SHAPE THE FUTURE.

NITCO LIMITED

ANNUAL REPORT, 2010-11

Forward-looking statement

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

CONTENTS

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

TO EMERGE BIGGER AND BETTER.

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

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

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

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

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

CUTTING A LONG STORY SHORT

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

1984
Commenced marble processing at Kanjurmarg

1997
Commissioned ceramic tile unit at Alibaug

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

2004
Upgraded Alibaug plant for manufacturing porcelain tiles

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

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

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

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

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

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

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

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

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

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

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

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

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

2010
- Launched premium category porcelain tiles under Naturoc brand

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

STRATEGIC BLUEPRINT

VISION

To be better and faster than everybody else in the business

MISSION

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

STRATEGIC INTENT

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

MISSION

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

STRATEGIC INTENT

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

MISSION

To manufacture products of the highest quality, creating industry benchmarks

STRATEGIC INTENT

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

MISSION

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

STRATEGIC INTENT

Pursuit of operational excellence in all spheres

STRATEGIES	OUTCOME
▪ Expand and leverage deep distribution reach as a strategic advantage ▪ Enhance already strong relationships with large institutional clients ▪ Expand presence to all, and emerging consumption centers. Expand presence to Tier-II towns and district headquarters ▪ Strengthen our presence in synergistic areas that leverage our existing capabilities by foraying into residential and commercial real estate development	10,000 retail counters. 300 LSE and nooks in the next 3 to 5 years

STRATEGIES	OUTCOME
▪ Leverage manufacturing and design competence – Innovation for a better life ▪ Leverage consumer insight through exclusive showrooms and deep relationships with architects and interior designers ▪ Reinforce position as a preferred retailer of products, meeting consumer expectations, while not necessarily being a manufacturer of the same ▪ Leverage global sourcing and distribution model to provide cost-effective options for dealers and retailers, ultimately benefiting the Indian consumer ▪ Enhance product range to cater to diverse customer tastes	30% revenues to be generated from these segments

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

STRATEGIES	OUTCOME
▪ Enhance our operational productivity with the objective to achieve one of the most competitive manufacturing costs in the industry ▪ Invest in growing production capacities with the objective to achieve economies of scale and strengthen our competitiveness ▪ Introduce new and advanced technologies to offer innovative and differentiated tile, marble and mosaic art varieties ▪ De-bottleneck our production capacity to enhance output and improve plant capacity utilisation ▪ Leverage IT to provide an agile platform for better customer relationship management	Over 90% capacity utilisation anticipated over the next three years

FUTURE SHAPERS

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

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

NITCO'S STRATEGY

REVENUE GROWTH.

CORE OBJECTIVE

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

RELATED STRATEGIES

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

RESULT

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

NITCO'S STRATEGY

MARGINS GROWTH.

CORE OBJECTIVE

AT NITCO, WE FOCUS ON HIGHER MARGINS THROUGH A SUPERIOR PRODUCT MIX, RESULTING IN A LARGER SURPLUS FOR REINVESTMENT

RELATED STRATEGIES

- The Company strengthened its product mix, enhancing the proportion of value-added products, resulting in an increase in average per sq meter realisations for vitrified tiles by 28%
- The Company enhanced vitrified tile sales to 42% of revenues in 2010-11

RESULT

EBIDTA margin strengthened from 6.97% in 2009-10 to 12.36% in 2010-11.

NITCO'S STRATEGY

OPERATIONAL TIGHTENING.

CORE OBJECTIVE

AT NITCO, WE REDUCED OUR PRODUCTION COST TO STAY COMPETITIVE IN A CHALLENGING MARKETPLACE

RELATED STRATEGIES

- The Company installed a 5.5-MW captive power plant (Turbomach), resulting in a 18% reduction in power costs from Rs. 5.8 per kWh to Rs. 4.76 per kWh
- Reduced water costs from Rs. 33 per cu mt to Rs. 24 per cu mt, with the commencement of raw water consumption supplied by MIDC (Maharashtra Industrial Development Corporation), extensive in-house water treatment and rainwater harvesting

NITCO'S STRATEGY

CAPITAL EFFICIENCY.

CORE OBJECTIVE

AT NITCO, WE FOCUS ON MAXIMISING SALES AND MINIMISING EMPLOYED CAPITAL, RESULTING IN FISCAL EFFICIENCY

RELATED STRATEGIES

- The Company strengthened its terms of trade: The receivables cycle declined from 78 days of turnover equivalent in 2009-10 to 50 days in 2010-11
- The Company rationalised its inventory from 209 days to 175 days of turnover equivalent

RESULT

We enhanced the alignment of our performance to our budget from a retrospective average of 40-45% to 90-95%.

"OUR RESTRUCTURING WILL STRENGTHEN OUR MARGINS, REVENUES AND PROFITS FURTHER."

ALOK GOEL, CEO

Q. Were you pleased with the Company's performance in 2010-11?

A. There are two ways of looking at our performance in 2010-11. One, we reported a 57% increase in revenues and from this perspective; we were moderately pleased. However, much of what we reported during the last financial year was in effect a catching up with the time that we lost during 2009-10, due to a disruption in our working, and to this extent we were not pleased with our organisational speed. During the second half of 2010-11, we rediscovered our direction, the effect of which was reflected in the third quarter, and the full impact of which materialised during the last quarter. To this extent, our performance in 2010-11, left much to be desired.

Q. What was the major organisational highlight in 2010-11?

A. The first thing we resolved was that we needed to do the right things, and also do things right. This balance of innovation and procedural discipline will help us recover lost time from a limited perspective and fast-track our growth in line with our rich brand potential. The result is that we shared our annual operating plan with 140 senior managers, and I am pleased to state that the buy-in on the need to change was extensive. Each Nitco member is now aware of his/her role linked to the targeted organisational growth. What is more heartening is that the alignment of performance to our budget increased to 90-95%, resulting in superior financials. We are optimistic that the improvement will sustain, as we have created a professional process-driven structure where procedural issues need not be escalated to my level for approvals. The result is a more decentralised organisation today, equipped to take decisions aligned to the nature of the terrain.

Q. What initiatives were taken to right-track the Company in 2010-11?

A. The first point that was addressed was attrition. When the problems of 2009-10 surfaced, a number of demoralised employees left. Our first priority was to reinforce the organisation's competence gaps and balance responsibilities. Earlier, the organisation was managed on a daily basis by the COO, resulting in a large number of responsibilities thrust on a single individual, and a manufacturing-centric skew in our organisational focus. A CEO was appointed with a broader responsibility sweep across branding, marketing and supply chain management. The result was a greater room for new thinking, resulting in an evolution in our personality. Also, we have now put together a full-fledged management team comprising cross industry talent, to manage the future effectively.

Q. What was the other significant initiative undertaken by the Company in 2010-11?

A. Following the problems encountered by the Company in 2009-10, the trade was confused whether we would be able to rejuvenate our product mix and whether supply commitments would be maintained. One of the first things that I did after I took over as CEO in August 2010 was to go and meet our distribution partners across India. I covered 80-90% of our national dealers. This direct approach proved reassuring; restocking resumed and our managers returned with action reports on issues raised by the trade within 30 days. This was a new way of doing business for the Company.

Q. How did these initiatives translate into financials?

A. We took a careful stock of how we were operating as a company, and this is what we found: Our working capital turned over only 1.25 times. We conducted the financial Du Pont Analysis, arriving at the working capital efficiency target and worked backwards to understand exactly what aspect of our financial working we needed to strengthen. We monitor our operational performance vigilantly, and devote about two days a month in doing so. Almost half a day is devoted to working capital review. The result: Our working capital is now being turned over 4-6 times a year, and we hope to achieve 8-9 times a year, by December, 2011.

Q. What is the likelihood of these initiatives translating into higher revenues?

A. This has already begun to happen. We focused on maximising sales in under-penetrated and under-represented regional clusters, supported by proximate warehouses. The result: We created new markets with material on hand to address the demand upturn.

We recognised that for long we had remained a metro-focused organisation. For instance, even as we created a presence in Bangaluru, we were extensively under-represented in Karnataka, an irony in view of robust rural growth. Similar situations existed in different states.

Our operational restructuring translated into a higher proportion of value-added offtake. For instance, the volume of material we marketed in East India increased fivefold in just six months. The proportion of value-added tile sales increased 30% of our overall sales mix.

Q. What are the other initiatives that contributed to this transition?

A. One, we raised the number of people who would market our products from 130 to 300-plus.

Two, product development and introduction would earlier be decided based on gut feel; we now have a team that analyses and debates on customer preferences and trends, performs prototyping and testing the same with panels of specifiers, before the products are manufactured commercially.

Three, we involve prominent architects in design planning, making our products absolutely contemporary.

Four, we rationalised material use; we would buy a large quantity of raw materials and often find corresponding sales to be relatively weak, blocking our resource inventory. We moved to a system where we buy minimal raw material to cover our initial production lot and raise volumes after these products are accepted.

Five, we made freight and logistics an inherent part in the sales planning exercise. The result is that we divided our market coverage across zones with supporting marketing teams, resulting in deeper focus, lower cost/time and higher consumer responsiveness.

The proportion of products marketed within 250 km of our Alibaug plant increased substantially. The overall message that we want to send to our shareholders is that our restructuring has already started translating into superior financials, the full benefit of which will be reflected over the foreseeable future.

Q. How does the Company intend on taking its competitiveness ahead through fresh capex?

A. The Company made a substantial investment recently. Going ahead, we will need to enhance these plants' capacity utilisation to justify the investment that went into them, and continuously appraise the overall dynamics of direct manufacture or outsourced supply. As a result, the focus will shift from fresh capex to enhanced capacity utilisation.

This flexible approach is relevant for our business: Until now, we had an intensive manufacturing focus, wherein a major part of our meetings would be dominated by discussions on production runs; we are now more flexible in terms of what we should make ourselves and what we should outsource by leveraging our global supply chain capabilities. The result is that we are a market-focused organisation today, continually reviewing what consumers need and how it can be provided quickly without compromising on quality standards.

Q. The Company for long had a product pipeline sourced from China. What is the Company's strategy related to Chinese imports?

A. China will continue to be critical to our strategy for some good reasons: The country is a low-cost producer, provides large volumes on demand and delivers a high product quality. The result is that we have a back-to-back sourcing arrangement with large Chinese vitrified tile manufacturers. In doing so, we established a high-quality control standard and established a high internal filter, resulting in high-quality products, maintaining our Nitco brand credibility.

Q. How does the Company intend to translate the benefits of the restructuring into balance sheet competitiveness?

A. At Nitco, our objective is spelt out: Become a zero working capital company by the year-end, address 98% of the customer's SKU needs, reduce finished goods from a peak 270 days of turnover equivalent to only 45 days, reduce receivables to 30 days maximum with a cash and carry proportion of 20%, reduce debt and rationalise overall capital employed.

COMPETITIVE STRENGTHS

Portfolio
Nitco possesses a diversified product portfolio comprising premium ceramic and vitrified tiles, wall tiles, highlighters, natural and engineered marble, mosaic and inlays.

Brand
Nitco's products are marketed to reputed institutional customers comprising DLF, Raheja, Pantaloons, Reliance Industries, Godrej Properties, Club Mahindra Holidays, Ramky Infrastructure, Shapoorji Pallonji, Prestige Group and Larsen & Toubro, among others.

Distribution
Nitco has a strong and extensive distribution network comprising 1,096 dealers, around 4,380 sub-dealers, 28 sales and marketing offices, enabling wider and deeper penetration.

Retail
Nitco enjoys a pan-India presence across all states and cities, facilitated by the ownership of 16 exclusive display centers (Le Studio) and 57 franchised showrooms (Le Studio Express).

Price points
Nitco's products are available at all price points from mid to premium for ceramic tiles (Rs. 435 to Rs. 1,040 per sq. mt), vitrified tiles (Rs. 540 to Rs. 2,150 per sq. mt) and gres porcelain (Naturoc) tiles (Rs. 950 to Rs. 1,070 per sq mt), catering to various customer segments.

Global
Nitco's products conform to the demanding standards of developed markets and are exported to UAE, Oman, the UK, New Zealand, Saudi Arabia, Taiwan, Maldives, Mauritius and Italy.

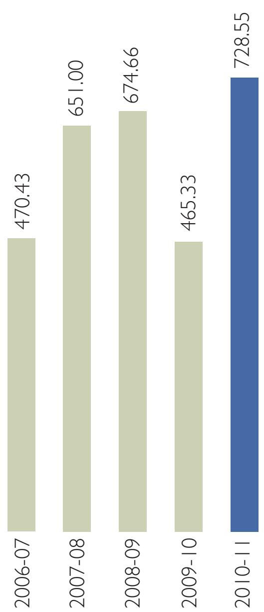
Manufacturing facilities
Nitco's state-of-the-art premium ceramic tile manufacturing facility is located at Alibaug with an annual production capacity of 1.8 lakh MT and 5.5-MW captive power plant (meeting 100% power requirement). Its world-class marble processing facility is located at Kanjurmarg and Silvassa.

Flexible
Nitco's business model comprises products either manufactured or outsourced (China and Gujarat), responding swiftly to marketplace developments.

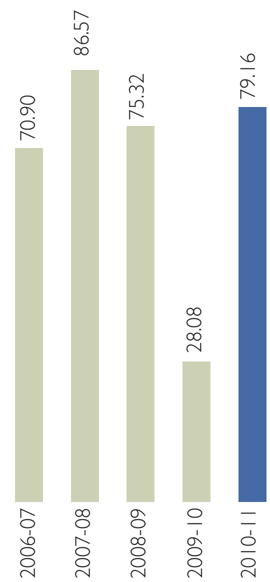
Real estate projects
Biz park at Thane (Maharashtra) of around 2 lakh sq. ft. completed and around 0.41 lakh sq. ft. sold for Rs. 20.77 crores. Pursuant to an approval of Honourable Bombay High Court, Particle Boards India Ltd. (PBIL) was amalgamated with Nitco Ltd. PBIL has a plot admeasuring 4.01 acres at Kanjurmarg (Mumbai), which can be developed after receiving approvals from the appropriate authorities.

THE NUMBERS BEHIND OUR STORY...

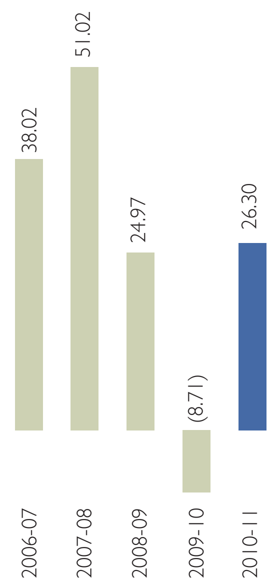
Income from operations (Rs. crores)



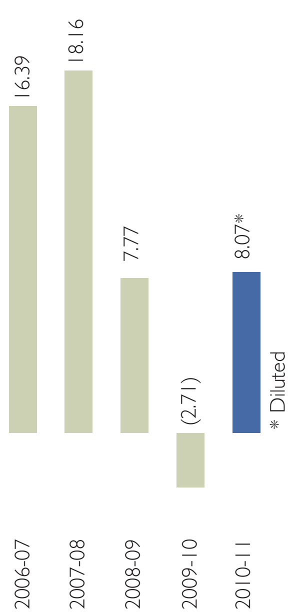
EBIDTA (Rs. crores)



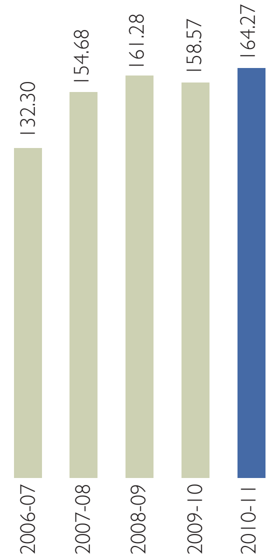
Profit after tax (Rs. crores)



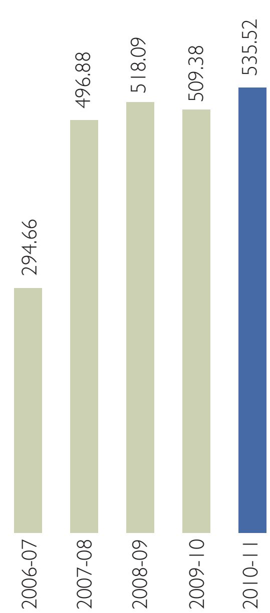
Earnings per share (Rs.)



