plant & Machinery	24,368.25	1,768.93	-	26,137.18	4,610.10	1,298.52	-	5,908.62	20,228.56	19,758.15
Electrical Installations	875.76	31.85	-	907.61	219.27	42.24	-	261.51	646.10	656.49
Furniture & Fixtures	1,913.34	105.84	3.29	2,015.89	250.14	124.63	0.31	374.46	1,641.43	1,663.20
Motor Vehicles	702.67	89.04	41.48	750.23	213.63	66.76	6.19	274.20	476.03	489.04
Windmill	3,680.54	-	-	3,680.54	615.33	194.33	-	809.66	2,870.88	3,065.21
Total	44,203.42	2,730.81	244.09	46,690.14	7,580.17	2,115.05	10.76	9,684.46	37,005.68	36,623.25
Previous Year	24,507.26	19,864.31	168.15	44,203.42	6,190.07	1,442.15	52.04	7,580.17	36,623.25	

31.03.2010

31.03.2009

VI INVESTMENTS

(At Cost, Current)

Fixed Deposit with Scheduled Bank	0.25	151.91
Investment in SBI Mutual Fund (100000 units of Rs. 10 each)	10.00	10.00

(At Cost, Long term)

Equity Investments in Subsidiaries (Unquoted)

Equity Investment in Foshan Nitco Trading Company Ltd.	137.35	-
Equity Investment in Chongqing Nitco Marble Ltd.	73.32	-
10000 Equity Shares in Nitco Holdings HK Company Ltd.	0.64	0.64
200000 Equity shares of Re. 1/- each fully paid up in Nitco Realities Pvt. Ltd.	694.59	694.59
	916.15	857.14

VII INVENTORIES

Raw Materials	3,347.15	3,099.79
Work in Process	647.03	603.05
Finished Goods	22,048.91	15,816.92
Stores, Spares and Consumables	817.39	674.07
Goods in Transit	39.20	20.76
	26,899.68	20,214.59

SCHEDULE TO THE ACCOUNTS as at 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
VIII SUNDRY DEBTORS (Unsecured, Considered good except otherwise stated)		
Outstanding over six months		
Considered good	279.79	319.42
Considered doubtful	136.73	148.45
	416.52	467.87
Less: Provision for Doubtful Debts	136.73	148.45
	279.79	319.42
Other debts considered good	8,970.19	10,362.59
	9,249.98	10,682.01
IX CASH AND BANK BALANCES		
Cash on Hand	57.26	30.93
Balance with Scheduled Bank		
Current Account	850.56	332.98
Margin Money Account	1,050.80	317.79
	1,958.62	681.70
X LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	6,970.09	5,552.57
Advance to Subsidiary Companies	15,727.32	13,723.68
Balances with Customs & Central Excise authorities etc.	5,304.45	2,889.21
Advance Tax and Tax deducted at Source	341.41	44.78
	28,343.27	22,210.24
XI CURRENT LIABILITIES		
Sundry Creditors	18,879.15	13,404.37
Dealer Deposit	627.22	535.19
Other Liabilities	689.71	564.16
Interest accrued but not due on Loans	141.07	20.12
Excise Duty	601.57	195.02
Unclaimed Dividend	22.67	17.94
	20,961.39	14,736.80
XII PROVISIONS		
For Dividend (Including Corporate Tax on Dividend)	–	375.83
	–	375.83



SCHEDULE TO THE ACCOUNTS for the year ended 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
XIII SALES		
Sales	46,533.01	67,466.28
	46,533.01	67,466.28

XIV OTHER INCOME		
Rent received	29.40	2.75
Other Income	0.97	6.54
	30.37	9.29

XV MATERIALS COST		
Increase/Decrease in Stock		
Opening Stock		
Finished Stock	15,816.92	16,960.51
Process Stock	603.05	530.56
	16,419.97	17,491.07
Less: Closing Stock		
Finished Stock	22,048.91	15,816.92
Process Stock	647.03	603.05
	22,695.94	16,419.97
(Increase)/Decrease in Stock (A)	(6,275.97)	1,071.10
Consumption of Raw Materials		
Opening Stock	3,099.79	2,683.67
Add :Purchases	14,703.84	19,038.45
	17,803.63	21,722.12
Less: Closing Stock	3,347.15	3,099.79
Total Raw Material Consumed (B)	14,456.48	18,622.33
Purchase of Finished Goods (C)	14,819.89	18,984.80
Total Materials Cost (A+B+C)	23,000.40	38,678.23

XVI PERSONNEL COST		
Salaries, Wages, Bonus etc	2,713.18	2,495.18
Contribution to Provident & Other Funds	189.57	173.79
Welfare Expenses	204.34	251.87
	3,107.09	2,920.84

SCHEDULE TO THE ACCOUNTS for the year ended 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
XVII MANUFACTURING AND OTHER EXPENSES		
Rent Rates and Taxes	661.97	699.32
Processing Charges	211.54	179.60
Water Charges	65.63	56.66
Postage and Telephone	204.46	167.48
Printing and Stationery	40.69	45.30
Insurance	128.19	114.81
Legal and Professional Fees	232.10	206.34
Travelling & Conveyance Expenses	519.88	558.19
Audit Fees	22.10	22.67
Hire Charges	196.07	173.35
Security Charges	49.14	53.82
Donations	8.09	22.25
Repairs and Maintenance		
Buildings	8.90	2.15
Machinery	36.85	36.29
Others	86.40	83.85
Miscellaneous Expenses	105.53	113.78
	2,577.54	2,535.86
XVIII SELLING & DISTRIBUTION EXPENSES		
Advertisement, Sales Promotion & Other Expenses	2,278.64	2,093.81
Sales Tax	4,613.59	6,073.42
Freight Forwarding & Related Expenses	3,043.50	3,416.18
Bad Debts	1.77	1.17
Provision for Doubtful Debts	14.05	18.49
	9,951.55	11,603.07
XIX INTEREST AND OTHER FINANCIAL CHARGES (Net)		
Term Loans	713.04	496.32
Cash Credit	747.81	760.58
Others (Schedule XX Note 7)	103.79	1,098.74
	1,564.64	2,355.64



SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

- i) The financial statements are prepared under the Historical Cost convention in accordance with generally accepted accounting principles and relevant provisions of the Companies Act, 1956, as adopted consistently by the Company. The same are prepared on a going concern basis.
- ii) The Company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

B. Fixed Assets and Depreciation

- i) Fixed assets are net of Cenvat and stated at cost / professional valuation less accumulated depreciation and impairment loss, if any. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets.
- ii) Capital work in progress includes Capital advances.
- iii) Depreciation on fixed assets is provided in the books of accounts on straight line method in accordance with and at the rates prescribed in the Companies Act, 1956.

