



# **EURO CERAMICS LTD.**

**ANNUAL REPORT  
2012-13**

**Vitrified Tiles  
Agglomerated Marble  
Sanitaryware  
Wall Tiles**

## Corporate Information

### BOARD OF DIRECTORS

- 1. Mr. Nenshi L. Shah**  
Chairman & Managing Director
- 2. Mr. Talakshi L. Nandu**  
Whole-time Director  
(Upto April 24, 2013)
- 3. Mr. Kumar P. Shah**  
Whole-time Director  
(Upto April 24, 2013)
- 4. Mr. Paresh K. Shah**  
Whole-time Director
- 5. Mr. Anil M. Mandevia**  
Independent Director
- 6. Mr. Amit G. Shah**  
Independent Director  
(Upto April 24, 2013)
- 7. Mr. Mahendra V. Modi**  
Independent director
- 8. Mr. Ajit Nalwaya**  
Independent Director

**General Manager- Sales**  
Mr. Rajesh Kakkad

**General Manager- Accounts and Finance**  
Mr. Chandresh Rambhia

### Auditors

M/s. Deepak Maru & Co.  
Chartered Accountants

### Vice President-Sanitary Ware

Mr. Viral Nandu

### Vice President-Tile-o-Bond

Mr. Pratik Shah

### Bankers

State Bank of India  
The Cosmos Co-op. Bank Ltd.  
ICICI Bank Limited  
Bank of India  
Indusind Bank

### Registered Office

Euro House,  
CTS No. 1406, A25/6A,  
Chincholi Bunder Road,  
Behind Inorbit Mall, Malad (West),  
Mumbai – 400 064

### Factory

Survey No. 510,511,  
512, 517/1,  
Bhachau Dudhai Road,  
Bhachau (Kutch)  
Gujarat – 370 140

### Registrar & Share Transfer Agents

M/s. Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (West),  
Mumbai – 400 078

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## NOTICE

**NOTICE** is hereby given that the Eleventh Annual General Meeting of the Members of Euro Ceramics Limited will be held on Thursday, 22<sup>nd</sup> day of August, 2013 at 11.30 a.m. at Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400095 to transact the following businesses:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Statement of Profit & Loss for the financial year ended on that date together with the Reports of Board of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Anil M. Mandevia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To re-appoint M/s. Deepak Maru & Co., Chartered Accountants (FRN: 115678W), Mumbai as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309, 311 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 ('the Act') (including any modification(s) or re-enactment(s) thereof for the time being in force) and subject to the approval of the Central Government and all other permissions, sanctions and approvals as may be necessary in this regard, the re-appointment of Mr. Paresh K. Shah, as a Whole-time Director of the Company for a further period of five years with effect from April 1, 2013, at a remuneration of ₹ 2,00,000/- (Rupees Two Lakhs only) per month inclusive of salary, perquisites and allowances as per the terms and conditions as set out in the Explanatory Statement attached to this notice, be and is hereby approved.

**RESOLVED FURTHER THAT** in the event of inadequacy or absence of profit in any financial year during the tenure of Mr. Paresh K. Shah as Whole-time Director, the remuneration as approved hereinabove shall be paid as minimum remuneration in terms of Schedule XIII to the Act.

**RESOLVED FURTHER THAT** the Board of the Directors of the Company be and is hereby authorized to take all such steps and do all such acts, deeds and things as may be considered necessary, proper and expedient to give effect to the aforesaid resolution."

**By Order of the Board of Directors**

Place: Mumbai  
Date: May 30, 2013

**Nenshi L. Shah**  
**Chairman & Managing Director**

**Registered Office:**  
Euro House, CTS No. 1406, A25/6,  
Chincholi Bunder Road,  
Behind Inorbit Mall,  
Malad (West),  
Mumbai 400 064

### 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 / HERSELF ON POLL ONLY. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD 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 Monday, August 19, 2013 to Thursday, August 22, 2013 (both days inclusive).
3. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 in respect of special business is annexed hereto and forms part of this notice.
4. Corporate members are requested to send a duly certified copy of the Board Resolution authorising their representatives pursuant to the provisions of section 187 of the Companies Act, 1956 to attend and vote on their behalf at the Annual General Meeting.
5. Members/Proxies are requested to bring their Attendance Slip duly filled in for attending the meeting along with their copy of Annual Report.
6. Members are requested to notify immediately any change in their address / bank mandate to their respective depositories participants (DPs) in respect of their electronic account and to the Registrar and Share Transfer Agents of the Company, Link Intime India Private Limited at C - 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078 in respect of their physical shareholding, if any.
7. Members desirous of getting any information relating to the accounts and operations of the Company are requested to address their queries at least 7 days in advance of the meeting so that the information required may be made available at the meeting.
8. In terms of Sections 205A and 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed or unpaid for a period of seven years from the date of transfer to Unpaid Dividend Account of the Company is required to be transferred to the Investors Education and Protection Fund (IEPF) established by the Central Government and no claims lie against the said fund or the Company for the amount of dividend so transferred to the fund. Shareholders who have yet not encashed their dividend warrant(s) for dividend declared for the financial year ended March 31, 2007 or for any subsequent financial years are requested to make their claims to the Company.