Book value (Rs.)



Net worth (Rs. crores)



FLOOR TILES

Products	Range (Series)	Sizes	Designs	Price range (per sq. mt)
Ceramic tiles	23	5	67	Rs. 435 – Rs. 1,040
Vitrified tiles	8	4	50	Rs. 540 – Rs. 2,150
Naturoc tiles	13	3	41	Rs. 950 – Rs. 1,800

Overview

Nitco offers a wide range of ceramic and vitrified tiles across various sizes, designs and price points.

Ceramic tiles: The Company manufactures ceramic tiles (at Alibaug) in five different sizes (300x300 mm, 600x150mm, 445x445 mm, 600x300 mm and 600x600 mm) including gloss and matt, wood, metal, stone and rustic finishes. It increased annual manufacturing capacity to 1.80 lakh sq. mt.

Vitrified tiles: It outsources vitrified tiles from several leading Gujarat players and markets them under the Nitco brand, assuring product quality. It also has arrangements with several Chinese partners for outsourcing premium vitrified tiles for sale through Nitco outlets. Its vitrified tiles are abrasion and stain-resistant, finding applications in high footfall areas like supermarkets, shopping arcades, banks, restaurants, hotel lobbies and entrance halls.

Naturoc tiles: It shifted focus from mass to premium tiles by launching value-added full-body porcelain tiles under the Naturoc brand. These tiles offer both matt and gloss finish and address specific customer needs like natural look and finish, anti-skid properties, easy-to-clean surface and rich colour, texture and strength. These tiles are made across a range of over 41 natural designs and textures as they combine the beauty of nature with the strength of rock and are made using Roto technology, enabling the retention of natural beauty.

Duracottura tiles: It manufactures Duracottura tiles using high-grade raw material and cutting-edge technology to achieve excellent product finish and structural strength. It offers these tiles in various cuts, patterns, designs and textures, sporting an elegant appeal, and are especially designed to beautify floors, counter tops and walls.

Highlights, 2010-11

- Registered 53% and 21% sales growth of vitrified and ceramic tiles respectively
- Launched three new tile ranges under Naturoc (Napoli, Oregon and Latina) in 600x600 mm size across a variety of colours and designs at a price range of Rs. 1,110-1,800 per sq. mt
- Enhanced average vitrified tile sales realisation from Rs. 482 per sq. mt in 2009-10 to Rs. 617 per sq. mt
- Introduced fully polished and coloured glazed porcelain tiles

Road ahead

- Enhance share of value-added vitrified tiles, using newer technologies like double charge and nano finish
- Introduce new ceramic and vitrified tiles in various sizes and designs

Business segment 2

MARBLE

Products	Range (Series)	Sizes	Designs	Price range (per sq. mt)
Natural marble	Imported natural marble	9ft x 4 ft	200	Rs. 200 – Rs. 500
Engineered marble	Engineered natural marble	10ft x 4ft	48	Rs. 130 – Rs. 470
	Engineered quartz	8ft x 4ft	12	Rs. 215 – Rs. 315

Overview

The Company imports fine marble blocks; it processes and refines these blocks through polishing and waxing at its Kanjurmarg and Silvassa facilities. It provides marble designed for interior and exterior flooring for bathrooms, entryways, fireplaces as well as living and dining areas.

Natural marble: The Company is one of India's largest natural marble importers from Italy, Spain, Turkey, Egypt and China. Its marble varieties are available pan-India in over 200 shades.

Engineered marble: Engineered marble is a cost-effective alternative to natural marble slabs; it bridges the gap between nature and technology by preserving the look and feel of marble with improvised properties, while eliminating flaws typically found in natural marble. In engineered marble, 95% of the material is natural marble, the remainder being resins, pigments and additives which impart consistency and durability. The Company's engineered marble is available at more than 60 shades and two standard sizes. It has a state-of-the-art marble processing facility at Silvassa, deploying Breton technology (integrated automated plant available with only a handful of companies in the world).

Highlights, 2010-11

- Registered 124% sales growth over 2009-10, contributing 24% to total revenues
- Introduced technology to fill marble with epoxy resin through vacuum suction with a unique netting system, strengthening durability
- Introduced UV polishing, providing superior glossiness designed to withstand the ravages of time
- Opened an exclusive marble showroom in Kanjurmarg, showcasing the widest collection of exclusive marble and mosaic; customers can choose sheets or blocks from the large warehouse
- Protected marble sheets with wax and polymer films, leading to better storage and sheen retention

Road ahead

- Increase quality marble block imports from new geographies
- Introduce technology and innovative varieties (marble and mosaic)
- Enhance revenue contribution from marble through exclusive marble showrooms

Business segment 3

REAL ESTATE

Overview

The Company ventured into real estate development through Nitco Realities (100% subsidiary) to unlock the value of its real estate assets at prime locations in Mumbai, Thane and Alibaug. Nitco and its subsidiary is engaged in developing residential and commercial properties.

It inaugurated its first premium project (Nitco Biz Park) at Thane, a six-storey building spread across 200,000 sq. ft, with a three-storey landscaped atrium. The environment-friendly building is equipped with modern amenities comprising hi-tech security surveillance, dedicated security control room and an intelligent building management system with 100% power backup. The environment-friendly and energy-efficient focus resulted in a LEED (leadership in energy and environmental design) pre-certification.

Pursuant to approval of Honourable Bombay High Court, Particle Boards India Ltd. (PBIL) was amalgamated with Nitco Ltd. PBIL has a plot measuring 4.01 acres at Kanjurmarg (Mumbai) which can be developed after approvals from appropriate authorities.

Business driver 1

OPERATIONAL EXCELLENCE

In the ceramic tile industry, successful manufacture is achieved through an ability to enhance throughput, operate plants efficiently, maximise productivity, reduce energy consumption and optimise asset utilisation.

Over the years, the Company distinguished itself through an investment in best-available technology, state-of-the-art assets and fully-automated manufacture, enabling it to emerge among India's few companies to offer internationally-benchmarked products.

The Company's tile manufacturing unit is located at Alibaug (installed annual capacity 1.80 lakh mt). It produces ceramic, vitrified and Naturoc tiles, highlighters and mosaic. It has two marble processing units at Kanjurmarg and Silvassa, where imported marble is cut, polished and processed.

Highlights 2010-11

- Commissioned a 5.5 MW-captive power plant at Alibaug, resulting in a 18% energy cost reduction from Rs. 5.8 per kWh to Rs. 4.76 per kWh
- Commenced the consumption of waste heat generated from the gas turbine in spray driers, resulting in a daily RLNG saving of 405 MMBTU
- Established a new KEDA polishing line with rough head, helping maintain quality and tile flatness
- Utilised waste gas (from gas turbine) in the replacement of natural gas, reducing gas cost
- Added three automatic palletisers in the sorting line and one in the finishing line to reduce manual errors and improve efficiency
- Started shrink wrapping tiles stacked on pallets with thermo shrink film to protect from water, dust and sunlight and prevent transit breakage
- Optimised continuous ball mill running hours
- Improved the insulation of hot surfaces to reduce heat loss; provided additional translucent roof sheets to avail of natural daylight and reduce energy consumption

Road ahead

- Introduce the tintometric system for mixing colours to facilitate basic material reduction, rationalise inventory, improve colour-related product quality and strengthen waste material recovery
- Increase proportion of value-added products like Naturoc and polished glazed vitrified tiles
- De-bottleneck production to enhance output and improve average plant capacity utilisation
- Introduce energy-efficient kilns with built-in heat recovery systems

Business driver 2

MARKETING AND DISTRIBUTION

In a competitive business environment, success is derived from providing quality products with cost-effective speed.

The Company possesses a strong pan-India distribution network (1,096 dealers, 4,380 sub-dealers, 28 sales and marketing offices and 73 exclusive sales and display counters). It invested in showrooms and display centres with 16 Le Studio (company-owned) outlets located nationwide and 57 Le Studio Express (franchised) outlets situated in large metro and major Tier-I and II cities to extensively display its tile and marble range.

The Company's institutional business finds acceptance among leading conglomerates like Reliance Industries, Larsen & Toubro, DLF, Shapoorji Pallonji, Unitech, Godrej Properties, Ramky Infrastructure and Prestige Group, among others.

The Company provides a compelling price-value proposition across sizes and designs. It also offers pre- and post-sale services to retail customers and conducts guidance programmes for institutional customers (builders), transforming one-off transactions into enduring relationships.

Highlights, 2010-11

- Established regular dealer meetings to understand ground-level realities
- Added 296 new dealers, 1,188 sub-dealers and 10 marketing offices across India, deepening geographic footprint
- Added around 23 showrooms, augmenting presence in various states

Road ahead

- Launch 300 showrooms across the country
- Strengthen distribution by adding 295 new dealers and around 1,180 sub-dealers across 450 towns
- Increase retail revenues to 75% of turnover
- Enhance the proportion of high-end tiles by expanding the distribution network across India's districts
- Cement relationships to enhance institutional offtake

Business driver 3

QUALITY AND R&D

In the tile business, it is essential to manufacture products that are perfect, unique and robust.

The Company offers impeccable products, which guarantee superior quality in terms of size uniformity, finish quality, endurance, dimension, colour and patterns. The quality and design of tiles are comparable to imported tiles.

The Company invested in a state-of-the-art R&D laboratory, where all tiles are examined (from water absorption to strength), followed by raw material testing to ensure that the tiles conform to the highest quality standards.

Highlights, 2010-11

- Packed finished goods in crates and pallets wrapped in thermo-shrink films, resulting in zero defect delivery
- Implemented strict process control from raw material procurement to final dispatch
- Introduced new tile designs like PGVT and Naturoc
- Launched 70 new tile designs in different sizes
- Developed and launched a new tile series under the Lapato brand, created by a unique technique involving a special polishing abrasive, imparting the tile surface with an elegant polish and making it abrasion and stain-resistant
- Developed low-cost in-house formulations, enhancing tile depth and improving surface texture/glaze
- Introduced double charge and nano-finish polished tiles, providing superior gloss and stain-resistance
- Introduced metallic effect tiles (in large format sizes as an alternative to traditional stone-effect porcelain tiles)

Road ahead

- Introduce value-added digital tiles, which will uniformly replicate high resolution pictures onto tiles
- Develop and launch 70 new tile designs
- Launch full-polished glazed vitrified tiles with nano coating, making tiles water and dirt-repellent and abrasion-, stain- and bacteria-resistant
- Improve tile quality by taking immediate corrective measures

Business driver 4

HUMAN RESOURCE

The success of a company is dependent on the competence of its professionals, making it essential to motivate them to achieve high standards.

The Company constantly reviews its human resource functions, leading to superior workforce planning, recruitment, induction and orientation with a focus on training and development, payroll, employee benefits, performance appraisal and organisational development. Competent systems and processes helped recruit quality professionals while matching responsibilities with skills.

Highlights, 2010-11

- Strengthened its senior management through the hiring of a new CEO with a 30-year industry experience
- Restructured the organisation by creating a hierarchy, where every divisional head (marketing, sales, distribution, human resource, IT and manufacturing) directly reported to the CEO, leading to easier decision-making, faster and clear communication, defined reporting lines, elimination of unproductive processes, cost reductions and improved efficiency
- Created a corporate planning department to engage in M&A activities
- Established two new departments (supply chain management and distribution) to expand dealer network and facilitate better decision making
- Improved daily allowance of employees, upgraded travel arrangements for executives and provided better working conditions to check attrition
- Started a 10-day compulsory induction programme for new recruits, bringing them to Mumbai to familiarise them with the divisional heads, and enhance Company awareness
- Provided health insurance, annual medical checkups, sales incentives, annual appraisals and mediclaim policies
- Initiated senior-level training programmes in institutes like IIMs and IITs

Road ahead

- Relocate to our own premises at Kanjurmarg, bringing operations and personnel under one roof
- Strengthen the talent pool by imparting training and education
- Provide organisationwide training to improve efficiency and capability
- Recruit talent from reputed institutes like IIMs, XLRI and IITs

Business driver 5

RETAIL SALES

In the tiles business, it is imperative to commission destination showrooms to showcase diverse products and conduct innovative mock-ups to highlight practical use.

The Company invested in showrooms and franchisees to showcase its products through mock-ups of kitchens, washrooms, living rooms, bedrooms and study rooms.

Le Studio

Le Studio showrooms are Company-owned, hosting an entire range of tiles and marble. These have a floor spread of 2,000-3,000 sq. ft and are designed to display not only tiles but modern lifestyle concepts and accessories through mock-ups. It has 16 self-managed showrooms in major Tier-I and II cities across India, offering the widest tile and marble range in various sizes, designs, shapes, textures, cuts, finishes and price points.

Le Studio Express

Le Studio Express showrooms are Company franchisees spread over 1,000-1,500 sq. ft, displaying a wide range of ceramic and vitrified tiles, pavers, designer and chequered tiles, natural and engineered marble, inlays and artistic creations in mosaic rendered in stone and marble, catering to indoor, outdoor and industrial applications. It possesses 57 showrooms across the country with 28 sales and marketing offices. These showrooms provide a unique and profitable opportunity to dealers because of elegant showpieces, vibrant colour schemes, soft music, endearing ambience and smart product arrangement.

Highlights, 2010-11

- Increased presence to a total of 73 showrooms
- Extended national footprint by launching 23 new Le Studio Express outlets in Tier-I and II cities
- Strengthened distribution network by appointing around 296 additional dealers and establishing around 10 additional sales and marketing offices
- Registered a 57% sales volume growth over 2009-10
- Accelerated sales by improving ambience, design, layout and quality of customer experience
- Provided distributor training to accelerate sales

Road ahead

- Launch 300 showrooms across the country
- Enhance product range to cater to diverse customer tastes and requirements
- Increase footfall by conducting in-store promotions

Business driver 6

INFORMATION TECHNOLOGY

In a highly competitive business environment, it is imperative to create a robust IT platform that will focus on enhancing efficiency in raw material handling and finished products and control product movement across the distribution chain.

The Company strengthened its business by building scalable IT infrastructure, investing in SAP ECC 5.0, an enterprise resource planning (ERP) software, enabling real-time, open communication between Company divisions (sales, distribution, manufacturing, accounting, costing, human resource and administration). IT infrastructure strengthening helped in the following ways:

- Reduced inventory and supply chain costs by reducing response time through an automated supply chain from vendor to company (outsourcing supply chain) and from company to depot (distribution supply chain)
- Enabled greater stock visibility through online format
- Generated information regarding logistics, purchase, stores, accounts, manufacturing and back-end business processes at all branches, offices and factories
- Automated call centres for product enquiries and after-sale services
- Automated branding and showroom display

Highlights, 2010-11

- Implemented SAP data warehouse and business intelligence system to facilitate decision-making
- Revamped and enriched dealer web portal to place orders online, check product availability, delivery and payment
- Strengthened automation of support processes through SAP, email and SMS, eliminating manual intervention and improving response time
- Introduced checks and balances through automation and SAP process controls, facilitating better debtor management
- Started Sify MPLS network to implement online connectivity for all new warehouses
- Established an IP surveillance system at Alibaug
- Strengthened IT infrastructure by outsourcing IT-related services
- Started desktop replacement with 'thin clients' to reduce costs, improve network security and enable data access to staff situated at remote locations

Road ahead

- Implement customer relationship management to enable the sales team to facilitate better customer service, monitor and execute sales processes with better efficiency and manage relationships with a 360° customer review
- Strengthen business intelligence information system to gather information on performance and identify potential improvement areas
- Upgrade hardware infrastructure to support growth and improve productivity

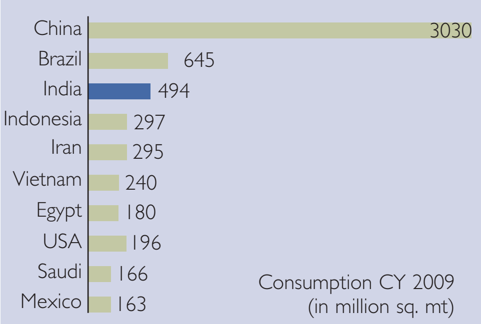
INDUSTRY OVERVIEW

Indian economic growth (%)

	2006-07	2007-08	2008-09	2009-10	2010-11
GDP at factor cost	9.7	9.0	6.7	8.0	8.6
Agriculture	4	4.9	1.6	0.4	5.4
Manufacturing	11.8	8.2	2.4	8.8	8.8
Construction	11.8	10.1	7.2	7.0	8.0
Financing, insurance, real estate and business services	13.8	11.7	7.8	9.2	10.6

(Source: Economic Survey 2010-11)

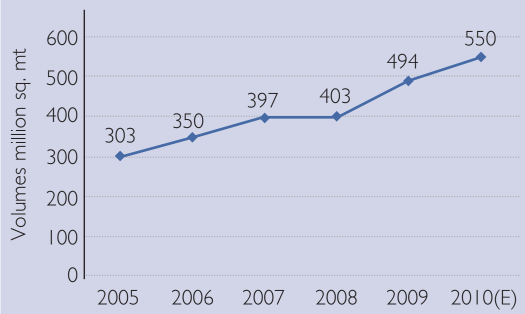
Tile consumption for top 10 countries



- India CAGR tiles ~13%
- Brazil CAGR tiles ~6.5%
- India to overtake Brazil by 2014 in domestic tile consumption to become the largest consumer after China
- 95%of Indian demand met by domestic production
- China supplies significant portion of the imports to India

Source: Ceramic World Review 2009

Indian tile industry trend



- Industry Growth Rate:13%
- Growth Rate (India): 126 %
- Market Size in Value: 15000cr

Source: Ceramic World, Nitco Research

Global economy

The global economy is reported to have grown by 4.9% in 2010 on the back of a negative growth of 0.6% in 2009. It is forecast to grow at a lower rate of 4.2% in 2011, on account of increasing commodity and oil prices and the European debt crisis *(Source: Economic Times, May 25, 2011)*.