C. Inventories

- i) Stores and spare parts are stated at or below cost.
- ii) Inventories other than stores and spare parts are valued "At cost or Net Realisable Value, whichever is lower". Cost is generally determined on weighted average cost basis and whenever required, appropriate overheads are taken into account. Net Realisable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.
- iii) Cost of raw materials, stores, spare parts and consumables is net of applicable Cenvat credit wherever applicable.

D. Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal / external factors. An impairment loss will be recognised wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognised impairment loss is further provided or reversed depending on change in circumstances.

E. Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred, including trial production expenses net of revenue earned and attributable interest and financing costs, prior to commencement of commercial production are capitalised.

F. Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary. Current investments are stated at cost or fair value whichever is lower. Cost is determined on a weighted average basis.

G. Customs & Excise Duty

Customs Duty and Excise Duty have been accounted on the basis of both payments made in respect of goods cleared and also provision made for goods lying in bonded warehouses.

H. Sales

Sales are inclusive of excise duty and sales tax as applicable.

I. Foreign Currency Transactions

- i) All loans repayable in foreign currency and outstanding at the close of the year are expressed in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. The difference between the rate prevailing on the date of the transaction and on the date of the settlement is recognised as income or expense as the case may be.

SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

- ii) Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the year, are converted in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet.
- iii) All other incomes or expenditure in foreign currency, are recorded at the rates of exchange prevailing on the date of the transaction. The difference between the rate prevailing on the date of the transaction and on the date of the settlement is recognised as income or expense as the case may be.
- iv) In respect of forward exchange contracts the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the period of the contract.

J. Employment / Retirement Benefits

- i) Company's contribution to Provident Fund, Superannuation Fund and other Funds for the year is accounted for on accrual basis and charged to the Profit & Loss Account of the year.
- ii) Liability for Leave encashment benefits has been provided on accrual basis as per actuarial valuation.
- iii) The Company has taken a Group Gratuity cum Life Insurance Policy with the Life Insurance Corporation of India for all eligible employees. The liability is actuarially assessed by LIC and accounted for on accrual basis.

K. Taxation

Current Tax

Current tax is provided on the basis of tax payable on estimated taxable income computed in accordance with the applicable provisions of Income tax Act, 1961 after considering the benefits available under the said Act.

Deferred Taxes

In accordance with Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing difference between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date.

Deferred Tax Assets arising from temporary timing differences are recognised to the extent there is reasonable certainty that the assets can be realised in future.

2. SECURED LOANS

- A. Term Loans from Banks / Institutions have been secured by a first charge on pari passu basis on all movable and immovable fixed assets at Alibaug, Silvassa or Thane as the case may be. It has been additionally secured by an irrevocable and unconditional personal guarantee from Mr. Vivek Talwar, Managing Director of the Company.
- B. Cash Credit from banks has been secured by hypothecation of the whole of the current assets of the Company including inventories, book debts, consumable stores & spares (not relating to Plant & Machinery), bills receivable and all other movables, both present and future wheresoever situated. It is further secured by a second charge on the Fixed Assets of the ceramic tiles division at Alibaug and is also guaranteed by Mr. Vivek Talwar, Managing Director of the Company.
- C. Hire Purchases have been secured by hypothecation of specific assets.

3. Excise Duty of Rs. 601.57 Lakhs (Previous year Rs. 195.02 Lakhs) has been provided on goods held in bond and consequently included in the valuation of inventories.

4. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, and Deposits are subject to confirmation. In the opinion of the Board, the Current Assets, Loans and Advances are of the value stated as realisable in the ordinary course of the business. Accounts receivable is net of advances. The provisions for depreciation and all the known liabilities are not in excess of the amount reasonably necessary.

5. Provision for Taxation

a) Current year charge:

No provision for Income tax has been made on account of losses during the year.

b) Deferred Tax:

The Company has been recognising in the financial statements the deferred tax assets / liabilities, in accordance with



SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. No provision for Deferred tax has been made on account of losses during the year.

6. Sundry Creditors in Schedule VI to the accounts includes: -

- a) Rs. 125.30 Lakhs (Previous year Rs. 94.5 Lakhs) due to Small Scale Industrial Undertakings.
- b) Rs. 18,753.85 Lakhs (Previous year Rs. 13,309.87 Lakhs) due to other creditors.

The disclosure is based on the information available with the Company regarding the status of suppliers under the Industries Development & Regulation Act, 1951. Names of small scale industrial undertakings to whom an amount of Rs. 1 lakh or more was payable and outstanding for more than 30 days is as follows:-

Sr No.	Vendors Name	Rs. in Lakhs
i)	Industrial Packing Products	8.70
ii)	JTJ Associates	4.71
iii)	Khetan Welpack Pvt.Ltd.	20.23
iv)	Maharashtra Gujrat Transport Co.	0.61
v)	Maxwell Industries	17.88
vi)	Om Roadways	0.38
vii)	P.K.Roadlinks	33.51
viii)	Par-Techno	23.21
ix)	Praveen Pulverizers	16.07
	Total	125.30

7. Foreign exchange gain for the current year was Rs. 302.46 lakhs against foreign exchange loss of Rs. 837.38 lakhs in the previous year and the same has been included in Interest and Other Financial Charges.

8. A search was conducted by the Department of Revenue Intelligence ("DRI") on various premises of the Company on 27th and 28th August 2009 to investigate certain import and export transactions and had seized all the imported materials lying both at the ports and the warehouses of the Company.

The Company had "Under Protest" voluntarily paid Rs. 25 crores by way of revenue deposit to the customs authorities and also provided Bank Guarantees to the extent of Rs. 45.80 crores based on which the seized imported goods at the port and warehouses were released. As per the extant regulations under the Customs Act, upon completion of the investigation, DRI is required to issue a show cause notice detailing the breach if any, of any provisions/ regulations relating to imports / exports conducted by the Company and the amount of duty payable by the Company. As on date, no show cause notice has been received by the Company. Upon receipt of show cause notice, if any, the Company wishes to litigate the matters or present it's case before appropriate authorities (including settlement commission), based on the advice of the its tax advisors and senior counsels. The amount of Rs. 25 crores is treated as a Deposit with Customs Authorities. Margin Money amounting to Rs. 5.35 crores paid to banks for issuing guarantees have been included in Bank Balances – Margin Money account. In view of the above facts and based on the criteria specified in Para 14 of AS – 29 for recognition of a provision, the Company has not recognised any provision in its books on account of DRI action.

9. As per Notification No. 26/2009 (NT) dated 17th March 2009 issued by The Central Board of Excise and Customs, Custom Cargo Service Providers are not entitled to charge any rent or demurrage on the goods seized or detained or confiscated by the proper officer of the Customs Department. In order to avoid delay in release of material, the Company paid detention and demurrage amounting to Rs. 1,909.23 lakhs under protest to various parties. The Company is following up for refund of aforesaid detention and demurrage charges. Hence the said charges are recoverable and the same are shown under 'Advance Recoverable in Cash or Kind'.