In Pursuance of the Clause 49 (IV)(G) of the Listing Agreement, the details of directors seeking re-appointment at the ensuing Annual General Meeting to be held on Thursday, 22<sup>nd</sup> day of August, 2013 are as follows:

Name of Director	Mr. Anil M. Mandevia	Mr. Paresh K. Shah
Date of Birth	August 5, 1950	March 7, 1969
Nationality	Indian	Indian
Date of appointment on the Board	November 2, 2005	April 16, 2002
Designation	Independent Director	Whole Time Director
Qualification	LLB, Solicitor	M. Com
Expertise in specific functional areas	He has more than 25 years of experience in the Legal field.	He has more than 20 years of experience in the retail business.
No. of shares held of the Company on March 31, 2013	Nil	1183360 (4.14%)
List of other Directorships held as on March 31, 2013	1. Euro Multivision Limited	1. Euro Glass Private Limited 2. Subhnen Sanitaryware Private Limited
Member of the Committees of companies in which he is a Director as on March 31, 2013	1. Member: - Audit Committee & Remuneration Committee of the Company - Remuneration Committee of Euro Multivision Limited 2. Chairman : Nil	Nil
Relationship with existing Directors of the company	None	None

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

##### ITEM NO. 4

Mr. Paresh K. Shah is working as Whole time Director of the Company since April 1, 2003. He was re-appointed as Whole Time Director of the Company w.e.f. April 1, 2008 for 5 years. The tenure of Mr. Paresh K. Shah as Whole-time Director of the Company expired on March, 31, 2013. The Board of Directors at its meeting held on February 11, 2013, after receiving recommendation from the Remuneration Committee of the Company, re-appointed him as Whole-time Director of the Company for a further period of 5 (five) years with effect from April 1, 2013, subject to approval of members in general meeting and the Central Government.

Mr. Paresh K. Shah, aged 44 years, is a Whole-time Director of your Company. He has more than 20 years of experience in the retail business. Mr. Paresh K. Shah is responsible for all marketing activities of our Company such as identification of markets, expansion of product market, brand building, introduction of new value added products and designs etc. The Board proposes his re-appointment in the interest of the Company.

The terms and conditions of his re-appointment and remuneration are as follows:

I. Period of re-appointment: 5 years with effect from April 1, 2013.

II. Remuneration:

- Salary: Salary of **Rs. 2,00,000/-** (Rupees Two Lakhs only) per month (including dearness allowance, house-rent and all other allowances/perquisites)
- Commission: Commission computed in the manner laid down in Section 309 of the Companies Act, 1956 and subject to a maximum as may be fixed by the Board from time to time on the basis of the performance of the Company but within the limit prescribed by the Companies Act, 1956.

3. The salary and perquisites as mentioned above shall be exclusive of:

- Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent they are not taxable under the Income tax Act, 1961.
- Gratuity as per the rules of the Company.
- Leave as per the rules of the Company including encashment of leave at the end of the tenure.

4. Apart from above mentioned remuneration, he shall be entitled to:

- Medical Expenses actually and properly incurred for him and his family.
- Entertainment expenses actually and properly incurred by him in the course of legitimate business of the Company.
- Club Membership fees subject to a maximum of two clubs. No admission and life membership fees shall be paid.
- Personal Accident Insurance Policy.
- Provision for use of car and telephone for both official and personal use.
- Group Insurance Policy as per the rules of the company.

Your Directors recommend the Ordinary Resolution as set out at Item No. 4 of the notice for your approval.

Except Mr. Paresh K. Shah, no other directors are interested or concerned in the said resolution.

**By Order of the Board of Directors**

Place: Mumbai  
Date: May 30, 2013

**Nenshi L. Shah**  
Chairman & Managing Director

**Registered Office:**  
Euro House, CTS No. 1406, A25/6,  
Chincholi Bunder Road,  
Behind Inorbit Mall, Malad (West),  
Mumbai 400 064

## Management Discussion And Analysis

### Global Tiles Industry:

Ceramic tile is essence of construction industry for interior and exterior architectural applications. Ceramics Industry constitute a high unpredictable market influenced by various factors including GDP growth of the global and regional economies, consumer purchasing power, prospective economic outlook, health of the industrial construction and housing industry. Recently, the global economic slowdown and decline in net housing demand in the developed countries like US and Europe, had a negative impact on the global ceramic tiles market. However, going forward, post recession, the industry seems to move in positive direction with strong fundamentals coupled with technological innovations, revival of consumer interest. Technology innovations such as digital printing which will give desired look to tiles from wallpaper to wood, will reenergize the demand patterns.