Global ceramic tiles industry

Consequent to a resurgence in growth, global tile production and consumption increased robustly in 2010. Global production declined marginally to 8,515 mn sq. mt in 2009 compared with 8,520 mn sq. mt in 2008. Italy, which is a large tile producer, reported an output growth of 5.3% and a turnover growth of 2.7%. 2010 witnessed particularly positive signs in increased consumption in the markets of the Far East and Asia (around +17%), the Gulf region (+7.7%), Eastern Europe (+5%) and Latin America (+4%). By contrast, a slight fall was reported in Western Europe (-0.6%). India continued to remain the world's third-largest producer and consumer of ceramic tiles *(Source: Ceramic World Review)*.

Outlook: Global economy recovery is still fragile. Due to heavy investment in infrastructure in BRIC (Brazil, Russia, India, and China) economies, tile consumption growth is expected to be robust in these countries. BRIC economies contributed around 36.3% to world GDP (at PPP) in 2010. It is expected that they will contribute almost twice as much to global growth as the G3 is in the next decade. The global ceramic tile industry is expected to touch 9,278 mn sq. mt by 2015 *(Source:*

prweb.com, September 3, 2010, Goldman Sachs Research, May 2010).

Indian economy

The Indian economy sustained a healthy 8.6% growth in 2010-11. India's per capita income increased 17.9% from Rs. 46,492 in 2009-10 to Rs. 54,835 in 2010-11.

The Indian tile demand is estimated to be around 550 mn sq. mt in 2010 in terms of volume and around Rs. 15,000 cr in terms of revenue.

The organised sector is estimated at Rs. 7,000 crores, accounting for 47% of the total industry and fairly consolidated with a few players accounting for an 80% market share. The Rs. 8,000-crore unorganised sector is located primarily in Gujarat and accounts for 53% of the total industry size.

There is a decline in capacity addition growth by some unorganised sector companies, indicative of evolving consumer preferences. While there is a robust demand for quality products, unorganised players failed to invest significantly in high-quality products. The organised players continue to invest in capacity addition, exceeding the industry's growth rate.

By 2015, 750-900 mn sq. mt of space will be added every year. *(Source: McKinsey Global Institute report on Urbanization)*

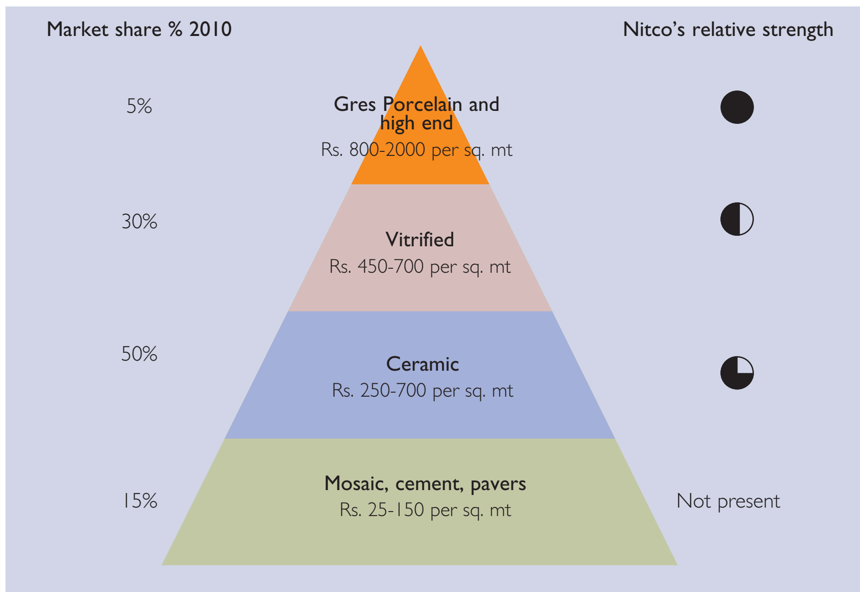
Increased capacity additions already witnessed in developments:

Commercial space: Commercial space demand across major cities is estimated at 160 million sq. ft over the next four years *(Source: Economic Times, April 4, 2011).*

Residential: Residential real estate demand is most active in India with smaller towns and cities, witnessing heightened construction activity and it is estimated to grow at 20% CAGR by 2014 to 3.67 million units *(Source: Economic Times, April 4, 2011).*

Housing shortage: India's urban housing shortage is forecast to escalate from 19.3 million units in 2008 to 21.7 million units by 2014. Shortage in rural areas is expected to decline from 26.7 million units in 2008 to 19.7 million units by 2014 *(CRISIL Research, December 2010).*

Indian tile industry's value pyramid



Growth drivers

Rising income levels and prosperity
- Second fastest-growing economy in the world – 8.5-9.0% GDP growth YOY
- Present Trillion USD to 5.3 Trillion USD in next 20 years – four Times

Rapid urbanisation
- Urban India expected to be 590 million people (40% of India's population) in 2030
- 68 cities with population > million. Many cities in terms of population GDP will be larger than many countries today.

Increasing trend of nuclear families
- Requirement of a million homes and corresponding infrastructure needs
- More urbanisation means more nuclear families – higher demand for dwellings

Evolving Indian consumer preferences and globalisation
- Higher prosperity – Indian consumers will demand the best and adopt global trends
- Luxury goods consumption in India rising already rapidly

Significant growth in infrastructure and opportunity of $ 1.2 trillion USD investment over the next 20 years

Source: McKinsey Global Institute report on Urbanization

Retail: India is the world's third-most attractive retail destination with an estimated size of USD 395 billion in 2011 *(Source: IBEF, June 2011)*. Over the next four years, it is expected to grow to USD 785 billion, fuelled by robust economic growth, high disposable incomes and rapid organised retail infrastructure construction.

Hospitality: India's hospitality sector is expected to see investments of over USD 11 billion by 2012, with the proposed entry of 40 international brands *(Source: IBEF, April 2011)*. An estimated 20,500 rooms are expected to be completed by 2015 across 12 major Indian cities of which 60% will be budget-class, and the remaining luxury *(Source: Financial Express, May 11, 2011)*.

Healthcare: India's healthcare sector is likely to see an increase in investment from USD 34.2 billion in 2006 to USD 78 billion by 2012. *(Source: Indianivesh research, March 4, 2011)*. The government plans to establish around 300 medical colleges in five years.

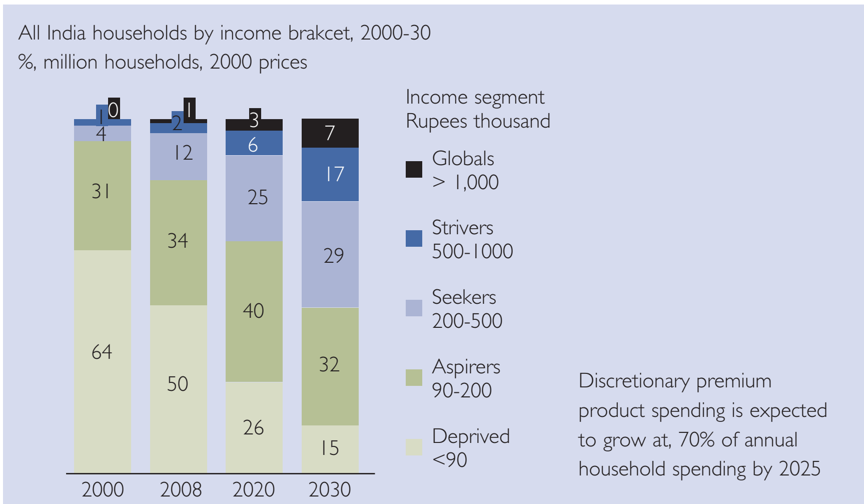
Airport modernisation: The Indian government pledged an investment of around USD 7.5 billion to develop airport infrastructure under the revised Eleventh Plan *(Source: Emkay Research)*. The government plans to modernise, re-develop and upgrade 80 airports. Additionally, AAI (Airports Authority of India) plans to upgrade 35 non-metro airports at a projected cost of USD 1 billion and upgrade various metro city airports.

Further, rising urbanisation and increasing prosperity is expected to translate to the Indian middle-class, growing by almost 100 million in the next 20 years. This prosperity coupled with a younger population base will see the middle-class and rich households grow tenfold – up from 5% in 2000 to 53% in 2030

Low per capita consumption: Indian per capita tile consumption of 0.42 sq mt is one of the world's lowest (China 2.26 sq. mt and world average 1.24 sq. mt). Disposable income growth and urbanisation are expected to enhance Indian tile consumption *(CRISIL Research, December 2010)*.

India is the world's third-most attractive retail destination with an estimated size of USD 395 billion in 2011

More than 100 million people will add to the Indian middle-class



Source: McKinsey Global Institute report on Urbanization

FINANCIAL ANALYSIS 2010-11

- The Company registered an increase in overall income by 56.57% from Rs. 465.33 crores in 2009-10 to Rs. 728.55 crores.
- The Company's exports increased 152% from Rs. 3.61 crores in 2009-10 to Rs. 9.12 crores.
- 182% increase in EBITDA from Rs. 28.08 crores in 2009-10 to Rs. 79.16 crores in 2010-11, and an increase in EBITDA margin from 6.97% in 2009-10 to 12.36% in 2010-11.
- 294% increase in cash profit to Rs. 49 crores as compared with Rs. 12.43 crores in 2009-10.
- PAT at Rs. 26.30 crores in 2010-11 as compared with a net loss of Rs. 8.71 crores in 2009-10.
- EPS of Rs. 8.07 (diluted) as compared with loss per share of Rs. 2.71 in 2009-10.
- 5.5 MW cogeneration captive power plant was commissioned in January, 2011 at tiles plant at Alibaug.
- The expansion of the state-of-the-art marble processing plant at Silvassa completed.
- Biz Park at Thane (Maharashtra) admeasuring around 2 lakh sq. ft completed and out of that 0.41 lakh sq. ft sold for Rs. 20.77 crore.
- Total showrooms at 73 (including franchisee showrooms).

Segmental Performance

	2010-11	2009-10	Y-O-Y increase/ (decrease)
Vitrified tiles			
Sales value (Rs. lakhs)	30,876	20,188	53%
Sales (in lakhs sq. mt) per annum	50	42	20%
Average realisation (in Rs. per sq. mt)	617	482	28%
Ceramic and Gres Porcelain tiles			
Sales value (Rs. lakhs)	22,275	18,471	21%
Sales (in lakhs sq. mt) per annum	55	47	18%
Average realisation (in Rs. per sq. mt)	404	396	2%
Marble			
Sales value (Rs. lakhs)	17,628	7,875	124%
Sales (in lakhs sq. ft) per annum	72	28	159%
Average realisation (in Rs. per sq. ft)	246	285	-14%
Total tiles and related products (sales value Rs. lakhs)	**70,778**	**46,533**	**52%**
Real estate (Rs. lakhs)	**2,077**	**-**	**-**
Total gross sales (Rs. lakhs)	**72,855**	**46,533**	**57%**

Vitrified tiles

Operational highlights

- Comprised 42% of the total turnover of the Company in 2010-11.
- Divisional turnover increased by 53% from Rs. 201.88 cr. in 2009-10 to Rs. 308.76 cr. in 2010-11.
- Realisations increased 28% from Rs. 482.47 per sq. mt in 2009-10 to Rs. 617.36 per sq. mt in 2010-11, due to higher sales of high value tiles added and large format tiles.

New products

The vitrified division launched 24 SKU's during the year.

Ceramic and Gres Porcelain tiles

Operational highlights

- Comprised 31% of the total turnover of the Company in 2010-11.
- Divisional turnover increased by 21% from Rs. 184.71 cr. in 2009-10 to Rs. 222.75 cr. In 2010-11.
- Realisations increased 2% from Rs. 395.74 per sq. mt in 2009-10 to Rs. 403.56 per sq. mt in 2010-11.

New products

The ceramic and gres porcelain division launched 45 new SKU's during the year.

Marble

Operational highlights

- Comprised 24% of the total turnover of the Company in 2010-11.
- Divisional turnover increased by 124% from Rs. 78.75 crores in 2009-10 to Rs. 176.28 crores In 2010-11.
- Realisations dropped 14% from Rs. 284.57 per sq. ft in 2009-10 to Rs. 245.88 per sq. ft in 2010-11, due to the product mix.

Real Estate

Biz Park at Thane (Maharashtra) admeasuring around 2 lakh sq. ft completed and out of that around 0.41 lakh sq. ft was sold for Rs. 20.77 crores.

Revenues by region

The Company's revenues are mainly derived from domestic sales – 53% from West, 26% from South, 15% from North and 7% from East. Exports accounted for a 1.32% of total sales in 2010-11 (previous year 0.78%)

Rs. lakhs

	2010-11	2009-10
Domestic	71,853.64	46,162.32
Export	1,001.24	370 .69

Revenues by source

Other income increased from Rs. 30 lakhs to Rs. 164 lakhs, mainly due to increased rent received during the year from lease of office space.

Expense Analysis

Cost of materials: Total material costs increased 72% from Rs. 23,000 lakhs in 2009-10 to Rs. 39,461 lakhs in 2010-11. Material costs, as a proportion of net sales increased 706 bps and accounted for 57.69% of net sales as the percentage of outsourced goods was higher compared with the previous year.

Power and fuel: It decreased 12.44% from Rs. 3,011 lakhs in 2009-10 to Rs. 2,636 lakhs in 2010-11, due to the installation of gas turbine.

Personnel costs: It increased 13.81% from Rs. 3,107 lakhs in 2009-10 to Rs. 3,536 lakhs in 2010-11, owing to an increase in recruitment and salaries.

Administrative expenses: It decreased 1.48% from Rs. 2,578 lakhs in 2009-10 to Rs. 2,540 lakhs in 2010-11.

Selling and distribution expenses: It increased 31.40% from Rs. 9,952 lakhs in 2009-10 to Rs. 13,076 lakhs in 2010-11, mainly on account of higher sales in 2010-11.

Interest and other financial charges: It increased 79.50% from Rs. 1,565 lakhs in 2009-10 to Rs. 2,809 lakhs in 2010-11. This was mainly on account of higher borrowings to fund the increased business activity.

Depreciation: The Company provided depreciation on the straight line method in accordance with, and the rates prescribed in the Companies Act, 1956. Depreciation provision increased to Rs. 2,271 lakhs in 2010-11.

Tax: Tax cost during the year was Rs. 205 lakhs on account of deferred tax. No tax was provided on account of losses incurred in 2009-10.

Balance Sheet Analysis

Sources of funds

Equity share capital: The equity share capital of the Company was Rs. 32.12 crores comprising 3,21,23,552 shares of Rs. 10 each. Consequent to scheme of amalgamation of Particle Boards India Limited (PBIL) with the Company approved by Honourable Bombay High Court, the Company allotted 4,76,580 equity shares of Rs. 10 each to the shareholders of PBIL on August 12 , 2011. The same was shown as Share Capital Suspense as on March 31, 2011.