10. Previous year's figures have been regrouped / restated / reclassified / rearranged wherever necessary to make them comparable with those of the current year.



SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

	31.03.2010		31.03.2009		
	Qty. Lakhs	Rs. in Lakhs	Qty. Lakhs	Rs. in Lakhs	
F. Raw Materials Consumed:					
Body Material	MT	1.38	4,044.28	0.84	1,698.26
Glaze Material	MT	0.08	2,896.03	0.05	1,623.96
Rough marble Blocks / Slabs	Sq.ft	35.49	6,541.43	68.80	14,668.61
Packing Material			924.99		558.68
Others			49.75		72.82
Total		14,456.48		18,622.33	

Particulars	31.03.2010		31.03.2009	
	Rs. in Lakhs	%	Rs. in Lakhs	%
G. Value of Raw Materials, Spares				
Components consumed during the year				
Raw Materials				
Imported	1,727.46	11.95%	5,267.78	28.29%
Indigenous	12,729.02	88.05%	13,354.55	71.71%
Total	14,456.48	100.00%	18,622.33	100.00%
Spares & Components				
Imported	184.67	38.00%	206.11	38.97%
Indigenous	301.30	62.00%	322.85	61.03%
Total	485.97	100.00%	528.96	100.00%

12. Earnings in Foreign Exchange (Exports)

(Rupees in Lakhs)

	31.03.2010	31.03.2009
FOB Value of Exports	360.68	1,846.42

13. Value of imports calculated on CIF basis:

Finished Goods	8,858.79	13,062.52
Raw Material	1,260.20	3,990.78
Capital Goods	2,715.20	6,597.38
Spare Parts & Components	350.72	230.27
Total	13,184.91	23,880.95

14. Expenditure in Foreign Currency

Interest	468.67	708.82
Foreign Travel	139.60	243.69
	608.27	952.51

15. Auditors Remuneration

Audit Fees	22.10	21.00
Out of Pocket expenses	-	1.67
	22.10	22.67

SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

16. Directors Remuneration

(Rupees in Lakhs)

	31.03.2010	31.03.2009
Salary	55.20	55.20
Contribution to PF and other Funds	9.72	9.72
Perquisites	4.32	3.95
Commission	–	38.27
Directors sitting fees	4.44	4.32
	73.68	111.46

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to Managing Director

Profit before tax as per profit & loss Account		3,735.62
Add :- Provision for depreciation as per profit & loss Account		1,440.99
Remuneration to Directors		73.18
Provision for Doubtful Debts		18.49
	–	5,268.28
Less :- Depreciation under Section 350 of the Companies Act, 1956		(1,440.99)
Profit as per section 349 of the companies Act , 1956		3,827.29
1% commission payable to Managing Director	–	38.27

Note: No commission is payable to MD due to losses incurred in FY 2009-10.

In view of the losses made during the year, the managerial remuneration paid is in excess of the limits specified in Section II of Part II of Schedule XIII to the Companies Act, 1956. The Company is in process of making an application to the Central Government for necessary approval under Section 198 of the Companies Act, 1956.

17. Earnings per share - (EPS)

i. Profit computation for Basic Earnings Per Share of Rs. 10 each	(870.68)	2,496.81
ii. Number of equity shares for Earnings Per Share	3,21,23,552	3,21,23,552
iii. Earnings Per Share (Basic & Diluted) Rs.	(2.71)	7.77
iv. Face Value per Share (Rs.)	10.00	10.00

18. Contingent Liabilities

Guarantees/Counter Guarantees given by the Company/by banks on behalf of company	5,219.27	1,007.36
Letter of credits opened for which the Company is contingently liable	6,846.54	9,472.57
Export Bills discounted / purchased with the banks	68.26	133.56
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,150.39	2,428.90
Demands against the Company not acknowledged as debts and not provided for against which the Company is in appeal		
Excise Duty	26.04	19.07
Custom Duty	1,589.52	1,589.52



SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

19. Information on related party transactions as required by Accounting Standard - 18 for the year ended 31.03.2010

Relationship	Name of the Related Party
Holding Company	Nitco Limited
Subsidiaries	Chongqing Nitco Marble Ltd. Foshan Nitco Trading Company Ltd. Nitco Holdings HK Company Ltd. Nitco Realities Pvt. Ltd.
Fellow Subsidiaries	Feel Better Housing Pvt. Ltd. Ferocity Properties Pvt. Ltd. Glamorous Properties Pvt. Ltd. Max Wealth Properties Pvt. Ltd. Meghdoot Properties Pvt. Ltd. Nitco Aviation Pvt. Ltd. Nitco IT Parks Pvt. Ltd. Opera Properties Pvt. Ltd. Particle Boards India Ltd. Quick-Solution Properties Pvt. Ltd. Roaring - Lion Properties Pvt. Ltd. Silver-Sky Real Estates Pvt. Ltd.
Key Managerial Personnel	Mr. Vivek Talwar Ms. Poonam Talwar
Enterprises over which Key Managerial Personnel are able to exercise significant influence	Alpine Agro and Dairy Farms Pvt. Ltd. Anandshree Bombay (Holding) Pvt.Ltd. Aurella Estates and Investments Pvt. Ltd. Cosmos Realtors Pvt.Ltd. Delicious Properties Pvt.Ltd. Eden Garden Builders Pvt.Ltd. Enjoy Builders Pvt.Ltd. Lavender Properties Pvt.Ltd. Maharashtra Marble Co. Merino Realtors Pvt. Ltd. Nitco Construction Materials Pvt. Ltd. Nitco Consultants & Exports Pvt. Ltd. Nitco Exports Nitco Paints Pvt. Ltd. Nitco Sales Corporation (Delhi) Nitco Terrazzo Tiles Pvt. Ltd. Nitco Tiles Nitco Tiles & Marble Industries (A) Pvt. Ltd. Nitco Tiles Sales Corporation (Bombay) Norita Investments Pvt. Ltd. Northern India Tiles (Sales) Corporation Orchid Realtors Pvt. Ltd. Prakalp Properties Pvt. Ltd. Rangmandir Builders Pvt. Ltd. Rejoice Realty Private Ltd. Rhythm Real Estates Pvt. Ltd. Strength Properties Pvt. Ltd. The Northern India Tiles Corporation (Delhi) Ushakiran Builders Pvt. Ltd. Vivek Talwar (HUF)

SCHEDULE TO THE ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

Related Party Transactions for FY 2009-10

(Rupees in Lakhs)

	Key Managerial Personnel	Subsidiaries/ Fellow Subsidiaries /Others
Purchase of Goods		29.20
Services received		50.65
Rent Paid		60.63
Remuneration / Sitting Fees	73.68	
Interest on loans Received/Receivable		1,739.34
Rent Deposit		1,600.00
Advances made as on 31.03.2010		15,727.32

Loans & Advances in the nature of Loans given to Subsidiaries.