The global market for ceramic tiles is being driven by the continuous urbanization, economic development, infrastructure development and emerging housing demand. Therefore, developing BRIC economies (Brazil, Russia, India, and China) represent the market engine capable of driving growth in the short-to-medium term period. The huge spending in the infrastructure sector is expected to generate large scale demand for ceramic tiles from the BRIC nations. Moreover, the major sports events scheduled in Brazil and Russia make the prospects more attractive, with additional infrastructure projects pushing up the demand for ceramic tiles.

The worldwide ceramic tile market is projected to reach 92.78 billion square feet by 2015, due in part to the anticipated economy recovery in the medium term and the ensuing resurgence in construction activity, as well as new product innovations, according to a new report of analyst. The report states that Asia-Pacific and Europe collectively accounts for more than 80% share of the global market.

### Indian Tiles Industry:

Indian tiles industry is growing year on year and matching with the global growth rate of tiles industry, and continues to grow at a healthy growth rate of 15% p.a. India's position in global tile market is improved from fifth position to third position, due to growing construction industry, both in urban and rural sector of India. There is a huge urban housing shortage for migrating community; young people at early age own houses with their disposable income. Even today the per capita consumption of tiles in India is as low as 0.15 sq.mtr., against 6 sq.mtr. of Europe and 2 sq.mtr. of China.

Overall the bullish growth estimates in the Indian economy has significantly influenced the growth of the Indian Ceramic tile industry in past. The main product segments are the Wall tile, Floor tile, Vitrified tile and Industrial tile segments, having market shares (in value terms) as 20%, 23% 50%, and 7% respectively. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills, infrastructural facilities despite being fairly capital intensive.

Indian tile industry also emphasis on the technology and innovations. The new digital printing technology is grabbing the market in India.

In fact most modern houses throughout use Ceramic tiles for their bathrooms and kitchens and in every vital area of the premise. Ceramic tiles are also the choice of industry, where walls and floors must resist chemicals.

The global recession, economic slowdown, liquidity crisis and low off take by the end use segment especially by real estate segment, coupled with the government policies has certainly affected the tiles industry in India, in short run to medium run, where as in long run the industry will grow in positive directions with demand drivers.

### Sanitaryware – Global Market

Improving sanitation levels, low energy, and labor costs are driving the market for sanitary ware products. Also, changing consumer preferences is boosting the development of new luxury sanitary wares like private spas, shower systems, saunas, and larger baths among others. Asia Pacific leads in the production of ceramic sanitary wares due to low cost manufacturing and presence of large number of small and medium players in these regions.

Asian region holds the maximum market share followed by Europe, South America and North America. China, Turkey, Brazil, Mexico, and Columbia are among the top manufacturing countries of ceramic sanitary ware products. Asia is expected to continue its dominance on the global market due to the steady growth of ceramic sanitary ware industry in China, India, and Thailand.

The global market for ceramic sanitary ware is set to grow due to the changing lifestyle, increasing spending on hygiene, and growth of real estate market. With the passing time, ceramic sanitary products are valued as life style products. The global ceramic sanitary ware production is expected to grow from 325 million units in 2012 to 443 million units by 2016, at an estimated CAGR of 6.39% for the same period. However, restraints such as low penetration of pressure casting technology and environmental effects of ceramic sanitary ware hamper the growth of the global ceramic sanitary ware market.

### Sanitaryware – Indian Market

In the past few years, the sanitation conditions have improved a lot in India. The standard of living in country is improving due to improving rate of literacy and increasing disposable income of the consumers resulting from the economic growth in the country. The improved standard of living is driving the demand growth of sanitary ware products in India. The sanitary ware market in developing countries like India and China has been growing tremendously for the past 5-6 years. However, in comparison the growth is stagnant in the matured markets like US and Europe. The construction growth in China made it the largest toilet market globally in 2012.



Sanitaryware demand comes from new projects as well as from replacement market. According to 'India Sanitary Ware Market Forecast & Opportunities, 2017', in the coming years India will witness huge improvements in the sanitation level. India is set to become the second largest consumer of sanitary ware products in Asia-Pacific region. Research says that the sanitary ware market in India is expected to grow immensely given the rising level of middle class, with growing disposable income in hand along with better education levels in the country. The government initiatives and boom in the real estate sector are further expected to contribute in the growing demand of sanitary ware products in the country in long run.