Reserves and surplus: Reserves and surplus increased by Rs. 25.66 crores from Rs. 477.26 crores in 2009-10 to Rs. 502.92 crores in 2010-11. This increase was on account of the year's retained profits of Rs. 24.41 crores and increased capital reserve, representing the difference between the fair value of the assets and liabilities of PBIL, after adjusting inter-company balances, if any, and the revision in the value of assets and liabilities of Nitco Limited, as considered appropriate by the Board, cost incurred for implementing the Scheme and after adjusting the consideration paid to the shareholders of PBIL, amounting to Rs. 1.25 crores, as per the Scheme of Amalgamation approved by the Honourable Bombay High Court.

Loan funds: The total loan funds increased from Rs. 455.50 crores to Rs. 572.34 crores on account of various capital expenditure programmes implemented by the Company at its plants at Alibaug and Silvassa, and increased working capital requirements due to increased business activities.

Application of Funds

Fixed assets: The Company's gross block (including. CWIP) increased by Rs. 141.09 crores to Rs. 757.05 crores in 2010-11, owing to capital expenditure at the ceramic tiles plant at Alibaug, marble processing plant at Silvassa and Business Park at Thane.

Investments: Investments increased from Rs. 9.16 crores in 2009-10 to Rs. 9.84 crores in 2010-11, on account of additional investments in the wholly-owned subsidiary Foshan Nitco Trading Company Ltd, China and Keskinkaya, Turkey.

Inventories: Inventories increased from Rs. 269 crores in 2009-10 to Rs. 311.42 crores in 2010-11, owing to an increase in finished stock inventory and inclusion of real estate during the year. However, the number of inventory days reduced from 209 days to 178 days.

Debtors: Debtors increased from Rs. 92.50 crores in 2009-10 to Rs. 111.98 crores in 2010-11 (an increase of 21%), on account of an increase in the turnover by 57% during 2010-11 as compared with 2009-10.

Cash and bank balances: The cash and bank balances increased from Rs. 19.59 crores in 2009-10 to Rs. 23.94 crores in 2010-11.

Loans and Advances: Loans and advances decreased from Rs. 283.43 crores in 2009-10 to Rs. 164.40 crores in 2010-11.

Current Liabilities: Current liabilities increased from Rs. 209.61 crores in 2009-10 to Rs. 326.74 crores in 2010-11, on account of increased purchases and better negotiation with creditors.

FIVE-YEAR FINANCIALS

(Rs. in Cr)

Year	2010-11	2009-10	2008-09	2007-08	2006-07
Share Capital*	32.60	32.12	32.12	32.12	25.97
Reserves	502.92	477.26	485.97	464.76	268.69
Loan Funds	572.34	455.50	291.13	128.13	127.72
Gross Block	679.22	466.90	442.03	245.07	224.82
Net Block	559.82	370.06	366.23	183.17	173.68
Capital Work in Progress	77.83	109.89	65.96	69.69	33.03
Investments	9.84	9.16	8.57	32.08	43.02
Current Assets	809.36	703.69	537.89	497.79	319.38
Current Liabilities	328.63	209.61	151.13	147.08	134.27
Net Current Assets	480.73	494.08	386.76	350.71	185.11
Deferred tax (assets) Liability	20.35	18.30	18.30	10.64	12.46
Turnover	728.55	465.33	674.66	651.00	470.43
Other Income	1.64	0.30	0.09	3.63	1.18
Material Costs	394.61	230.00	386.78	361.03	231.43
Cost of Land & Constructed Properties	16.20	–	–	–	–
Excise Duty	16.74	16.23	8.52	13.51	11.06
Power Costs	26.36	30.11	28.25	27.05	24.31
Employee Costs	35.36	31.07	29.21	26.22	18.29
Other Manufacturing Expenses	7.31	6.98	7.09	6.29	5.40
Administration & Selling Expenses	154.44	123.16	139.58	133.96	110.22
EBIDTA	79.16	28.08	75.32	86.57	70.90
Interest	28.09	15.65	23.55	13.94	8.05
EBDT	51.07	12.43	51.77	72.63	62.85
Depreciation	22.71	21.14	14.41	10.93	10.04
PBT	28.35	(8.71)	37.36	61.70	52.81
Tax	2.05	-	12.39	10.68	14.79
PAT	26.30	(8.71)	24.97	51.02	38.02
Net Worth	535.52	509.38	518.09	496.88	294.66
Capital Employed	1,128.21	983.18	827.52	635.65	434.84
EPS (Rs.)	8.07	(2.71)	7.77	18.16	16.39
Book Value (Rs.)*	164.27	158.57	161.28	154.68	132.30
Dividend Per Share (Rs.)*	–	–	1.00	2.00	2.00
RONW (%)	4.91	(1.70)	4.92	12.89	13.76
ROCE (%)	5.35	0.77	8.33	14.13	15.61

* Face value of Rs. 10 per share

STATEMENT OF VALUE-ADDITION

(Rs. in Cr)

Year	2010-11	2009-10	2008-09	2007-08	2006-07
Share Sales (Gross)	728.55	465.33	674.66	651.00	470.43
Other Income	1.64	0.30	0.09	3.63	1.18
Increase/(Decrease) in Stock	40.33	62.76	(10.71)	20.48	74.27
Increase/(Decrease) in Inventory (Real Estate)	197.63	–	–	–	–
	968.14	**528.39**	**664.04**	**675.11**	**545.88**
Less					
Raw Material Consumed	183.93	144.56	186.22	123.35	88.60
Cost of Construction/Development	213.83	–	–	–	–
Trading Goods Purchased	251.01	148.20	189.85	258.16	217.10
Materials Consumed	648.77	292.76	376.07	381.51	305.70
Manufacturing Expenses	33.67	37.09	35.34	33.34	29.71
Other expenses	83.14	77.02	78.86	74.73	63.97
	765.57	**406.87**	**490.27**	**489.58**	**399.38**
Total value additions	**202.57**	**121.52**	**173.77**	**185.53**	**146.50**

OUR CONTRIBUTION TO THE NATIONAL EXCHEQUER

(Rs.Crs)

Year	2010-11	2009-10	2008-09	2007-08	2006-07	Total
Revenue	728.55	465.33	674.66	651.00	470.43	2,989.97
Contribution to Ex-Chequer						
Excise Duty/Service Tax	23.11	13.74	10.38	12.06	11.99	71.29
Custom Duty	44.25	25.09	57.72	69.09	62.58	258.73
Sales tax/Octroi	57.18	49.62	65.14	65.24	53.04	290.22
Income Tax	5.15	-	4.82	10.52	6.33	26.83
Dividend Distribution Tax	0.26	-	0.55	1.09	1.09	2.99
Total	**129.96**	**88.45**	**138.60**	**158.00**	**135.04**	**650.05**

RISK MANAGEMENT

Nitco's comprehensive risk management framework is in line with its strategic direction, which identifies, assesses and takes proactive measures: To minimise or terminate potential losses arising from exposure to particular risks on the one hand and maximise returns on the other

Risk	Mitigation
Industry risk An economic downturn could impact construction, real estate and infrastructure segments, impacting the Company's business.	■ India's urban housing shortage is projected to rise from 19.3 million units in 2008 to 21.7 million by 2014, which will strengthen tile demand ■ Organised retail is forecast to add 323 million sq. ft by 2012 ■ India's hospitality industry is expected to add around 90,000 hotel rooms over five years ■ The government budgeted Rs. 147 billion to upgrade four metro and 35 non-metro airports; it earmarked Rs. 98 billion for 16 greenfield airports ■ Indian per capita tile consumption of around 0.42 sq. mt compares weakly with Europe's 5 sq. mt
Competition risk Rising competition from the unorganised sector could affect the Company's margins.	■ The Company is present across the value chain, offering products at various price points and catering to different consumer segments ■ With an improvement in living standards and changing preference for branded products, there exists a huge demand for premium ceramic and vitrified tiles and marble ■ The Company shifted from mass to premium by launching value-added ceramic tiles and importing marble
Sustainability risk Sustaining annual growth may be challenging.	■ The Company increased its pan-Indian distribution network by around 296 additional dealers in 2010-11 ■ It increased its presence in around 1,180 additional retail outlets across India, accelerating sales growth
Energy risk Increase in power and fuel costs could dent profitability.	■ The Company entered into a long-term supply agreement with GAIL for supplying RLNG, a cheaper and cleaner fuel compared with LPG ■ It invested in a 5.5-MW captive power plant to reduce power costs ■ It utilised waste gas from gas turbine against natural gas, leading to cost reductions ■ It used energy-efficient lighting, resulting in electricity consumption per MT reduction from 259 kWh in 2007-08 to 222 kWh in 2010-11
Branding risk Weak brand management can dilute recall.	■ The Company participated in the industry's most prestigious trade exhibition, Cevisama 2011, to showcase products for customers, architects, builders and companies worldwide, thereby increasing brand visibility ■ It worked closely with architects, masons and builders to cater to their evolving requirements ■ It strengthened branding through trade shows, trade magazines, bus backs and catalogues

Risk	Mitigation
Cheaper import risk Dumping of cheap tiles from China could impact the Company's market share.	■ The Chinese government discourages exports to boost domestic availability ■ Chinese imports are now cost-ineffective due to the imposition of an anti-dumping duty on Chinese ceramic tiles ■ The Company entered into sourcing arrangements with various Chinese manufacturers, whose imports to India are not charged with the anti-dumping duty
Geographic concentration risk The Company's geographic sales concentration could impact revenues in case of downturns.	■ It derived revenues from all Indian states ■ The tile division derived revenues from all parts of the country - West India at 53% , East at 7%, North at 15% and South at 26% ■ The Company expanded its geographic footprint by exporting products to countries like Qatar, Saudi Arabia, the U.K, Mauritius, Ghana, Congo, Tanzania, among others.
Technological obsolescence risk Inability to invest in new technology can impact business prospects.	■ The Company scaled its IT infrastructure by investing in SAP ECC 5.0, enabling real-time open communication between the sales, distribution and manufacturing divisions ■ It installed automated call centres for product enquiries and enabled online stock and order status visibility across all depots ■ It invested in efficient ceramic tile manufacturing technology from SACMI, Italy, and marble processing technology from Breton, Italy
Client attrition risk Institutional clients constitute a substantial portion of total sales. Client attrition can affect growth.	■ The Company provides post-sale services to retail customers and offers guidance programmes for institutional customers, strengthening relationships ■ It customises products to specific requirements ■ Its products are used and recommended by brand-enhancing customers comprising Pantaloons, Reliance Retail, Rahejas, Godrej, Oberoi Construction, DLF, L&T and Unitech
Human resource risk Attrition of key executives and personnel could affect the Company's functioning.	■ The Company strengthened its top management by hiring a new CEO with over 30 years of rich industry experience ■ It initiated training programmes for executives in institutes like IIMs and IITs to improve capabilities and sharpen skills sets ■ It kept a check on attrition in the sales and marketing team through continuous training ■ It strengthened the team from 1,046 members in 2009-10 to 1,316 in 2010-11
Dealer attrition risk Decline in the number of dealers could affect sales.	■ The Company enhanced its dealer network through the introduction of new and innovative products, designs, patterns and textures ■ It widened the product basket, increasing dealer income prospects ■ It provides a variety of dealer-centric services (online order placement, tracking stock movement and secure payment processing) ■ It added around 296 new dealers in 2010-11, bringing the total dealers to 1,096, one of the largest industry dealership networks

DIRECTOR'S REPORT

Your Directors take pleasure in presenting the Annual Report with the audited statement of accounts of the Company for the year ended March 31, 2011.

Financial results

The highlights of the financial results for the year ended March 31, 2011 are as follows:

Rs. in crores

For the year ended March 31	2011	2010
Gross Sales	728.55	465.33
Profit before interest depreciation and tax	79.16	28.08
Interest & Financial Charges (Net)	28.09	15.65
Depreciation	22.71	21.14
Profit/(loss) before tax	28.36	(8.71)
Provision for tax	2.05	-
Profit/(loss) after tax	26.31	(8.71)
Balance brought forward from previous year	112.91	121.62
Amount available for appropriation	139.22	112.91
Proposed dividend	1.63	-
Tax on proposed dividend	0.27	-
Transferred to General Reserve	10.00	-
Balance carried forward	127.32	112.91

Review of operations

During the year under review, your Company has performed reasonably well. Your Company registered an increase of 56% growth in sales. Income from operations increased from Rs. 465.33 crores to Rs. 728.55 crores. Earnings before interest, depreciation and tax (EBIDTA) grew by 181% to Rs. 79.16 crores from Rs. 28.08 crs in the previous year due to higher sales. Profit after tax (PAT) was Rs. 26.31 crores as compared with a loss of Rs. 8.71 crores in the previous year.

Highlights 2010-11

The gross revenue for the year ended March 31, 2011 grew 56% to reach Rs. 728.55 crores, driven by increased sales in :

- Vitrified tiles sales up 53% to Rs. 308.76 crores
- Ceramic tiles sales up 21% to Rs. 222.75 crores
- Marble sales up 124% to Rs. 176.28 crores
- Real estate sales at Rs. 20.77 crores

Real Estate Foray

Biz Park at Thane (Maharashtra) admeasuring around 2 lakhs sq. ft. completed and around 0.41 lakhs sq. ft. was sold for Rs. 20.77 crores. Pursuant to the approval of honourable Bombay High Court, Particle Boards India Ltd (PBIL) has been amalgamated with Nitco Ltd. PBIL has a plot admeasuring 4.01 acres at Kanjurmarg (Mumbai) which will be developed after approvals of appropriate authorities.

Dividend

Your Board recommended a dividend of Re. 0.50 per share (no dividend declared in the previous year) and seeks approval for the same. If approved, the total outgo on account of the dividend will be Rs. 1.90 crores (inclusive of corporate tax on dividend).

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.

Directors

Mr. Atul Sud, Director of the Company, is due for retirement by rotation at the ensuing Annual General Meeting and, being eligible, offer himself for reappointment. Brief resume of Mr. Sud, the nature of his expertise in specific functional areas and the names of the companies in which he holds directorships as stipulated in Clause 49 of the Listing Agreement is 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 March 31, 2011 and of the profit of the Company for the year ended March 31, 2011;

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

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the 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 your Company on any working day during business hours. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

During the year, Chongquig Nitco Marble Ltd., a wholly owned subsidiary registered in China ceases to be subsidiary as the Company closed down. Investment made in Chongquig has been received back.

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.

Share Capital

Scheme of amalgamation of step down subsidiary, Particle Board India Ltd (PBIL) with the Company, approved by Honorable Bombay High Court vide its order dated July 08, 2011, has become effective from August 01, 2011. Appointed date for the scheme was April 01, 2010. Pursuant to the Scheme of Amalgamation, 4,76,580 equity shares of Rs. 10 each of the Company were allotted to the shareholders of the erstwhile PBIL on August 12, 2011. Pending allotment as on March 31, 2011, 4,76,580 equity shares have been shown as Share Capital Suspense.

Post allotment of equity shares as aforesaid, the share capital of the Company stands increased to Rs. 32.60 crores.

Personnel

Relationships with employees continued to be cordial. The HR policies of your Company were focused on the development potential of each employee. With this premise, a comprehensive set of HR policies were laid down, aiming to attract, retain and motivate employees at all levels. Information required under Section 217(2A) of the Companies Act, 1956, read with 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.

Corporate Social Responsibility

Today's business environment demands that corporates play a pivotal role in shouldering social responsibility. You will be happy to note that in the year under review, your Company executed several Corporate Social Responsibility (CSR) programmes for the benefit of the communities where your Company operates. Your Company contributed actively towards community welfare measures, taking several initiatives related to education, health, environmental improvement and other development measures such as :

- Regular medical check up
- Blood donation camps
- Tree plantation programmes on World Environment Day and Earth Day to promote awareness about the effects of climate change and importance of environment protection
- Conducting safety awareness programmes regularly
- Support to sports activities including local sports championships for kabaddi and cricket
- First aid centre at manufacturing facility

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 reappointment. Your Directors recommend their appointment.

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 sincere efforts without which the Company could not have reported phenomenal growth during the year under review.

ANNEXURE TO THE DIRECTOR'S 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 utilization and conservation of energy has remained not only in the domain of the top management but has also percolated to the shop floor. Continuous improvements in the manufacturing processes and practices are carried out with one of the objectives of energy conservation. The Company has also installed a 5.5 MW captive power plant. This has resulted in reducing the electricity cost to Rs. 4.76 per kwh from Rs. 5.80 kwh.