(Rupees in Lakhs)

Name of the Company	Relationship	As at 31st March 2010	As at 31st March 2009	Maximum Balance during the year
Nitco Realities Pvt. Ltd.	Subsidiary	15,727.32	13,723.68	15,727.32

Advances to Subsidiary shown above falls under the category of Loans where there is no repayment schedule and are repayable on demand.

20. Remittance in foreign currency on account of dividend

The Company has paid dividend in respect of shares held by Non Residents on repatriation basis. This inter-alia includes portfolio investment and direct investment, where the amount is also credited to Non Resident External Account (NRE A/C). The exact amount of dividend remitted in foreign currency cannot be ascertained. The total amount remittable in this respect is given below:

(Rupees in Lakhs)

Final Dividend	2009-10	2008-09
a) Number of Non Resident Shareholders	1	1
b) Number of Equity Shares held by them	8,25,281	8,25,281
c) (i) Amount of Dividend paid (Gross) (Rs. in Lakhs)	8.25	16.51
(ii) Year to which dividend relates	2008-09	2007-08

As per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary



CASH FLOW STATEMENTS for the year ended 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as restated before Tax and Extraordinary items	(870.68)	3,735.62
<i>Adjusted for:</i>		
Depreciation	2,113.58	1,440.99
Provision for Bad and Doubtful Debts	14.05	18.49
(Profit)/loss on sale of assets	18.25	15.58
Interest and Financial Charges (Net)	1,564.64	2,355.64
Operating Profit before Working Capital Changes	2,839.84	7,566.32
<i>Adjusted for changes in Working Capital:</i>		
(Increase)/Decrease in Sundry Debtors	1,417.97	(1,129.65)
(Increase)/Decrease in Inventories	(6,685.09)	527.09
(Increase)/Decrease in Other Receivables	(3,832.76)	(4,930.92)
Change in Current Liabilities	6,219.86	1,165.47
Cash Generated from operations	(40.18)	3,198.31
Income Taxes Paid	(296.62)	(911.17)
Net Cash from/(Used in) Operating Activities	(336.80)	2,287.14
B. CASH FLOW FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(11,030.00)	(19,400.66)
Sale of Fixed Assets	205.11	11.05
Sale/(purchase) of Investments (Net)	(59.01)	2,351.00
Net Cash from/(Used in) Investing Activities	(10,883.90)	(17,038.61)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Advance to Subsidiary Companies	(2,003.64)	465.11
Proceeds from/(Repayment) of Long Term/Short Term borrowings, net	16,437.00	16,299.62
Interest Paid	(1,564.64)	(2,355.64)
Dividend & Corporate Dividend Tax	(371.10)	(742.54)
Net Cash from/(Used in) Financing Activities	12,497.62	13,666.55
Net Increase/(Decrease) in Cash & Cash Equivalents	1,276.92	(1,084.92)
Opening Balance of Cash and Cash Equivalents	681.70	1,766.62
Closing Balance of Cash and Cash Equivalents	1,958.62	681.70

Notes:

- The cashflow statement has been prepared under the indirect method as set out in Accounting Standard - 3 (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Cash and Cash Equivalents consists of Cash on Hand - Rs. 57.26 Lakhs (Previous Year Rs. 30.93 lakhs). Balance in Current Account - Rs. 850.56 Lakhs (Previous Year Rs. 332.98 Lakhs) and Balance in Margin Money - Rs. 1,050.80 Lakhs (Previous Year Rs. 317.79 Lakhs)

As per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**
Chartered Accountants
Firm Registration No. 107173

A. Husein Noumanali
Proprietor
Membership No. 14757
Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS

Additional Information pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No. State Code

Balance Sheet Date

Date Month Year

II. Capital Raised during the year (Rs. in Lakhs)

Public Issue

Bonus Issue

Rights Issue

Private Placement

III. Position of Mobilisation and Deployment of Funds (Rs. in Lakhs)

Total Liabilities (Including Shareholders Funds)

Total Assets

Sources of Funds

Paid-up Capital (including share application money)

Deferred Tax Liability

Secured Loans

Reserves & Surplus

Unsecured Loans

Application of Funds (Rs. in Lakhs)

Net Fixed Assets (including Capital Work-in-Progress)

Net Current Assets

Accumulated Losses

Investments

Misc. Expenditure

IV. Performance of the Company (Rs. in Lakhs)

Turnover (Sales and other income)

Profit/Loss before Tax

Earnings Per Share in Rs.

Total Expenditure

Profit/ Loss after Tax

Dividend Rate%

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

Product Description	Item Code No. (ITC Code)
Glazed Ceramic, Vitrified Tiles	<input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="7"/>
Marble Blocks, Slabs, Tiles	<input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="2"/>

As per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**
Chartered Accountants
Firm Registration No. 107173

A. Husein Noumanali
Proprietor
Membership No. 14757
Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Name of Subsidiary Company	Nitco Holdings HK Co. Ltd.	Foshan Nitco Trading Co. Ltd.	Chongqing Nitco Marble Ltd.	Nitco Realities Pvt. Ltd.	Glamorous Properties Pvt. Ltd.	Particle Boards India Ltd.	Opera Properties Pvt. Ltd.	Nitco IT Parks Pvt. Ltd.	Feel Better Housing Pvt. Ltd.	Maxwealth Properties Pvt. Ltd.	Nitco Aviation Pvt. Ltd.	Quick Solution Properties Pvt. Ltd.	Roaring-Lion Properties Pvt. Ltd.	Meghdoot Properties Pvt. Ltd.	Silver Sky Real Estate Pvt. Ltd.	Ferocity Property Pvt. Ltd.
1 Financial year of the subsidiary ended on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010
2 Shares of the subsidiary held by the Company directly or through it subsidiary companies on 31st March 2010																
a. Number and face value of Equity Shares	10,000 Ordinary Shares of HK\$ 1.00 each fully paid up	NA	NA	2,00,000 Shares of Re.1 fully paid-up	9,37,500 Shares of Rs.10 each fully paid-up	2,14,860 Shares of Rs.100 each fully paid-up	5,000 Shares of Rs.100 each fully paid-up	10,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up	10,00,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up	10,000 Shares of Rs.10 each fully paid up
b. Extent of holding (%)	100.00	100.00	100.00	100.00	75.00	95.49	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
3 Net aggregate amount of profit/(loss) of the subsidiary for the financial year of the subsidiary so far as they concern members of the Company																
a. Dealt with in the accounts of the Company for the year ended 31st March 2010	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Not dealt with in the accounts of the Company for the year ended 31st March 2010	51.85	(73.35)	NIL	NIL	(4.95)	17.15	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
4 Net aggregate amount of profits / (Losses) for previous financial years of the subsidiary, since it became a subsidiary so far as they concern members of the Company.																
a. Dealt with in the accounts of the Company for the year ended 31st March 2010	NIL	NA	NA	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
b. Not dealt with in the accounts of the Company for the year ended 31st March 2010	(0.06)	NA	NA	1.51	(2.41)	30.33	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL



INFORMATION OF SUBSIDIARY COMPANIES for the year ended 31st March 2010

Name of Subsidiary Company	Nitco Holdings HK Co. Ltd.	Foshan Nitco Trading Co. Ltd.	Chongqing Nitco Marble Ltd.	Nitco Realities Pvt. Ltd.	Glamorous Properties Pvt. Ltd.	Particle Boards India Ltd.	Opera Properties Pvt. Ltd.	Nitco IT Parks Pvt. Ltd.	Feel Better Housing Pvt. Ltd.	Maxwealth Properties Pvt. Ltd.	Nitco Aviation Pvt. Ltd.	Quick Solution Properties Pvt. Ltd.	Roaring-Lion Properties Pvt. Ltd.	Meghdoot Properties Pvt. Ltd.	Silver Sky Real Estate Pvt. Ltd.	Ferrocity Property Pvt. Ltd.
	Paid up Capital	0.64	137.31	73.31	2.00	125.00	225.00	5.00	1.00	1.00	1.00	100.00	1.00	1.00	1.00	1.00
Reserves	48.00	(76.70)	(7.65)	697.30	259.39	43.03	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Assets	48.64	78.60	65.67	16,488.19	405.24	893.25	388.25	1.02	446.82	112.74	102.67	241.51	114.02	602.06	205.50	376.88
Total Liabilities	Nil	17.98	Nil	15,788.89	20.85	625.22	383.25	0.02	445.82	111.74	2.67	240.51	113.02	601.06	204.50	375.88
Investments (except investment in subsidiary companies)	Nil	Nil	Nil	6.00	Nil	0.10	Nil	Nil	Nil	Nil	Nil	22.50	Nil	499.39	Nil	Nil
Turnover	112.87	74.14	Nil	Nil	139.53	74.03	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit before taxation	51.85	(73.35)	Nil	Nil	(6.60)	25.21	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Provision for taxation	Nil	Nil	Nil	Nil	Nil	5.72	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit after taxation	51.85	(73.35)	Nil	Nil	(6.60)	17.96	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Proposed dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Board of Directors
Nitco Limited

We have audited the attached Consolidated Balance Sheet of Nitco Limited and its Subsidiaries as at 31st March 2010 and also the Consolidated Profit & loss Account and Consolidated Cash Flow statement for the year ended on that date annexed thereto . These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 the Management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. We did not audit the financial statements of the subsidiary companies whose, financial statements reflect total assets of Rs. 20,378.15 Lakhs as at 31st March 2010, the total revenue of Rs. 213.57 Lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on report of other auditors.
2. We have relied on the unaudited financial statements of subsidiaries registered in Hong Kong and China whose financial statements reflect net assets of Rs. 174.92 Lakhs and turnover of 187.01 Lakhs as at 31st March 2010. These unaudited financial statements have been furnished to us by the management and our report in so far as it

relates to the amounts included in respect of the said subsidiaries, is based solely on such unaudited financial statements.

3. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirement of Accounting standard(AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investment in Associates, in consolidated financial statements issued by Institute of Chartered Accountants of India.
4. Based on audit as aforesaid, and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the component and accounts approved by the Board of Directors and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affair of the Group as at 31st March 2010;
 - (ii) in the case of the Consolidated Profit and loss Account, of the Loss of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow statement , of the state of the Cash Flows of the Group for the year ended on that date.

For A. Husein Noumanali & Co.
Chartered Accountants
Firm Registration No. 107173

Place: Mumbai
Date : 3rd August 2010

A. Husein Noumanali
Proprietor
Membership No.: 14757

CONSOLIDATED BALANCE SHEET as at 31st March 2010

(Rupees in Lakhs)

	Schedules	31.03.2010	31.03.2009
I SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	I	3,212.36	3,212.36
Reserves & Surplus	II	47,936.03	48,830.85
		51,148.39	52,043.21
Minority Interest		108.17	109.02
Loan Funds			
Secured Loans	III	39,035.76	20,113.87
Unsecured Loans	IV	6,513.97	8,998.86
		45,549.73	29,112.73
Deferred Tax Liabilities		1,830.05	1,830.05
Total		98,636.34	83,095.01
II APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	47,218.98	44,710.73
Less: Depreciation		9,711.41	7,581.87
Net Block		37,507.57	37,128.86
Capital Work-in-progress (net)		14,930.72	6,607.43
		52,438.29	43,736.29
Investments	VI	546.53	595.33
Current Assets, Loans and Advances			
Inventories	VII	33,533.38	24,637.43
Sundry Debtors	VIII	9,053.60	10,690.57
Cash and Bank Balances	IX	2,263.73	927.49
Loans and Advances	X	22,097.74	18,286.24
		66,948.45	54,541.73
Less: Current Liabilities and Provisions			
Current Liabilities	XI	21,278.44	15,386.09
Provisions	XII	18.49	392.25
		21,296.93	15,778.34
Net Current Assets		45,651.52	38,763.39
Total		98,636.34	83,095.01
Statement of significant accounting policies and notes to the accounts	XX		

Schedules referred to above form an integral part of the Financial Statements

As per our report attached

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173

For and on Behalf of the Board

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary



CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 2010

(Rupees in Lakhs)

	Schedules	31.03.2010	31.03.2009
SALES AND OTHER INCOME			
Gross Sales	XIII	46,778.71	67,594.61
Less : Excise Duty		1,622.64	851.71
Net Sales		45,156.07	66,742.90
Other Income	XIV	83.63	11.22
		45,239.70	66,754.12
EXPENDITURE			
Materials Cost	XV	23,189.93	38,773.40
Stores Consumed		485.97	528.96
Power and Fuel		3,010.65	2,824.65
Personnel	XVI	3,190.58	2,964.04
Manufacturing and other Expenses	XVII	2,551.47	2,488.99
Selling & Distribution Expenses	XVIII	9,983.17	11,622.40
		42,411.77	59,202.44
Profit Before Interest, Depreciation & Tax		2,827.93	7,551.68
Interest and Other Financial Charges (net)	XIX	1,564.80	2,355.80
Depreciation	V	2,136.70	1,441.06
Profit Before Taxation		(873.57)	3,754.82
Provision for Current Tax		5.72	416.76
Provision for Fringe Benefit Tax		-	60.06
Provision for Deferred Tax		-	766.41
Profit After Taxation (Before Adjustment for Minority Interest)		(879.29)	2,511.59
Less : Share of profit / (Loss) transferred to Minority		(0.84)	0.39
Profit After Taxation (After Adjustment for Minority Interest)		(878.45)	2,511.20
Add : Balance brought forward from previous year		12,191.48	11,056.09
Add : Excess / (short) Provision for Tax in earlier years		(1.53)	0.02
Amount Available for Appropriation		11,311.50	13,567.31
Less : Proposed Dividend		-	321.24
Less : Dividend Tax on Proposed Dividend		-	54.59
Less: Transferred to General Reserve		-	1,000.00
Balance Carried to Balance Sheet		11,311.50	12,191.48
Earning Per Share - Basic & Diluted	XX(8)	(2.73)	7.82
(Face value per share of Rs. 10/- each)			
Statement of significant accounting policies and notes to the accounts	XX		