B. Technology absorption

The capacity was added for processing of marble. Major equipments have been imported from leading equipment manufacturer like Breton (Italy), Omis (Italy), Fraccarole E Balzan SPA(Italy) and Matec (Italy). The Company's technicians have been imparted training in maintenance of this equipment by supplier's technicians. Technology will be fully absorbed by next year.

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

	Sd/-	Sd/-
Date: August 12, 2011	**Vivek Talwar**	**S.K. Bhardwaj**
Place: Mumbai	*Managing Director*	*Director*

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 Chief Executive Officer.

Mr. Pran Nath Talwar, aged 85 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 5,03,837 equity shares in the Company.

Mr. Vivek Talwar, son of Mr. Pran Nath Talwar and aged 54 years, is the Managing Director of your Company. He holds a Bachelor's Degree in Science and has a rich experience of over 30 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.

Mr. Vivek Talwar holds 63,23,669 equity shares in the Company.

Ms. Poonam Talwar, aged 47 years, daughter of Mr. Pran Nath Talwar holds a Bachelor's degree in commerce and law and is the Wholetime Director of the

Company. She joined the Company as a Director in 2002. She looks after the administrative function of the Company and holds 62,562 equity shares in the Company.

Mr. S. K. Bhardwaj, aged 66 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.

Mr. Atul Sud, aged 55 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. He retires by rotation and is eligible for re-appointment at the ensuing Annual General Meeting. He is a Director in the following companies:

S. No.	Name of the companies /firms	Nature of Interest
1.	Strategic Capital Corporation Private Limited	Managing Director
2.	EFG Wealth Management (India) Private Ltd	Wholetime Director
3.	Strategic Trading Private Ltd	Director
4.	Strategic Trustee Company Private Ltd	Director
5.	TCPL Packaging Ltd	Director
6.	Growell Consultants Private Ltd	Director
7.	Strategic Portfolio Advisory Company Private Limited	Director
8.	Saturn Advisory Services Private Limited	Director
9.	Colva Tradeplace Private Limited	Director
10.	Bliss Advisory Services Private Limited	Director
11.	Strategic India Real Estate Management Co. Pvt. Ltd	Director
12.	Avakash Consultants Private Limited	Director
13.	Ispat Industries Limited	Director

Mr. Gaurav Burman, aged 39 years, joined the Company as a Director in 2007. Mr. Burman is the Managing Partner for GTI Capital Group, an India focused private equity business, with over US$ 500 million under management. He started his career in his family business, Dabur India Ltd, a US$ 4 billion market capitalised fast moving consumer goods (FMCG) company quoted on the Bombay stock exchange. In 1997, he joined Dresdner Kleinwort Capital, a global private equity firm with over US$ 1.5 billion under management. In 1998, he reported directly to the head of Dresdner's Global Private Equity Group following Dresdner's acquisition of Kleinwort Benson wherein he was responsible for the Media and Technology Direct Equity Team. After leaving Dresdner in 2006, Mr. Burman was a founding partner of Promethean Investments, a UK-focused private equity fund and in 2007 founded an India focused private equity fund, Elephant Capital Plc. During this time, he also raised and was the President and Secretary of Atlas Acquisition a US$ 200 million SPAC (Special Purpose Acquisition Company), listed in the US. Mr. Burman is on the international Board of Tufts University and also a member of the Young Presidents Organisation (YPO).

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 committee 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 six 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 2010-11		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	4	4	–	–	–	–	Yes
Ms. Poonam Talwar (Wholetime Director)	Non- Independent	4	4	–	–	–	–	Yes
Non-Executive								
Mr. Pran Nath Talwar (Chairman)	Promoter	4	–	–	–	–	–	No
Mr. S. K. Bhardwaj	Independent	4	4	--	--	--	--	Yes
Mr. Atul Sud	Independent	4	2	-	2	1	3	Yes
Mr. Gaurav Burman	Independent	4	-	-	1	-	-	No

Four 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:

May 14, 2010; August 03, 2010; November 02, 2010 and February 02, 2011.

4. Code of conduct

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.

None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company which may affect their independence.

Necessary information pursuant to Clause 49 of the Listing Agreement has been placed before the Board from time to time.

B. Committees of the Board

1. Audit Committee

The Company has an Audit Committee 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 March 31, 2011, is as follows:

Name of Director	Category	No. of committee meetings	
		Held	Attended
Mr. S. K. Bhardwaj (Chairman)	Independent	4	4
Mr. Atul Sud	Independent	4	2
Mr. Vivek Talwar	Managing Director	4	4

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, 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. Additionally, 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 and attendance of each member at the meetings held during the year ended March 31, 2011, is as follows:

Name of Director	Category	No. of committee meetings	
		Held	Attended
Mr. S. K. Bhardwaj (Chairman)	Independent	5	5
Mr. Atul Sud	Independent	5	3
Mr. Vivek Talwar	Managing Director	5	5

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

The Company's shares are listed for trading on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. During the year, 28 investor complaints were received and resolved. There were no pending investor complaints as on March 31, 2011.

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. Gaurav Burman — Member
- Mr. S. K. Bhardwaj — Member

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

The Committee met once during the year to recommend the re-appointment and the remuneration of Mr. Vivek Talwar, the Managing Director, which was attended by Mr. Bhardwaj and Mr. Sud.

Details of remuneration paid to Directors during the financial year ended March 31, 2011 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	41.60	17.21	28.84	-	87.65
Ms. Poonam Talwar	Wholetime Director	16.80	3.38	-	-	20.18
Mr. S.K. Bhardwaj	Independent Director	-	-	-	1.73	1.73
Mr. Atul Sud	Independent Director	-	-	-	0.89	0.89
Mr. Gaurav Burman	Independent Director	-	-	-	-	-

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

Tenure of the Managing Director is three years from April 01, 2011

Tenure of Wholetime Director is five years from April 01, 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 March 31, 2011 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	62,562
Mr. Atul Sud	–
Mr. S. K. Bhardwaj	–
Mr. Gaurav Burman	–

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
2009-10	September 15, 2010	11.00 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	Reappointment of Mr. Vivek Talwar as the Managing Director of the Company for a period of three years with effect from April 01, 2011.
2008-09	September 17, 2009	10.30 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	–
2007-08	September 23, 2008	11.30 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	–

No Extraordinary General Meeting (EGM) was held during the last three years. Subsequent to the year under review, the following Court Convened Meeting was held:

Calender Year	Date	Time	Venue	Special Resolution passed
2011	April 01, 2011	11.00 a.m.	M. C. Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001	Approval of the scheme of amalgamation of Particle Boards India Limited with Nitco Limited and their respective shareholders and creditors.

During the year under review, the Board of Directors passed a Special Resolution through Postal Ballot for Alteration of the Object Clause of the Memorandum of Association of the Company on March 11, 2011. The percentage of votes in favour of the resolution is 99.90%.

Mr. Nilesh Shah, Practicing Company Secretary, acted as a Scrutiniser for conducting the Postal Ballot process in a fair and transparent manner.

The procedure of the Postal Ballot is as per section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001.

E. Subsidiary companies

The 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 March 31, 2011. 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 that the 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 with the stock exchanges have been regularly filed with them.
- 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, the September 28, 2011, at 11.00 am at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400 018.

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

c) **Date of book closure:** September 22, 2011 to September 28, 2011 (both days inclusive).

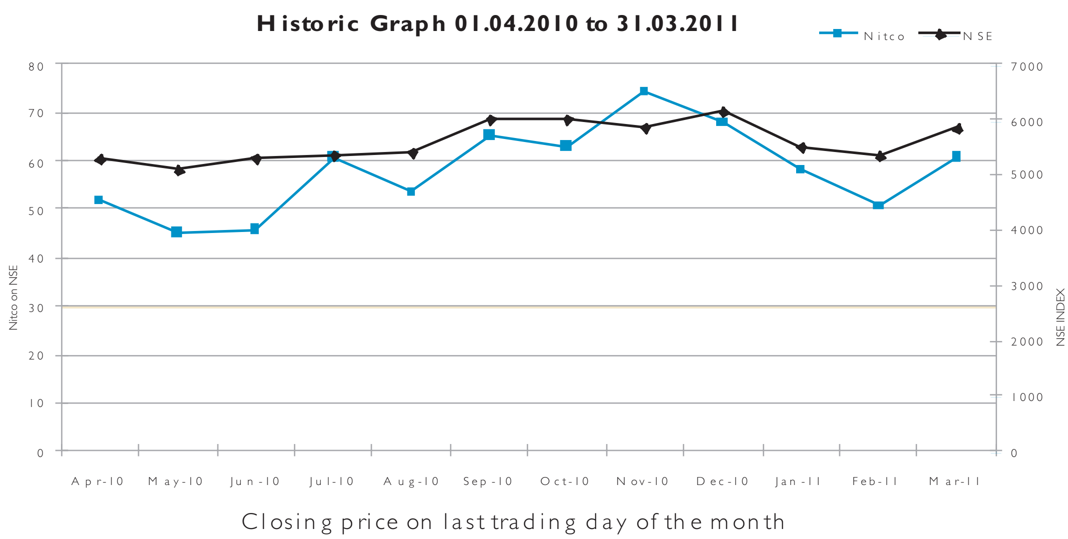
d) **Listing on stock exchanges:** The Company's equity shares are listed on the National Stock Exchange of India Limited and Bombay Stock Exchange Limited. The Company has paid listing fees to the stock exchanges for the financial year 2011-12.

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 Bombay Stock Exchange Ltd and the National Stock Exchange of India Ltd are as follows:

Month	BSE		NSE	
	High	Low	High	Low
April '10	59.40	50.00	59.15	50.00
May ' 10	52.25	40.55	51.95	40.30
June '10	48.35	42.00	48.70	42.60
July '10	62.60	45.10	62.50	44.85
August '10	64.80	53.00	65.00	52.55
September '10	71.85	52.55	73.30	52.30
October '10	69.90	62.10	69.90	62.00
November '10	98.80	60.75	99.45	60.05
December '10	86.35	64.75	85.00	64.75
January '11	74.75	54.30	74.80	56.15
February '11	64.00	46.45	64.50	46.50
March '11	66.05	50.00	66.90	50.40

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



h) Shareholding pattern as on March 31, 2011:

Category	No. of shares held	Percentage of total
Promoters' holding*		
Indian promoters	1,02,19,364	31.81
Promoters' group	53,47,851	16.65
Sub-total	**1,55,67,215**	**48.46**
Public shareholding*		
Mutual funds	21,59,203	6.72
Financial institutions/banks	7,128	0.02
FIIs	33,58,750	10.46
Private corporate bodies	48,39,791	15.07
NRIs/OCBs	14,59,038	4.54
Other	47,32,427	14.73
Sub-total	**1,65,56,337**	**51.54**
Grand total	**3,21,23,552**	**100.00**

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

i) Distribution of shareholding as on March 31, 2011:

No. of equity shares	No. of share holders	Percentage of share holders	No. of shares held	Percentage of share holding
1 – 5000	12,027	88.84	15,22,289	4.74
5001 – 10000	766	5.66	6,34,139	1.97
10001 – 20000	358	2.64	5,50,631	1.71
20001 – 30000	114	0.84	2,87,308	0.90
30001 – 40000	54	0.40	1,91,542	0.60
40001 – 50000	50	0.37	2,35,873	0.74
50001 - 100000	61	0.45	4,57,349	1.42
100001 and above	108	0.80	2,82,44,421	87.92
	13,538	100	3,21,23,552	100

j) Registered office:

Nitco Limited, Nitco House, Recondo Compound, Inside Municipal Asphalt Compound, S. K. Ahire Marg, Worli, Mumbai - 400 030.

Tel: 022 66164555; 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 depository participant 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.

n) Dematerialisation of shares and liquidity:

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

Percentage of shares held in physical and dematerialised form as on March 31, 2011:

Physical Form: 3.99

Electronic Form with CDSL: 27.36

Electronic Form with NSDL: 68.65

We have no GDR/ADR or any convertible instrument.

o) Equity shares in the Suspense Account:

As per Clause 5A of the Listing Agreements with the stock exchanges, the Company reports the following details in respect of equity shares lying in the suspense account which were issued pursuant to the public issue of the Company:

Securities	As on April 01, 2010		Shareholders who approached the Registrars and shares transferred in their favour during the year		Balance as on March 31, 2011	
	No. of records	No. of shares	No. of records	No. of shares	No. of records	No. of shares
Equity shares	12	825	1	40	11	785

The voting rights shall remain frozen till the rightful owner of such shares claims the shares.

p) 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: August 12, 2011

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 March 31, 2011.

For **Nitco Limited**

Sd/-

Vivek Talwar

Managing Director

Place: Mumbai

Date: August 12, 2011

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 March 31, 2011, 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: August 12, 2011

AUDITORS' REPORT

To
The Members of **Nitco Limited**

We have audited the attached Balance Sheet of M/s NITCO LIMITED as on March 31, 2011 and also the Profit and 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 and 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 and 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 March 31, 2011, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2011 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 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 March 31, 2011 and

   b) In the case of Profit and Loss account, of the profit 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. 107173W

A. Husein Noumanali
Proprietor
Membership No.: 14757

Place: Mumbai
Date: August 12, 2011

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 and terms and conditions, regularity in repayment and 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 March 31, 2011 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, customs, 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	19.10	Customs, Excise & Service Tax Appellate Tribunal, Mumbai
Central Excise Act	Duty demand/ penalty	8.27	Commissioner Central Excise (Appeals)
Customs Act	Duty demand/ penalty	742	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. 107173W

A. Husein Noumanali
Proprietor
Membership No.: 14757

Place: Mumbai
Date: August 12, 2011

BALANCE SHEET as at 31st March 2011

Rupees in lakhs

	Schedules	31.03.2011	31.03.2010
I SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	I	3,212.36	3,212.36
Share Capital Suspense (Refer Schedule XX Note 8)		47.66	-
Reserves & Surplus	II	50,292.12	47,726.02
		53,552.14	**50,938.38**
Loan Funds			
Secured Loans	III	43,820.13	39,035.76
Unsecured Loans	IV	13,414.01	6,513.97
		57,234.14	**45,549.73**
Deferred Tax Liabilities		**2,034.83**	**1,830.05**
Total		**112,821.11**	**98,318.16**
II APPLICATION OF FUNDS			
Fixed Assets	V		
Gross Block		67,921.89	46,690.14
Less: Depreciation		11,940.34	9,684.46
Net Block		**55,981.55**	**37,005.68**
Capital Work-in-progress (net, including capital advances)		7,782.63	10,988.79
		63,764.18	**47,994.47**
Investments	VI	984.23	915.90
Current Assets, Loans and Advances			
Inventories	VII	31,141.78	26,899.68
Inventories - Real Estate		19,762.61	3,917.38
Sundry Debtors	VIII	11,197.83	9,249.98
Cash and Bank Balances	IX	2,393.70	1,958.62
Loans and Advances	X	16,440.06	28,343.52
		80,935.98	**70,369.18**
Less: Current Liabilities and Provisions			
Current Liabilities	XI	32,673.84	20,961.39
Provisions	XII	189.44	-
		32,863.28	**20,961.39**
Net Current Assets		**48,072.70**	**49,407.79**
Total		**112,821.11**	**98,318.16**
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. 107173W

For and on Behalf of the Board

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

PROFIT AND LOSS ACCOUNT for the year ended 31st March 2011

Rupees in lakhs

	Schedules	31.03.2011	31.03.2010
SALES AND OTHER INCOME			
Gross Sales	XIII	72,854.88	46,533.01
Less : Excise Duty		1,673.75	1,622.64
Net Sales		**71,181.13**	**44,910.37**
Other Income	XIV	163.71	30.37
		71,344.84	**44,940.74**
EXPENDITURE			
Materials Consumed	XV	39,461.23	23,000.40
Cost of land and Constructed Properties		1,619.94	-
Stores Consumed		559.79	485.97
Power and Fuel		2,636.14	3,010.65
Personnel Cost	XVI	3,536.49	3,107.09
Manufacturing and Other Expenses	XVII	2,539.60	2,577.54
Selling & Distribution Expenses	XVIII	13,076.04	9,951.55
		63,429.23	**42,133.20**
Profit Before Interest, Depreciation & Tax		**7,915.61**	**2,807.54**
Interest and Other Financial Charges (Net)	XIX	2,809.11	1,564.64
Depreciation	V	2,271.28	2,113.58
Profit Before Taxation		**2,835.22**	**(870.68)**
Provision for Current Tax		580.39	-
MAT Credit Entitlement		(580.39)	-
Provision for Deferred Taxes		204.78	-
Profit After Taxation		**2,630.44**	**(870.68)**
Add : Balance brought forward from previous year		11,291.43	12,162.11
Amount Available for Appropriation		**13,921.87**	**11,291.43**
Less : Proposed Dividend		163.00	-
Less : Tax on Proposed Dividend		26.44	-
Less : Transferred to General Reserve		1,000.00	-
Balance Carried to Balance Sheet		**12,732.43**	**11,291.43**
Earning Per Share - Basic	XX(16)	8.19	(2.71)
- Diluted	XX(16)	8.07	(2.71)
(Face Value 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. 107173W

For and on Behalf of the Board

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

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Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

SCHEDULES TO THE ACCOUNTS as at 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
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.

	31.03.2011	31.03.2010
II RESERVES AND SURPLUS		
Capital Reserve		
Opening Balance	0.57	0.57
Add: Additions on amalgamation	125.10	–
	125.67	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	3,356.63
Add: Additions	1,000.00	–
	4,356.63	3,356.63
Profit & Loss Account Balance	12,732.43	11,291.43
	50,292.12	**47,726.02**

	31.03.2011	31.03.2010
III SECURED LOANS		
Term Loans		
From Banks	26,900.27	23,960.01
From Financial Institutions	5,050.00	5,500.00
Cash Credit from Banks	11,704.25	9,427.51
Hire Purchase Arrangements	165.61	148.24
	43,820.13	**39,035.76**

	31.03.2011	31.03.2010
IV UNSECURED LOANS		
From Banks	13,414.01	6,513.97
	13,414.01	**6,513.97**

SCHEDULES TO THE ACCOUNTS as at 31st March 2011

V FIXED ASSETS

Rupees in lakhs

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2010	Additions	Deductions	As at 31.03.2011	As at 1.04.2010	For the Period	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Freehold Land	2,088.14	2,373.25	242.44	4,218.95	-	-	-	-	4,218.95	2,088.14
Leasehold Land	307.66	-	162.00	145.66	-	-	-	-	145.66	307.66
Buildings	9,499.05	5,214.15	-	14,713.20	1,523.13	272.90	-	1,796.03	12,917.17	7,975.92
Office Equipment	1,303.84	221.07	-	1,524.91	532.88	143.19	-	676.07	848.86	770.96
Plant & Machinery	26,137.18	12,954.55	24.58	39,067.15	5,908.62	1,401.94	3.65	7,306.91	31,760.24	20,228.56
Electrical Installations	907.61	128.90	-	1,036.51	261.51	44.31	-	305.82	730.69	646.10
Furniture & Fixtures	2,015.89	678.07	-	2,693.96	374.46	143.23	-	517.69	2,176.27	1,641.43
Motor Vehicles	750.23	134.50	43.72	841.01	274.20	72.33	12.70	333.83	507.18	476.03
Windmill	3,680.54	-	-	3,680.54	809.66	194.33	-	1,003.99	2,676.53	2,870.88
Total	**46,690.14**	**21,704.49**	**472.74**	**67,921.89**	**9,684.46**	**2,272.23**	**16.35**	**11,940.34**	**55,981.55**	**37,005.68**
Previous Year	**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**	

VI INVESTMENTS

	31.03.2011	31.03.2010
(At Cost, Current)		
Investment in SBI Mutual Fund (100000 units of Rs. 10 each)	10.00	10.00
Investment in 12 Years National Defence Certificates	0.10	-
(At Cost, Long term)		
Equity Investments in Subsidiaries (Unquoted)		
Equity Investment in Foshan Nitco Trading Company Limited.	275.90	137.35
Equity Investment in Chongqing Nitco Marble Limited.	-	73.32
Equity Investment in Nitco Holdings HK Company Limited.	0.64	0.64
Equity Investment in Nitco Realties Private Limited.	694.59	694.59
Equity Investment in Keskinkaya Mermer, Turkey	3.00	-
	984.23	**915.90**

VII INVENTORIES

Raw Materials	3,370.29	3,347.15
Work in Process	617.82	647.03
Finished Goods	26,111.02	22,048.91
Stores, Spares and Consumables	976.78	817.39
Goods in Transit	65.87	39.20
	31,141.78	**26,899.68**

SCHEDULES TO THE ACCOUNTS as at 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
VIII SUNDRY DEBTORS (Unsecured)		
Outstanding over six months		
Considered good	278.53	279.79
Considered doubtful	162.65	136.73
	441.18	416.52
Less: Provision for Doubtful Debts	162.65	136.73
	278.53	279.79
Other debts considered good	10,919.30	8,970.19
	11,197.83	**9,249.98**

	31.03.2011	31.03.2010
IX CASH AND BANK BALANCES		
Cash on Hand	35.29	57.26
Balance with Scheduled Bank		
Current Account	714.49	850.56
Fixed Deposit Account	1,643.92	1,050.80
	2,393.70	**1,958.62**

	31.03.2011	31.03.2010
X LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	2,451.67	6,970.34
Advance to Subsidiary Companies	10,486.31	15,727.32
Balances with Customs & Central Excise authorities etc.	2,690.52	5,304.45
Income tax payments	811.56	341.41
	16,440.06	**28,343.52**

	31.03.2011	31.03.2010
XI CURRENT LIABILITIES		
Sundry Creditors	29,163.30	18,879.15
Dealer Deposit	684.88	627.22
Other Liabilities	2,240.76	689.71
Interest accrued but not due on Loans	136.23	141.07
Excise Duty	421.35	601.57
Unclaimed Dividend	27.32	22.67
	32,673.84	**20,961.39**

	31.03.2011	31.03.2010
XII PROVISIONS		
For Proposed Dividend (Including Tax on Dividend)	189.44	-
	189.44	**-**

SCHEDULES TO THE ACCOUNTS for the year ended 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
XIII SALES		
Sales	72,828.46	46,533.01
Labour Charges	26.42	-
	72,854.88	**46,533.01**

	31.03.2011	31.03.2010
XIV OTHER INCOME		
Rent received	87.35	29.40
Other Income	76.36	0.97
	163.71	**30.37**

	31.03.2011	31.03.2010
XV MATERIAL CONSUMED		
Increase/Decrease in Stock		
Opening Stock		
Finished Stock	22,048.91	15,816.92
Process Stock	647.03	603.05
	22,695.94	16,419.97
Less: Closing Stock		
Finished Stock	26,111.02	22,048.91
Process Stock	617.82	647.03
	26,728.84	22,695.94
(Increase)/Decrease in Stock (A)	**(4,032.90)**	**(6,275.97)**
Consumption of Raw Materials		
Opening Stock	3,347.15	3,099.79
Add : Purchases	18,415.79	14,703.84
	21,762.94	17,803.63
Less: Closing Stock	3,370.29	3,347.15
Total Raw Material Consumed (B)	18,392.65	14,456.48
Purchase of Finished Goods for Sale (C)	25,101.48	14,819.89
Total Materials Consumed (A+B+C)	**39,461.23**	**23,000.40**

	31.03.2011	31.03.2010
XVI PERSONNEL COST		
Salaries, Wages, Bonus etc	2,901.38	2,713.18
Contribution to Provident & Other Funds	212.19	189.57
Welfare Expenses	422.92	204.34
	3,536.49	**3,107.09**

SCHEDULES TO THE ACCOUNTS for the year ended 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
XVII MANUFACTURING AND OTHER EXPENSES		
Rent Rates and Taxes	711.41	661.97
Processing Charges	171.20	211.54
Water Charges	58.57	65.63
Postage and Telephone	235.58	204.46
Printing and Stationery	50.52	40.69
Insurance (Net)	79.31	128.19
Legal and Professional Fees	132.94	232.10
Travelling & Conveyance Expenses	498.18	519.88
Audit Fees	22.92	22.10
Hire Charges	219.89	196.07
Security Charges	67.16	49.14
Donations	20.17	8.09
Repairs and Maintenance		
Buildings	10.70	8.90
Machinery	12.33	36.85
Others	115.21	86.40
Miscellaneous Expenses	133.51	105.53
	2,539.60	**2,577.54**

XVIII SELLING & DISTRIBUTION EXPENSES		
Advertisement, Sales Promotion & Other Expenses	2,512.92	2,278.64
Sales Tax	7,130.75	4,613.59
Freight Forwarding & Related Expenses	3,383.66	3,043.50
Bad Debts	22.78	1.77
Provision for Doubtful Debts	25.93	14.05
	13,076.04	**9,951.55**

XIX INTEREST AND OTHER FINANCIAL CHARGES (Net)		
Term Loans	1,048.66	713.04
Cash Credit	1,419.55	747.81
Others	340.90	103.79
	2,809.11	**1,564.64**

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 an 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.

iv) Inventories of real estate are valued at cost or net realisable value, whichever is lower. Interest and other borrowing costs attributable to real estate inventories during the construction period are allocated as a part of cost of construction.

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 and 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.

Revenue from sale of finished properties/buildings is recognised on transfer of property and once significant risk and rewards of ownership have been transferred to the buyer.

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

Income from providing facilities/lease of premises is accrued over the period mentioned in the facility/leave and license agreement.

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.

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 and 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 an 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 and spares (not relating to plant and 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. 421.35 lakhs (previous year Rs. 601.57 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.

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

5. Provision for Taxation

a) Current year charge:

As per provisions of Income Tax Act, provision for the year was Rs. 580.39 lakhs (previous year NIL on account of losses). MAT credit entitlement of Rs. 580.39 lakhs has been recognised during the year.

b) 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. During the year, the Company debited the Profit and Loss Account with Deferred Tax Liability of Rs. 204.78 lakhs (previous year NIL on account of losses). The deferred tax liabilities comprise of the following:

Rupees in lakhs

	31.03.2011	31.03.2010
Deferred Tax Liabilities		
Related to fixed assets	2,541.25	2,388.87
Deferred Tax Assets		
Disallowance under the Income Tax Act, 1961	506.42	558.82
Net Deferred Tax Liabilities /(Assets)	**2,034.83**	**1,830.05**

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

a) Rs. 162.95 lakhs (previous year Rs. 125.30 lakhs) due to small scale industrial undertakings.

b) Rs. 29,000.35 lakhs (previous year Rs. 18,753.85 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:-

Rupees in lakhs

Sr No.	Vendors Name	Rs. lakhs
i)	Ekta Cargo Movers Pvt Ltd	0.45
ii)	Industrial Packing Products	2.07
iii)	JTJ Associates	13.57
iv)	Khetan Welpack Pvt. Ltd	14.23
v)	Maharashtra Gujrat Transport Co	5.93
vi)	Maxwell Industries	14.50
vii)	P.K. Roadlinks	78.41
viii)	Par Techno - Heat Pvt. Ltd	23.21
ix)	Praveen Pulverizers	10.09
x)	Shiv Shakti Tempo Service	0.49
	Total	**162.95**

7. Foreign exchange gain for the current year was Rs. 363.26 lakhs (previous year Rs. 302.46 lakhs) and the same has been included in interest and other financial charges.

8. Pursuant to the Scheme of Amalgamation ("the Scheme") under Sections 391 to 394 of the Companies Act, 1956 sanctioned by the Honourable Bombay High Court vide Order dated July 08, 2011 and filed with the Registrar of Companies (RoC) on August 01, 2011, Particle Boards India Limited ('PBIL'), a step down subsidiary of the Company has been amalgamated into the Company with effect from the appointed date as April 01, 2010. Upon the scheme becoming effective:

a) All the assets and liabilities as appearing in the books of PBIL as on the appointed date have been recorded at their respective fair values by the Company.

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

b) The difference between the fair values of the assets and liabilities of PBIL, after adjusting inter-company balances, if any and the revision in the value of assets and liabilities of Nitco Limited, as considered appropriate by the Board, cost incurred for implementing the Scheme and after adjusting the consideration paid to the share holders of PBIL, amounting to Rs. 125.10 lakhs is credited to capital reserve as per the Scheme of Amalgamation approved by the Honourable Bombay High Court.

c) Pursuant to the Scheme, 4,76,580 equity shares of Rs.10 each of the Company were required to be issued to the shareholders of PBIL in the proportion of 47 equity shares of the face value of Rs. 10 each in the Company for every 100 equity shares of the face value of Re. 1 each held in PBIL. Pending allotment of the same until date, an amount of Rs. 47,65,800, representing the face value of the shares to be issued, has been disclosed under the Share Capital Suspense Account as at March 31, 2011.

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

10. Capacity, Production, Purchases, Turnover and Stock

	31.03.2011	31.03.2010
A. Installed Capacity and Actual Production: (Units in Lakhs)		
Ceramic Tiles		
Licenced Capacity	N.A.	N.A.
Installed Capacity (MT)	1.80	1.80
Installed Capacity (Sq. mt)	80.85	80.85
Actual Production (MT)	0.93	1.18
Actual Production (Sq. mt)	45.63	60.28

The primary installed capacity of the plant is calculated on MT basis. However, to facilitate comparison the capacity in MT has been converted into Sq. mt on the basis of size wise production mix.

	31.03.2011		31.03.2010	
	Qty. Lakhs	Rs. Lakhs	Qty. Lakhs	Rs. Lakhs
B. Purchases				
Vitrified Tiles (Sq. mt)	58.29	23,495.22	42.43	13,473.52
Wall Tiles (Sq. mt)	4.17	1,606.26	4.28	1,346.37
Total		**25,101.48**		**14,819.89**
C. Turnover				
Ceramic Tiles (Sq. mt)	55.20	22,274.81	46.67	18,470.60
Vitrified Tiles (Sq. mt)	50.01	30,875.56	41.84	20,187.61
Marble (Sq. ft)	71.69	17,627.51	27.67	7,874.80
Tiles and related products (a)		**70,777.88**		**46,533.01**
Real Estate (b)		2,077.00		-
Total (a+b)		**72,854.88**		**46,533.01**
D. Opening Stock				
Ceramic Floor / Wall Tiles (Sq. mt)	33.20	8,419.18	15.33	3,441.68
Vitrified (Sq. mt)	16.86	6,949.11	16.28	6,638.59
Marble (Sq. ft)	30.78	6,680.62	22.97	5,736.65
Total		**22,048.91**		**15,816.92**

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

		31.03.2011		31.03.2010	
		Qty. Lakhs	Rs. Lakhs	Qty. Lakhs	Rs. Lakhs
E. Closing Stock					
Ceramic Tiles (Sq. mt)		29.16	7,317.22	33.20	8,419.18
Vitrified Tiles (Sq. mt)		25.14	11,922.40	16.86	6,949.11
Marble (Sq. ft)		29.63	6,871.40	30.78	6,680.62
Total			**26,111.02**		**22,048.91**
F. Raw Materials Consumed:					
Body Material	MT	0.94	2,751.56	1.38	4,044.28
Glaze Material	MT	0.05	1,963.68	0.08	2,896.03
Rough marble Blocks / Slabs	Sq. ft	73.07	12,650.52	35.49	6,541.43
Packing Material			1,026.89		924.99
Others			-		49.75
Total			**18,392.65**		**14,456.48**

	31.03.2011		31.03.2010	
	Rs. Lakhs	%	Rs. Lakhs	%
G. Value of Raw Materials, Spares				
Components consumed during the year				
Raw Materials				
Imported	4,783.59	26.01%	1,727.46	11.95%
Indigenous	13,609.06	73.99%	12,729.02	88.05%
Total	**18,392.65**	**100.00%**	**14,456.48**	**100.00%**
Spares & Components				
Imported	255.28	45.60%	184.67	38.00%
Indigenous	304.51	54.40%	301.30	62.00%
Total	**559.79**	**100.00%**	**485.97**	**100.00%**

11. Earnings in Foreign Exchange (Exports)

Rupees in lakhs

	31.03.2011	31.03.2010
FOB Value of Exports	911.50	360.68
Revenue from Carbon Credits	39.79	-
Total	**951.29**	**360.68**

12. Value of imports calculated on CIF basis:

Goods for Resale	16,640.51	8,858.79
Raw Material	2,362.25	1,260.20
Capital Goods	2,047.53	2,715.20
Spare Parts & Components	540.87	350.72
Total	**21,591.16**	**13,184.91**

13. Expenditure in Foreign Currency

Interest	542.84	468.67
Travel & Lodging	71.52	139.60
	614.36	**608.27**

SCHEDULES TO THE ACCOUNTS

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

14. Auditors Remuneration

Rupees in lakhs

	31.03.2011	31.03.2010
Audit Fees	22.92	22.10
	22.92	**22.10**

15. Directors Remuneration

Salary	58.40	55.20
Contribution to PF and other Funds	9.72	9.72
Perquisites	10.87	4.32
Commission	28.84	-
Directors sitting fees	2.62	4.44
	110.45	**73.68**

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	2,835.22
Add :- Provision for depreciation as per profit & loss Account	2,271.28
Remuneration to Directors	81.61
Provision for Doubtful Debts	25.93
Loss on sale of Fixed Assets	17.02
	5,231.06
Less :- Depreciation under Section 350 of the Companies Act, 1956	2,271.28
Profit on sale of Fixed assets	76.06
Profit as per section 349 of the Companies Act , 1956	2,883.72
1% commission payable to Managing Director	28.84

16. Earnings per share - (EPS)

i.	Profit computation for Basic Earnings Per Share of Rs. 10 each	2,630.44	(870.68)
ii.	Number of equity shares for Earnings Per Share		
	- Basic	32,123,552	32,123,552
	- Diluted	32,600,132*	32,123,552
iii.	Earnings Per Share		
	- Basic	8.19	(2.71)
	- Diluted	8.07	(2.71)
iv.	Face Value per Share (Rs.)	10.00	10.00

* Adjusted for issue of Equity Shares due to scheme of amalgamation (refer Note 8).