Schedules referred to above form an integral part of the Financial Statements

As per our report attached

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173

For and on Behalf of the Board

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary

SCHEDULE TO THE CONSOLIDATED ACCOUNTS as at 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
I SHARE CAPITAL		
Authorised:		
5,00,00,000 Equity Shares of Rs. 10 each	5,000.00	5,000.00
	5,000.00	5,000.00
Issued and Subscribed:		
3,21,23,552 Equity Shares of Rs. 10 each fully paid-up	3,212.36	3,212.36
	3,212.36	3,212.36

Note :

Out of the above equity shares, 37,03,719 equity shares have been allotted pursuant to court approved schemes of amalgamation for consideration other than cash.

II RESERVES AND SURPLUS		
Capital Reserve	0.57	0.57
Capital Reserve on consolidation	3.20	3.20
Capital Redemption Reserve	966.00	966.00
Share Premium Account		
Opening Balance	32,313.95	32,112.39
Add: Additions during the year	–	201.56
	32,313.95	32,313.95
General Reserve		
Opening Balance	3,355.63	2,356.63
Add: Transferred from Profit and Loss Account	–	1,000.00
Less: Deductions	–	1.00
	3,355.63	3,355.63
Profit & Loss Account Balance	11,311.50	12,191.48
Foreign Currency Translation Reserve	(14.82)	0.02
	47,936.03	48,830.85

III SECURED LOANS		
Term Loans		
From Banks	23,960.01	8,304.86
From Financial Institutions	5,500.00	5,500.00
Cash Credit from Banks	9,427.51	6,124.35
Hire Purchase Arrangements	148.24	184.66
	39,035.76	20,113.87

IV UNSECURED LOANS		
Short Term Loans :		
From Banks	6,513.97	8,998.86
	6,513.97	8,998.86



SCHEDULE TO THE CONSOLIDATED ACCOUNTS as at 31st March 2010

V FIXED ASSETS

(Rupees in Lakhs)

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2009	Additions	Deductions	As at 31.03.2010	As at 1.04.2009	For the Period	Deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
Goodwill	459.88	-	37.27	422.61	-	-	-	-	422.61	459.88
Freehold Land	2,162.92	115.98	190.76	2,088.14	-	-	-	-	2,088.14	2,162.92
Leasehold Land	327.35	-	-	327.35	-	-	-	-	327.35	327.35
Buildings	9,037.59	500.72	-	9,538.31	1,260.41	283.45	-	1,543.86	7,994.45	7,777.18
Office Equipment	1,162.01	158.87	8.56	1,312.32	412.11	127.05	4.26	534.90	777.42	749.90
Plant & Machinery	24,368.24	1,768.93	-	26,137.17	4,610.11	1,298.51	-	5,908.62	20,228.55	19,758.14
Electrical Installations	875.75	31.85	-	907.60	219.27	42.24	-	261.51	646.09	656.49
Furniture & Fixture	1,929.62	115.27	3.29	2,041.60	250.97	127.92	0.31	378.58	1,663.02	1,678.64
Vehicles	703.07	89.04	41.49	750.62	213.67	66.81	6.19	274.27	476.35	489.40
Windmill	3,680.54	-	-	3,680.54	615.34	194.33	-	809.67	2,870.87	3,065.20
Live Stock	3.76	13.21	4.25	12.72	-	-	-	-	12.72	3.76
Total	44,710.73	2,793.87	285.62	47,218.98	7,581.87	2,140.31	10.76	9,711.41	37,507.57	37,128.86
Previous year	24,951.44	19,942.03	182.72	44,710.73	6,190.11	1,443.81	52.04	7,581.87	37,128.86	

31.03.2010

31.03.2009

VI INVESTMENTS

(At Cost, Current)

Fixed Deposit with Scheduled Bank	8.54	163.29
Liquidity Fund of SBI Mutual Fund (100000 units of Rs. 10 each)	10.00	10.00
12 Years National Defence Certificates with Bombay Municipal Corporation	0.10	0.10

(At Cost, Long Term)

Investment Property	499.39	395.94
50000 Equity shares of Aero Ports & Infrastructure Projects Pvt Ltd	7.50	5.00
4200 Equity Shares of Rs. 10/- each fully paid up in Saumya Buildcon	1.00	1.00
200000 Equity Shares in JM Township	20.00	20.00
	546.53	595.33

VII INVENTORIES

Raw Materials	3,347.15	3,099.79
Work in Process	1,164.85	1,071.29
Finished Products	22,048.91	15,816.92
Stores, Spares and Consumables	817.39	674.07
Goods in Transit	39.20	20.76
Inventory in Land	6,115.88	3,954.60
	33,533.38	24,637.43

SCHEDULE TO THE CONSOLIDATED ACCOUNTS as at 31st March 2010*(Rupees in Lakhs)*

	31.03.2010	31.03.2009
VIII SUNDRY DEBTORS (Unsecured, Considered Good except otherwise stated)		
Outstanding over six months		
Considered good	279.79	319.42
Considered doubtful	136.73	148.45
	416.52	467.87
Less: Provision for Doubtful Debts	136.73	148.45
	279.79	319.42
Other debts considered good	8,773.81	10,371.15
	9,053.60	10,690.57
IX CASH AND BANK BALANCES		
Cash on Hand	62.70	36.27
Balance with Scheduled Bank		
Current Account	1,150.23	573.43
Margin Money Account	1,050.80	317.79
	2,263.73	927.49
X LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	7,396.71	6,006.65
Balances with Customs & Excise	5,305.49	2,889.21
Advance Tax and Tax deducted at Source	569.97	271.29
Acquisition of Land/Rights in Land/Development Rights	8,825.57	9,119.09
	22,097.74	18,286.24
XI CURRENT LIABILITIES		
Sundry Creditors	18,973.44	13,475.93
Dealer Deposit / Security deposits	628.39	535.19
Other Liabilities	911.30	1,141.89
Interest accrued but not due on Loans	141.07	20.12
Excise Duty	601.57	195.02
Unclaimed Dividend	22.67	17.94
	21,278.44	15,386.09
XII PROVISIONS		
For Taxation	18.49	16.42
For Proposed Dividend (including Corporate tax on dividend)	-	375.83
	18.49	392.25



SCHEDULE TO THE CONSOLIDATED ACCOUNTS for the year ended 31st March
(Rupees in Lakhs)

	31.03.2010	31.03.2009
XIII SALES		
Sales	46,778.71	67,594.61
Labour Charges	–	–
	46,778.71	67,594.61

XIV OTHER INCOME		
Rent received	29.40	2.75
Other Income	54.23	8.47
	83.63	11.22

XV MATERIALS COST		
Increase/Decrease in Stock		
Opening Stock		
Finished Stock	15,816.92	16,960.51
Process Stock	603.05	530.56
	16,419.97	17,491.07
Less: Closing Stock		
Finished Stock	22,048.91	15,816.92
Process Stock	647.03	603.05
	22,695.94	16,419.97
(Increase)/Decrease in Stock (A)	(6,275.97)	1,071.10
Consumption of Raw Materials		
Opening Stock	3,099.79	2,683.67
Add :Purchases	14,801.52	19,133.62
	17,901.31	21,817.29
Less: Closing Stock	3,347.15	3,099.79
Total Raw Material Consumed (B)	14,554.16	18,717.50
Purchase of Finished Goods (C)	14,911.74	18,984.80
Total Materials Cost (A+B+C)	23,189.93	38,773.40

XVI PERSONNEL COST		
Salaries, Wages, Bonus etc	2,785.22	2,533.39
Contribution to Provident & Other Funds	194.15	178.78
Welfare Expenses	211.21	251.87
	3,190.58	2,964.04

SCHEDULE TO THE CONSOLIDATED ACCOUNTS for the year ended 31st March
(Rupees in Lakhs)

	31.03.2010	31.03.2009
XVII MANUFACTURING AND OTHER EXPENSES		
Rent Rates and Taxes	665.61	691.07
Processing Charges	160.89	133.05
Water Charges	65.63	56.66
Postage and Telephone	205.88	167.55
Printing and Stationery	44.47	45.36
Insurance	129.87	115.02
Legal and Professional Fees	237.04	207.76
Travelling & Conveyance Expenses	523.14	558.30
Audit Fees	22.23	22.85
Hire Charges	196.07	173.35
Security Charges	49.14	53.82
Donations	8.11	22.25
Repairs and Maintenance		
Buildings	8.90	2.15
Machinery	36.85	36.29
Others	86.46	85.51
Miscellaneous Expenses	111.18	118.00
	2,551.47	2,488.99
XVIII SELLING & DISTRIBUTION EXPENSES		
Advertisement, Sales Promotion & Other Expenses	2,278.64	2,093.85
Sales Tax	4,613.59	6,073.42
Freight Forwarding & Related Expenses	3,075.12	3,435.47
Bad Debts	1.77	1.17
Provision for Doubtful Debts	14.05	18.49
	9,983.17	11,622.40
XIX INTEREST AND OTHER FINANCIAL CHARGES (Net)		
Term Loans	713.04	496.32
Cash Credit	747.81	760.58
Others (Schedule XX Note 5)	103.95	1,098.90
	1,564.80	2,355.80



SCHEDULE TO THE CONSOLIDATED ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS

1. Principles of Consolidation

The consolidated financial statements relate to Nitco Limited ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary companies are combined on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- In case of foreign Subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.
- The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.
- Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiary	Country of Incorporation	Nature of Business	Relationship	Shareholding as at 31.03.2010
Nitco Holdings HK Company Ltd.	Hong Kong	Dealing in Building products	Subsidiary	100%
Foshan Nitco Trading Company Ltd.	China	Dealing in Building products	Subsidiary	100%
Chongqing Nitco Marble Ltd.	China	Dealing in Building products	Subsidiary	100%
Nitco Realities Pvt Ltd.	India	Real Estate Development	Subsidiary	100%
Particle Boards India Ltd	India	Real Estate Development & Service provider	Subsidiary	95.49%
Glamorous Properties Pvt Ltd.	India	Real Estate Development	Subsidiary	75%
Opera Properties Pvt Ltd	India	Real Estate Development	Subsidiary	100%
Nitco IT Parks Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Feel Better Housing Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Maxwealth Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Nitco Aviation Pvt. Ltd.	India	Providing Aviation Services	Subsidiary	100%
Quick Solution Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Roaring Lion Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Meghdoot Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Silver Sky Real Estate Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%
Ferrocoty Properties Pvt. Ltd.	India	Real Estate Development	Subsidiary	100%

For the purpose of consolidation, jointly owned entities, where Nitco Ltd. or its subsidiaries own directly or indirectly more than 50 percent of voting right of a company's share capital, have been accounted for as subsidiaries.

SCHEDULE TO THE CONSOLIDATED ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

2. Valuation of Inventories:

- i) Stores and spare parts are stated at or below cost.
- ii) Inventories other than stores and spare parts are valued "At cost or Net Realisable Value, whichever is lower". Cost is generally determined on weighted average cost basis and whenever required, appropriate overheads are taken into account. Net Realisable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.
- iii) Cost of raw materials, stores, spare parts and consumables is net of applicable Cenvat credit wherever applicable.
- iv) In case of subsidiaries, the inventories are in form of Land and Real estate projects in progress and are valued at cost.

3. Other Significant Accounting Policies

These are set out under "Significant Accounting Policies" as given under standalone Financial Statement of Nitco Limited.

4. Deferred Tax:

The Company has been recognising in the financial statements the deferred tax assets / liabilities, in accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. No provision for Deferred tax has been made on account of losses during the year.

5. Foreign exchange gain for the current year was Rs. 302.46 lakhs against foreign exchange loss of Rs. 837.38 lakhs in the previous year and the same has been included in Interest and Other Financial Charges.

6. Previous year's figures have been regrouped / restated / reclassified / rearranged wherever necessary to make them comparable with those of the current year.

7. Directors Remuneration

(Figures in Lakhs)

Particulars	31.03.2010	31.03.2009
Salary	55.20	55.20
Contribution to PF and other Funds	9.72	9.72
Perquisites	4.32	3.95
Commission	-	38.27
Directors sitting fees	4.44	4.32
	73.68	111.46

8. Earnings per share - (EPS)

i. Profit computation for Basic Earnings Per Share of Rs. 10 each	(878.45)	2511.20
ii. Number of equity shares for Earnings Per Share	3,21,23,552	3,21,23,552
iii. Earnings Per Share (Basic & Diluted) Rs.	(2.73)	7.82
iv. Face Value per Share (Rs.)	10.00	10.00

9. Contingent Liabilities

Guarantees/Counter Guarantees given by the Company/by banks on behalf of company	5,219.27	1,007.36
Letter of credits opened for which the Company is contingently liable	6,846.54	9,472.57
Export Bills discounted / purchased with the banks	68.26	133.56
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,150.39	2,428.90
Demands against the Company not acknowledged as debts and not provided for against which the Company is in appeal		
Excise Duty	26.04	19.07
Custom Duty	1,606.78	1,589.52



SCHEDULE TO THE CONSOLIDATED ACCOUNTS

XX STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED ACCOUNTS (Contd.)