17. Contingent Liabilities

Guarantees / Counter Guarantees given by the Company / by banks on behalf of company	5,187.61	5,219.27
Letter of credits opened for which the Company is contingently liable	14,138.68	6,846.54
Export Bills discounted / purchased with the banks	219.07	68.26
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	452.50	1,150.39
Demands against the Company not acknowledged as debts and not provided for against which the Company is in appeal		
Excise Duty	27.37	26.04
Custom Duty	742.00	1,589.52

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

18. Information on related party transactions as required by Accounting Standard - 18 for the year ended 31.03.2011

Relationship	Name of the Related Party
Holding Company	Nitco Limited
Subsidiaries	Nitco Realties Private Limited
	Nitco Holdings HK Company Limited
	Foshan Nitco Trading Company Limited
	Keskinkaya Mermer - Turkey
Fellow Subsidiaries	Maxwealth Properties Private Limited
	Meghdoot Properties Private Limited
	Roaring - Lion Properties Private Limited
	Feel Better Housing Private Limited
	Quick-Solution Properties Private Limited
	Silver-Sky Real Estates Private Limited
	Opera Properties Private Limited
	Ferocity Properties Private Limited
	Glamorous Properties Private Lmited
	Nitco IT Parks Private Limited
	Nitco Aviation Private Limited
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 Private Limited
	Anandshree Bombay (Holding) Pvt.Ltd.
	Aqua-marine Properties Private Limited
	Aurella Estates and Investments Private Limited
	Cosmos Realtors Pvt.Ltd.
	Delicious Properties Pvt.Ltd.
	Eden Garden Builders Pvt.Ltd.
	Enjoy Builders Pvt.Ltd.
	Lavender Properties Pvt.Ltd.
	Maharashtra Marble Co.
	Maryland Realtors Pvt. Ltd.
	Melisma Finance and Trading Pvt. Ltd.
	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 Limited
	Rhythm Real Estates Pvt.Ltd
	Strength Properties Pvt.Ltd.
	The Northern India Tiles Corporation (Delhi)
	Ushakiran Builders Pvt.Ltd.
	Vivek Talwar (HUF)
	Wellwin Properties Private Limited

SCHEDULES TO THE ACCOUNTS

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

Related Party Transactions for FY 2010-11

Rupees in lakhs

	Key Managerial Personnel	Subsidiaries/ Fellow Subsidiaries /Others
Purchase of Goods /Services		221.98
Rent Paid		38.87
Remuneration / Sitting Fees	110.45	
Interest on loans Received/Receivable		1,998.79
Rent Deposit		1,000.00
Advances made as on 31.03.2011		10,486.31

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

Rupees in lakhs

Name of the Company	Relationship	As at 31st Mar 11	As at 31st Mar 10	Maximum Balance during the year
Nitco Realties Private Limited	Subsidiary	10,243.08	15,727.32	16,591.98
Keskinkaya Mermer - Turkey	Subsidiary	217.53	-	217.53
Foshan Nitco Trading Company Limited	Subsidiary	25.46	1.59	192.29
Nitco Holding HK Company Limited	Subsidiary	0.24	0.24	0.24
Total		**10,486.31**	**15,729.15**	

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

Segment Reporting for the year ended March 31, 2011

Rupees in lakhs

Sr. No.	Particulars	31.03.2011	310.03.2010
1	Net Sales / Income from Operations		
	- Tiles & Other related products	61,973.38	40,296.78
	- Real Estate	2,077.00	-
	Total Revenue	**64,050.38**	**40,296.78**
2	Segment Results		
	- Tiles & Other related products	5,195.43	693.96
	- Real Estate	448.90	-
	Total Segment Profit before Interest & Tax	5,644.33	693.96
	Less : Interest & Other financial charges	2,809.11	1,564.64
	Profit Before Tax	**2,835.22**	**(870.68)**
3	Capital Employed (Segment assets - Segment liabilities)		
	- Tiles & Other related products	82,268.50	77,299.99
	- Real Estate	29,981.09	19,990.92
	- Unallocated/ Corporate	571.52	1,027.25
	Total Capital Employed	**112,821.11**	**98,318.16**

As Per our report attached

For and on Behalf of the Board

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

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

CASH FLOW STATEMENT for the year ended 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as restated before Tax and Extraordinary items	2,835.22	(870.68)
Adjusted for:		
Depreciation	2,271.28	2,113.58
Provision for Bad and Doubtful Debts	25.93	14.05
(Profit)/Loss on sale of assets (net)	(59.04)	18.25
Interest and Financial Charges (Net)	2,809.11	1,564.64
Operating Profit before Working Capital Changes	**7,882.50**	**2,839.84**
Adjusted for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	(1,973.77)	1,417.97
(Increase)/Decrease in Inventories	(20,087.33)	(10,602.47)
(Increase)/Decrease in Other Receivables	7,132.60	(3,832.76)
Change in Current Liabilities	11,712.45	6,219.86
Cash Generated from Operations	**4,666.45**	**(3,957.56)**
Income Taxes Paid	(470.15)	(296.62)
Net Cash from / (Used in) Operating Activities	**4,196.30**	**(4,254.18)**
B. CASH FLOW FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(18,335.40)	(7,112.62)
Sale of Fixed Assets	353.44	205.11
Sale/(purchase) of Investments (Net)	(68.33)	(59.01)
Net Cash from / (used in) Investing Activities	**(18,050.29)**	**(6,966.53)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Advance to Subsidiary Companies	5,241.01	(2,003.64)
Proceeds from / (Repayment) of Long Term / Short Term Borrowings (Net)	11,684.41	16,437.00
Issue of shares - PBIL Merger	47.66	–
Interest Paid	(2,809.11)	(1,564.64)
Capital Reserve generated on Merger of PBIL	125.10	–
Pyt. Of Proposed Dividend & CDT	–	(371.10)
Net Cash from / (used in) Financing Activities	**14,289.07**	**12,497.62**
Net Increase / (Decrease) in Cash & Cash Equivalents	**435.08**	**1,276.92**
Opening Balance of Cash and Cash Equivalents	1,958.62	681.70
Closing Balance of Cash and Cash Equivalents	2,393.70	1,958.62

1 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.

2 Cash and Cash Equivalents consists of Cash on Hand - Rs. 35.29 Lakhs (Previous Year Rs. 57.26 Lakhs), Balance in Current Account - Rs. 714.49 Lakhs (Previous Year Rs. 850.56 Lakhs) and Balance in Margin Money - Rs. 1643.92 Lakhs (Previous Year Rs. 1050.80 Lakhs).

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. 107173W

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

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

I. Registration Details

Registration No.	16547	State Code	11
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities (Including Shareholders Funds)	112821.11	Total Assets	112821.11

Sources of Funds

Paid-up Capital (including share application money)	3260.02	Reserves & Surplus	50292.12
Deferred Tax Liability	2034.83	Unsecured Loans	13414.01
Secured Loans	43820.13		

Application of Funds *(Rs. in Lakhs)*

Net Fixed Assets (including Capital Work-in-Progress)	63764.18	Investments	984.23
Net Current Assets	48072.70	Misc. Expenditure	NIL
Accumulated Losses	NIL		

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

Turnover (Sales and other income)	71344.84	Total Expenditure	68509.62
+ - Profit/Loss Before Tax	2835.22	+ - Profit/Loss After Tax	2630.44
Earning per share in Rupees	8.19	Dividend Rate %	5%

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	6907
Marble Blocks, Slabs, Tiles	6802

As Per our report attached

For and on Behalf of the Board

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

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

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.	Keskinkaya Mermer - Turkey	Nitco Realties Pvt. Ltd.	Glamorous Properties Pvt. 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.
1	Financial year of the subsidiary ended on	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011
2	Shares of the subsidiary held by the Company directly or through it subsidiary companies on March 31,2011															
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 Equity Shares of Re.1 each fully paid-up	9,37,500 Equity Shares of Rs.10 each fully paid-up	5,000 Equity Shares of Rs.100 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,00,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up	10,000 Equity Shares of Rs.10 each fully paid-up
b.	Extent of holding (%)	100.00	100.00	100.00	100.00	75.00	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 March 31, 2011	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 March 31, 2011	(21.23)	(130.24)	NIL	NIL	(0.91)	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 March 31, 2011	NIL	NA	NA	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 March 31, 2011	47.68	(71.94)	NA	1.51	(7.36)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

INFORMATION OF SUBSIDIARY COMPANIES for the year ended 31st March 2011

Rupees in lakhs

Name of Subsidiary Company	Nitco Holdings HK Co. Ltd.	Foshan Nitco Trading Co. Ltd.	Keskinkaya Mermer - Turkey	Nitco Realties Pvt. Ltd.	Glamorous Properties Pvt. 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	0.57	271.92	2.88	2.00	125.00	5.00	1.00	1.00	1.00	100.00	1.00	1.00	1.00	1.00	1.00
Reserves	26.84	(203.11)	-	697.30	257.83	(0.25)	(0.52)	(0.27)	(0.25)	(0.20)	(0.25)	(0.25)	(0.25)	–	(0.07)
Total Assets	49.63	108.51	262.44	11,750.94	411.48	390.47	0.49	447.42	166.00	103.21	243.76	113.87	592.33	436.25	394.03
Total Liabilities	22.22	39.70	259.56	11,051.64	28.65	385.72	0.02	446.70	165.25	3.42	243.01	113.12	591.58	435.25	393.11
Investments (except investment in subsidiary companies)	NIL	NIL	NIL	1.00	NIL	NIL	NIL	NIL	NIL	NIL	25.00	NIL	500.10	NIL	NIL
Turnover	3.66	239.23	NIL	NIL	151.50	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Profit before taxation	(17.76)	(130.13)	NIL	NIL	(1.22)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Provision for taxation	3.47	0.11	NIL	NIL	-	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Profit after taxation	(21.23)	(130.24)	NIL	NIL	(1.22)	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

AUDITORS 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 March 31, 2011, 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. 15,050.27 Lakhs as at March 31, 2011, and total turnover of Rs. 151.50 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, Turkey and China whose financial statements reflect total assets of Rs.420.58 Lakhs and turnover of Rs. 242.89 Lakhs as at March 31, 2011. 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", as notified by the Companies (Accounting Standards) Rules, 2006.

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 March 31, 2011 ;
   (ii) in the case of the Consolidated Profit and loss Account, of the Profit 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. 107173W

A. Husein Noumanali
Proprietor
Membership No.: 14757

Place: Mumbai
Date: August 12, 2011

CONSOLIDATED BALANCE SHEET as at 31st March 2011

Rupees in lakhs

	Schedules	31.03.2011	31.03.2010
I SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	I	3,212.36	3,212.36
Share Capital Suspense		47.66	–
Reserves & Surplus	II	50,309.67	47,936.03
		53,569.69	**51,148.39**
Minority Interest		95.79	108.17
Loan Funds			
Secured Loans	III	43,820.13	39,035.76
Unsecured Loans	IV	13,414.01	6,513.97
		57,234.14	**45,549.73**
Deferred Tax Liabilities		2,034.83	1,830.05
Total		**112,934.45**	**98,636.34**
II APPLICATION OF FUNDS			
Fixed Assets	V		
Gross Block		68,331.38	47,218.98
Less: Depreciation		11,991.14	9,711.41
Net Block		56,340.24	37,507.57
Capital Work-in-progress (net, including capital advances)		8,010.84	11,013.34
		64,351.08	**48,520.91**
Investments	VI	536.20	546.28
Current Assets, Loans and Advances			
Inventories	VII	31,141.78	27,417.50
Inventories - Real Estate		28,694.34	10,033.26
Sundry Debtors	VIII	11,218.53	9,053.60
Cash and Bank Balances	IX	2,640.48	2,263.73
Loans and Advances	X	10,637.43	22,097.99
		84,332.56	**70,866.08**
Less: Current Liabilities and Provisions			
Current Liabilities	XI	36,092.40	21,278.44
Provisions	XII	192.99	18.49
		36,285.39	**21,296.93**
Net Current Assets		**48,047.17**	**49,569.15**
Total		**112,934.45**	**98,636.34**
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. 107173W

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 2011

Rupees in lakhs

	Schedules	31.03.2011	31.03.2010
SALES AND OTHER INCOME			
Gross Sales	XIII	73,022.43	46,778.71
Less : Excise Duty		1,673.75	1,622.64
Net Sales		**71,348.68**	**45,156.07**
Other Income	XIV	168.57	83.63
		71,517.25	**45,239.70**
EXPENDITURE			
Materials Consumed	XV	39,534.09	23,189.93
Cost of land and Constructed Properties		1,619.94	-
Stores Consumed		559.79	485.97
Power and Fuel		2,636.14	3,010.65
Personnel Cost	XVI	3,626.83	3,190.58
Manufacturing and other Expenses	XVII	2,597.76	2,551.47
Selling & Distribution Expenses	XVIII	13,151.07	9,983.17
		63,725.62	**42,411.77**
Profit Before Interest, Depreciation & Tax		**7,791.63**	**2,827.93**
Interest and Other Financial Charges	XIX	2,812.60	1,564.80
Depreciation	V	2,292.92	2,136.70
Profit Before Taxation		**2,686.11**	**(873.57)**
Provision for Current Tax		583.97	5.72
MAT Credit Entitlement		(580.39)	-
Provision for Deferred Tax		204.78	-
Profit After Taxation (Before Adjustment for Minority Interest)		**2,477.75**	**(879.29)**
Less: Share of profit/(Loss) transferred to Minority		(0.31)	(0.84)
Profit After Taxation (After Adjustment for Minority Interest)		**2,478.06**	**(878.45)**
Add : Balance brought forward from previous year		11,261.31	12,191.48
Add : Excess/(short) Provision for Tax in earlier years		-	(1.53)
Amount Available for Appropriation		**13,739.37**	**11,311.50**
Less : Proposed Dividend		163.00	-
Less : Tax on Proposed Dividend		26.44	-
Less: Transferred to General Reserve		1,000.00	-
Balance Carried to Balance Sheet		**12,549.93**	**11,311.50**
Earning Per Share - Basic	XX(8)	7.71	(2.73)
- Diluted	XX(8)	7.60	(2.73)
(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. 107173W

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

SCHEDULES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
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.