10. Information on related party transactions as required by Accounting Standard - 18 for the year ended 31.03.2010

Key Managerial Personnel	Mr. Vivek Talwar
	Ms. Poonam Talwar
Enterprises over which Key Managerial Personnel are able to exercise significant influence	Alpine Agro and Dairy Farms Pvt. Ltd.
	Anandshree Bombay (Holding) Pvt. Ltd.
	Aurella Estates and Investments Pvt. Ltd.
	Cosmos Realtors Pvt. Ltd.
	Delicious Properties Pvt. Ltd.
	Eden Garden Builders Pvt. Ltd.
	Enjoy Builders Pvt. Ltd.
	Lavender Properties Pvt. Ltd.
	Maharashtra Marble Co.
	Merino Realtors Pvt. Ltd.
	Nitco Construction Materials Pvt. Ltd.
	Nitco Consultants & Exports Pvt. Ltd.
	Nitco Exports
	Nitco Paints Pvt. Ltd.
	Nitco Sales Corporation (Delhi)
	Nitco Terrazzo Tiles Pvt. Ltd.
	Nitco Tiles
	Nitco Tiles & Marble Industries (A) Pvt. Ltd.
	Nitco Tiles Sales Corporation (Bombay)
	Norita Investments Pvt. Ltd.
	Northern India Tiles (Sales) Corporation
	Orchid Realtors Pvt. Ltd.
	Prakalp Properties Pvt. Ltd.
	Rangmandir Builders Pvt. Ltd.
	Rejoice Realty Pvt. Ltd.
	Rhythm Real Estates Pvt. Ltd.
	Strength Properties Pvt. Ltd.
	The Northern India Tiles Corporation (Delhi)
	Ushakiran Builders Pvt. Ltd.
	Vivek Talwar (HUF)

Related Party Transactions for FY 2009-10

(Rupees in Lakhs)

	Key Managerial Personnel	Others
Rent Paid		38.87
Remuneration / Sitting Fees	73.68	
Rent Deposit		1,000.00

As per our report attached

For and on Behalf of the Board

For A. Husein Noumanali & Co.

Chartered Accountants

Firm Registration No. 107173

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary

CONSOLIDATED CASH FLOW STATEMENTS for the year ended 31st March 2010

(Rupees in Lakhs)

	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as restated before Tax and Extraordinary items	(872.73)	3,754.43
<i>Adjusted for:</i>		
Depreciation	2,136.70	1,441.06
Provision for Bad and Doubtful Debts	14.05	18.49
(Profit)/loss on sale of assets	18.25	15.58
Interest and Financial Charges (Net)	1,564.80	2,355.80
Operating Profit before Working Capital Changes	2,861.07	7,585.36
Adjusted for changes in Working Capital:		
(Increase)/Decrease in Sundry Debtors	1,622.91	(1,129.40)
(Increase)/Decrease in Inventories	(8,895.95)	(2,223.69)
(Increase)/Decrease in Other Receivables	(3,512.82)	(1,066.95)
Change in Current Liabilities	5,872.80	1,050.60
Cash Generated from operations	(2,051.99)	4,215.92
Income Taxes Paid	(303.87)	(1,079.63)
Net Cash from/(Used in) Operating Activities	(2,355.86)	3,136.30
B. CASH FLOW FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(11,062.06)	(19,460.42)
Sale of Fixed Assets	205.11	11.05
Sale/(purchase) of Investments (Net)	48.80	2,084.98
Net Cash from/(Used in) Investing Activities	(10,808.15)	(17,364.39)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Minority Interest	(0.85)	93.48
Proceeds from/(Repayment) of Long Term/Short Term borrowings, net	16,437.00	16,145.14
Share premium on fresh issue received (net of Issue Expenses)	-	201.56
Interest Paid	(1,564.80)	(2,355.80)
Dividend & Corporate Dividend Tax	(371.10)	(742.54)
Net Cash from/(used in) Financing Activities	14,500.25	13,341.84
Net Increase/(Decrease) in Cash & Cash Equivalents	1,336.24	(886.25)
Opening Balance of Cash and Cash Equivalents	927.49	1,813.74
Closing Balance of Cash and Cash Equivalents	2,263.73	927.49

Notes:

- The cashflow statement has been prepared under the indirect method as set out in Accounting Standard - 3 (AS-3) on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- Cash and Cash Equivalents consists of Cash on Hand - Rs. 62.70 Lakhs (Previous Year Rs. 36.27 lakhs). Balance in Current Account - Rs. 1,150.23 Lakhs (Previous Year Rs. 573.43 Lakhs) and Balance in Margin Money - Rs. 1,050.80 Lakhs (Previous Year Rs. 317.79 Lakhs)

As per our report attached

For and on Behalf of the Board

For **A. Husein Noumanali & Co.**

Chartered Accountants

Firm Registration No. 107173

A. Husein Noumanali

Proprietor

Membership No. 14757

Mumbai, 3rd August 2010

Vivek Talwar
Managing Director

S.K. Bhardwaj
Director

B.G. Borkar
CFO & Company Secretary

CORPORATE INFORMATION

Board of Directors

Mr. Pran Nath Talwar, *Chairman*
Mr. Vivek Talwar, *Managing Director*
Ms. Poonam Talwar, *Wholetime Director*
Mr. S.K. Bhardwaj, *Director*
Mr. Atul Sud, *Director*
Mr. Gaurav Burman

Chief Finance Officer and Company Secretary

Mr. B.G. Borkar

Auditors

A. Housein Noumanali & Co.,
Chartered Accountant

Registered office

Nitco House
Recondo Compound
SK Ahire Marg, Worli
Mumbai 400 030
Tel: 91 22 66164555
Fax : 91 22 66164657

Bankers

Punjab National Bank,
State Bank of India
SBI Commercial & International Bank Ltd.
Syndicate Bank

Works

Ceramic tile division

Village Shrigaon, Taluka Alibaug,
Post Poynad,
District Raigad, Maharashtra

Marble division (Mumbai)

Nitco Marble Land,
plot no. 3, Kanjur village Road
Kanjur Marg (East),
Mumbai 400 078, Maharashtra

Marble division (Silvassa)

Survey No. 176, Village Silli,
Silvassa 330 396



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