	31.03.2011	31.03.2010
II RESERVES AND SURPLUS		
Capital Reserve		
Opening Balance	0.57	0.57
Add: Additions on amalgamation	125.10	-
Closing Balance	125.67	0.57
Capital Reserve on consolidation	0.52	3.20
Capital Redemption Reserve	966.00	966.00
Share Premium Account	32,313.95	32,313.95
General Reserve		
Opening Balance	3,355.63	3,355.63
Add: Transferred from Profit and Loss Account	1,000.00	-
	4,355.63	3,355.63
Profit & Loss Account Balance	12,549.93	11,311.50
Foreign Currency Translation Reserve	(2.03)	(14.82)
	50,309.67	**47,936.03**

	31.03.2011	31.03.2010
III SECURED LOANS		
Term Loans		
From Banks	26,900.27	23,960.01
From Financial Institutions	5,050.00	5,500.00
Cash Credit from Banks	11,704.25	9,427.51
Hire Purchase Arrangements	165.61	148.24
	43,820.13	**39,035.76**

	31.03.2011	31.03.2010
IV UNSECURED LOANS		
From Banks	13,414.01	6,513.97
	13,414.01	**6,513.97**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2011

V FIXED ASSETS

Rupees in lakhs

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.04.2010	Additions	Deduction/ Transfers	As at 31.03.2011	As at 1.04.2010	For the Period	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Goodwill	422.61	-	99.60	323.01	-	-	-	-	323.01	422.61
Freehold Land	2,088.14	2,373.25	242.44	4,218.94	-	-	-	-	4,218.94	2,088.14
Leasehold Land	327.35	-	181.69	145.66	-	-	-	-	145.66	327.35
Buildings	9,538.31	5,214.15	-	14,752.46	1,543.86	291.42	-	1,835.28	12,917.18	7,994.45
Office Equipment	1,312.32	221.61	-	1,533.93	534.90	144.54	-	679.44	854.49	777.42
Plant & Machinery	26,137.17	12,954.55	24.58	39,067.14	5,908.62	1,401.94	3.65	7,306.91	31,760.23	20,228.55
Electrical Installations	907.60	128.90	-	1,036.51	261.51	44.31	-	305.82	730.69	646.09
Furniture & Fixtures	2,041.60	678.07	-	2,719.67	378.58	147.17	-	525.75	2,193.92	1,663.02
Motor Vehicles	750.62	134.50	43.72	841.40	274.27	72.37	12.70	333.94	507.46	476.35
Windmill	3,680.54	-	-	3,680.54	809.67	194.33	-	1,004.00	2,676.54	2,870.87
Live Stock	12.72	18.49	19.09	12.12	-	-	-	-	12.12	12.72
Total	**47,218.98**	**21,723.52**	**611.12**	**68,331.38**	**9,711.41**	**2,296.08**	**16.35**	**11,991.14**	**56,340.24**	**37,507.57**
Previous Year	**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**	

VI INVESTMENTS

	31.03.2011	31.03.2010
(At Cost, Current)		
Fixed Deposit with Scheduled Bank	-	8.29
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	500.10	499.39
50,000 Equity shares of Aero Ports & Infrastructure Projects Pvt Ltd (Previous year 75,000 Equity shares)	5.00	7.50
4,200 Equity Shares of Rs.10 each fully paid up in Saumya Buildcon	1.00	1.00
200,000 Equity Shares in JM Township	20.00	20.00
	536.20	**546.28**

VII INVENTORIES

Raw Materials	3,370.29	3,347.15
Work in Process	617.82	1,164.85
Finished Products	26,111.02	22,048.91
Stores, Spares and Consumables	976.78	817.39
Goods in Transit	65.87	39.20
	31,141.78	**27,417.50**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS as at 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
VIII SUNDRY DEBTORS (Unsecured)		
Outstanding over six months		
Considered good	286.14	279.79
Considered doubtful	162.65	136.73
	448.79	416.52
Less: Provision for Doubtful Debts	162.65	136.73
	286.14	279.79
Other debts considered good	10,932.39	8,773.81
	11,218.53	**9,053.60**

	31.03.2011	31.03.2010
IX CASH AND BANK BALANCES		
Cash on Hand	36.86	62.70
Balance with Scheduled Bank		
Current Account	951.70	1,150.23
Fixed Deposit Account	1,651.92	1,050.80
	2,640.48	**2,263.73**

	31.03.2011	31.03.2010
X LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	2,596.16	7,396.96
Balances with Customs & Excise	2,690.52	5,305.49
Income-tax payments	930.26	569.97
Acquisition of Land/Rights in Land/Development Rights	4,420.49	8,825.57
	10,637.43	**22,097.99**

	31.03.2011	31.03.2010
XI CURRENT LIABILITIES		
Sundry Creditors	30,971.41	18,973.44
Dealer Deposit/Security deposits	696.54	628.39
Other Liabilities	3,839.55	911.30
Interest accrued but not due on Loans	136.23	141.07
Excise Duty	421.35	601.57
Unclaimed Dividend	27.32	22.67
	36,092.40	**21,278.44**

	31.03.2011	31.03.2010
XII PROVISIONS		
For Taxation	3.55	18.49
For Proposed Dividend (including tax on dividend)	189.44	-
	192.99	**18.49**

Rupees in lakhs

	31.03.2011	31.03.2010
XIII SALES		
Sales	72,996.01	46,778.71
Labour Charges	26.42	-
	73,022.43	**46,778.71**

	31.03.2011	31.03.2010
XIV OTHER INCOME		
Rent received	87.35	29.40
Other Income	81.22	54.23
	168.57	**83.63**

	31.03.2011	31.03.2010
XV MATERIAL CONSUMED		
Increase/Decrease in Stock		
Opening Stock		
Finished Stock	22,048.91	15,816.92
Process Stock	647.03	603.05
	22,695.94	16,419.97
Less: Closing Stock		
Finished Stock	26,111.02	22,048.91
Process Stock	617.82	647.03
	26,728.84	22,695.94
(Increase)/Decrease in Stock (A)	**(4,032.90)**	**(6,275.97)**
Consumption of Raw Materials		
Opening Stock	3,347.15	3,099.79
Add :Purchases	18,527.97	14,801.52
	21,875.12	17,901.31
Less: Closing Stock	3,370.29	3,347.15
Total Raw Material Consumed (B)	18,504.83	14,554.16
Purchase of Finished Goods for Sale '('C)	25,062.16	14,911.74
Total Materials Consumed (A+B+C)	**39,534.09**	**23,189.93**

	31.03.2011	31.03.2010
XVI PERSONNEL COST		
Salaries, Wages, Bonus etc	2,983.19	2,785.22
Contribution to Provident & Other Funds	212.19	194.15
Welfare Expenses	431.45	211.21
	3,626.83	**3,190.58**

SCHEDULES TO THE CONSOLIDATED ACCOUNTS for the year ended 31st March 2011

Rupees in lakhs

XVII MANUFACTURING AND OTHER EXPENSES

	31.03.2011	31.03.2010
Rent, Rates and Taxes	735.20	665.61
Processing Charges	171.20	160.89
Water Charges	59.95	65.63
Postage and Telephone	237.92	205.88
Printing and Stationery	51.38	44.47
Insurance (Net)	81.67	129.87
Legal and Professional Fees	141.58	237.04
Travelling & Conveyance Expenses	512.36	523.14
Audit Fees	23.51	22.23
Hire Charges	219.89	196.07
Security Charges	67.21	49.14
Donations	20.17	8.11
Repairs and Maintenance		
Buildings	10.70	8.90
Machinery	12.33	36.85
Others	115.65	86.46
Miscellaneous Expenses	137.04	111.18
	2,597.76	**2,551.47**

XVIII SELLING & DISTRIBUTION EXPENSES

Advertisement, Sales Promotion & Other Expenses	2,525.48	2,278.64
Sales Tax	7,130.75	4,613.59
Freight Forwarding & Related Expenses	3,446.13	3,075.12
Bad Debts	22.78	1.77
Provision for Doubtful Debts	25.93	14.05
	13,151.07	**9,983.17**

XIX INTEREST AND OTHER FINANCIAL CHARGES

Term Loans	1,048.66	713.04
Cash Credit	1,419.55	747.81
Others (Schedule XX Note 5)	344.39	103.95
	2,812.60	**1,564.80**

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:

a) 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.

b) 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 Foreign Currency Translation Reserve.

c) 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.

d) 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.

e) 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.

f) 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 March 31, 2011
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%
Nitco Realties Pvt Ltd	India	Real Estate Development	Subsidiary	100%
Keskinkaya Mermer - Turkey	Turkey	Dealing in Marble	Subsidiary	100%
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. Lt.	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%
Ferrocity 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% of voting right of a company's share capital, have been accounted for as subsidiaries.

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 Modvat credit wherever applicable.

iv) In case of subsidiaries, the inventories are in form of land and real estate projects in progress. Inventories of real estate are valued at cost or net realisable value, whichever is lower. Interest and other borrowing costs attributable to real estate inventories during the construction period are allocated as a part of cost of construction

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

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

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. During the year, the Company has debited the Profit and Loss Account with Deferred Tax Liability of Rs. 204.78 lakhs (Previous year NIL on account of Losses). The deferred tax liabilities comprise of the following:

Rupees in lakhs

	31.03.2011	31.03.2010
Deferred Tax Liabilities		
Related to Fixed Assets	2541.25	2,388.87
Deferred Tax Assets		
Disallowance under the Income Tax Act, 1961	506.42	558.82
Net Deferred Tax Liabilities /(Assets)	**2,034.83**	**1,830.05**

5. Foreign exchange gain for the current year was Rs. 363.26 lakhs against Rs. 302.46 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**

Salary	58.40	55.20
Contribution to PF and other Funds	9.72	9.72
Perquisites	10.87	4.32
Commission	28.84	–
Directors sitting fees	2.62	4.44
	110.45	**73.68**

8. **Earnings per share - (EPS)**

i. Profit computation for Basic Earnings Per Share of Rs. 10 each	2,478.06	(878.45)
ii. Number of equity shares for Earnings Per Share		
- Basic	32,123,552	32,123,552
- Diluted	32,600,132*	32,123,552
iii. Earnings Per Share (Basic & Diluted) Rs.		
- Basic	7.71	(2.73)
- Diluted	7.60	(2.73)
iv. Face Value per Share (Rs.)	10.00	10.00

* Adjusted for issue of Equity Shares due to scheme of amalgamation.

9. **Contingent Liabilities**

Guarantees/Counter Guartantees given by the Company/by banks on behalf of Company	5,187.61	5,219.27
Letter of credits opened for which the Company is contingently liable	14,138.68	6,846.54
Export Bills discounted/purchased with the banks	219.07	68.26
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	452.50	1,150.39
Demands against the Company not acknowledged as debts and not provided for against which the Company is in appeal		
Excise Duty	27.37	26.04
Custom Duty	742.00	1,606.78

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 31.03.2011

Relationship	Name of the Related Party
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 Private Limited
	Anandshree Bombay (Holding) Pvt.Ltd.
	Aqua-marine Properties Private Limited
	Aurella Estates and Investments Private Limited
	Cosmos Realtors Pvt.Ltd.
	Delicious Properties Pvt.Ltd.
	Eden Garden Builders Pvt.Ltd.
	Enjoy Builders Pvt. Ltd.
	Lavender Properties Pvt.Ltd.
	Maharashtra Marble Co.
	Maryland Realtors Pvt. Ltd.
	Melisma Finance and Trading Pvt. Ltd.
	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 Limited
	Rhythm Real Estates Pvt.Ltd
	Strength Properties Pvt.Ltd.
	The Northern India Tiles Corporation (Delhi)
	Ushakiran Builders Pvt.Ltd.
	Vivek Talwar (HUF)
	Wellwin Properties Private Limited

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

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

Related Party Transactions for FY 2010-11

Rupees in lakhs

	Key Managerial Personnel	Others
Rent Paid		38.87
Remuneration/Sitting Fees	110.45	
Rent Deposit		1000.00

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. 107173W

A. Husein Noumanali
Proprietor
Membership No. 14757

Mumbai,
August 12, 2011

For and on Behalf of the Board

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31st March 2011

Rupees in lakhs

	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as restated before Tax and Extraordinary items	2,686.42	(872.73)
Adjusted for:		
Depreciation	2,292.92	2,136.70
Provision for Bad and Doubtful Debts	25.93	14.05
(Profit)/Loss on sale of assets	(59.04)	18.25
Interest and Financial Charges (Net)	2,812.60	1,564.80
Operating Profit before Working Capital Changes	**7,758.83**	**2,861.07**
Adjusted for changes in Working Capital :		
(Increase)/Decrease in Sundry Debtors	(2,190.85)	1,622.91
(Increase)/Decrease in Inventories	(22,385.36)	(12,813.33)
(Increase)/Decrease in Other Receivables	11,820.85	(3,512.82)
Change in Current Liabilities	14,824.07	5,872.80
Cash Generated from Operations	**9,827.54**	**(5,969.37)**
Income Taxes Paid	(378.81)	(303.87)
Net Cash from/(Used in) Operating Activities	**9,448.73**	**(6,273.24)**
B. CASH FLOW FROM INVESTING ACTIVITY		
Purchase of Fixed Assets	(18,417.51)	(7,144.68)
Sale of Fixed Assets	353.44	205.11
Sale/(purchase) of Investments (Net)	10.08	48.80
Net Cash from/(Used in) Investing Activities	**(18,053.99)**	**(6,890.77)**
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Minority Interest	(12.38)	(0.85)
Proceeds from/(Repayment) of Long-term/Short-term Borrowings, net	11,684.41	16,437.00
Issue of shares - PBIL Merger	47.66	–
Interest Paid	(2,812.60)	(1,564.80)
Capital Reserve due to amalgamation of Particles Boards India Limited (PBIL)	125.10	–
Due to amalgamation of PBIL	(50.18)	–
Pyt. Of Proposed Dividend & CDT	–	(371.10)
Net Cash from/(used in) Financing Activities	**8,982.01**	**14,500.25**
Net Increase/(Decrease) in Cash & Cash Equivalents	**376.75**	**1,336.24**
Opening Balance of Cash and Cash Equivalents	2,263.73	927.49
Closing Balance of Cash and Cash Equivalents	2,640.48	2,263.73

Notes:

1 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.

2 Cash and Cash Equivalents consists of Cash on Hand - Rs. 36.86 lakhs (previous year Rs. 62.70 lakhs), Balance in Current Account - Rs. 951.70 lakhs (previous year Rs. 1,150.23 lakhs) and Balance in Margin Money - Rs. 1,651.92 lakhs (previous year Rs.1,050.80 lakhs).

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. 107173W

A. Husein Noumanali
Proprietor
Membership No. 14757

Vivek Talwar
Managing Director

Atul Sud
Director

S. K. Bhardwaj
Director

Mumbai,
August 12, 2011

Alok Goel
Chief Executive Officer

B. G. Borkar
CFO & Company Secretary

NOTES

NITCO LIMITED

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 **45TH Annual General Meeting** of the Members of Nitco Limited will be held on Wednesday September 28, 2011 at 11.00 a.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400018 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 March 31, 2011 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 declare dividend on equity shares for the year ended March 31, 2011;
3. To appoint a Director in place of Mr. Atul Sud who retires from office by rotation and being eligible, offers himself for reappointment;
4. To reappoint 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 authorise the Board to fix their remuneration.

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

B. G. BORKAR
CFO & Company Secretary

August 12, 2011
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. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 22, 2011 to Wednesday, September 28, 2011 (both days inclusive).

3. 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.

4. Members are requested to notify any change in their address and bank account details to the Depository Participant where they maintain their demat account.

5. 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).

6. Particulars of Director seeking reappointment: Relevant particulars of Mr. Atul Sud are given in the report on Corporate Governance.

7. The Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the companies and has issued Circulars inter alia stating that the service of notice/ documents to the members can be made in electronic mode. In support of the Green Initiative, your Company had sent a Circular dated August 4, 2011 to all the members of the Company for registering/updating the e-mail addresses with the Company's Registrar or Depository Participant, informing them about the Company's proposal to send the documents like Notice calling the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, among others, from the financial year ended March 31, 2011 onwards and other communication, in electronic mode. The members who have registered their e-mail addresses were also given an option to continue to receive the documents in Physical Form. Accordingly, the annual report for the year 2010-11, Notice for the Annual General Meeting, etc. are being sent in electronic mode to such of the members of the Company whose e-mail addresses are available with the Company and who have not opted to receive the same in physical form.

   Members are requested to support this Green Initiative by registering/updating their e-mail addresses, with the Depository Participant (in case of shares held in dematerialised form) or with Link Intime (in case of shares held in physical form).

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 authorising 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.

NITCO LIMITED

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 September 28, 2011 at 11.00 a.m. and at any adjournment thereof.

Signed this .... day of .... 2011.

Affix Revenue Stamp

....

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.

NITCO LIMITED

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 September 28, 2011 at 11.00 a.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai - 400018.

....

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.

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, Director

Chief Executive Officer

Mr. Alok Goel

Chief Finance Officer and Company Secretary

Mr. B. G. Borkar

Auditors

A Husein 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
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

NITCO
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