#### **Global Marble Industry:**

Globally Italy, Turkey, Spain, Middle East and India are the major producer & exporter of the Marble. There are organized players over the globe for this trade. Italy probably, is the world leader in marble, granite and other stone sector. It is leading with 17% of the total world's production.

Almost 50% of the world's marble output is consumed in the Middle East, Far East and European countries; therefore, there is a great demand for marble in these regions.

China and Italy are the two major countries producing the Agglomerated Marble and exporting to the world. The induction of modern technology, creation of awareness about the product, scientifically designed products and steady & consistent supply made Agglomerated Marble industry growing in organized manner and will continue in near future worldwide.

#### **Indian Marble Industry:**

The marble industry in India has been flourishing ever since ages, which has made India the fourth largest producer of marbles in the world after Belgium, France and Greece. The Indian marble industry is not only confined at production or supply of the marbles but export of highly acclaimed stones such as blocks, flooring, calibrated (ready to fix tiles), monuments, slabs, structural slabs, tomb stones, cobbles, cubes, sculptures, artifacts, pebbles, kerbs, and landscape garden stones has also been its important part. The bulk of the Indian marbles are being produced in the states of Rajasthan, Gujarat, Tamilnadu, Karnataka, Andhra Pradesh and several others. About 90% of the marble is produced alone in Rajasthan, and Gujarat including few other states of Southern India produces granite at larger scale.

The constant growth of Indian marble industry also encourages the Agglomerated Marble. Beautiful look, price competitiveness, eco friendliness, organized and steady supplies are reasons for switching to the Agglomerated Marble for many end users. The industry is also equipped with state of the art resource of machinery and tool manufacturers who cater very well to the rising demands of this sector. The Government of India has set a target of raising Indian stone industry to 50% in the next 5 years.

#### **Global Overview of Aluminum Industry:**

Major aluminium exporting countries are Germany, Russia and

Canada, while major aluminium importing countries are USA, Germany and China.

Global demand growth expectations have moderated significantly and further downgrades to growth expectations are likely. As in the recent past, China and India would lead Asia's demand growth. Elsewhere, North America is expected to grow at a healthy 4-5% rate, while Europe having lost the way is expected to register a negative growth rate. Of late concerns over slower growth in China, and the debt crisis in the euro zone have cast their shadow on the market.

#### **Indian Aluminum Industry:**

India is one of the biggest producer and consumer of the Aluminum. Aluminum demand was expected to grow at around 5 % in 2012. Overall economic slowdown and low off take has affected Indian aluminum industry too. Despite all these, the physical demand continues to remain robust. Aluminum production is expected to increase in line with the rising demand in India, from electrical sector, automobile sector, packaging industry and construction and infrastructure sector. Strong prices and uninterrupted raw material supply have led many smelters to restart their production in last one year.

#### **Growth Drivers of our Industry**

The Ceramic Tile, Sanitaryware and Marble Industry in India are showing remarkable growth owing to the booming real estate sector along with the rising disposable income of the consumers. The key growth drivers for the industry are briefed below ;

**Booming Housing Demand :** The housing demand in India is increasing due to urbanization and migration of population from rural to urban sectors. There is a need to develop the housing to cater the population in each city of the country.

**Growing infrastructure :** Requirements from the sectors such as education, healthcare, hospitality and hotel and tourism are providing numerous opportunities in the infrastructure sector and thereby to the marble, tiles and sanitaryware Industry.

**Increasing demand of office space :** India is going to produce an estimated two million new graduates from various Indian universities during this year, creating demand for 100 million square feet of office and industrial space. In addition, presence of a large number of Fortune 500 and other reputed companies will attract more companies to initiate their operational bases in India thus, creating more demand for corporate space. [Source: IBEF]

**Change in Consumer preference :** Consumers are becoming style conscious and this aesthetic sense of the consumers is leading to its increased consumption. The literacy made the consumer more of hygiene conscious and made to use the standard quality product.

**Price Competitiveness :** The Indian ceramics products are giving the tough price competition to the cheap imported products. The Indian players are producing the cost competitive product without affecting the quality, with the various in house

research and cost control measures. Further Indian Marbles are also replacing the imported marble market on the ground of price and its beautiful look. The availability of the products with various designs at various different price points makes tough competition for imported product.

**Quality product with latest technology:** The growing awareness about the technology in Indian tiles industry has lead to increase the demand. The innovative products especially in tiles like digital printing and double charge, will revive the consumers interest.

#### Human Capital

The Company has well managed its human resources and maintained a cordial and healthy relationship with manpower. The Company keeps training programs, safety programs and social events for motivating its manpower and succeeded in retaining the talented manpower.

#### Internal Control

The Company has adequate internal control system and internal audit, commensurate with the size of the business. All the transactions are recorded in proper manner duly authorized and verified by the concern authorities and reported accordingly.

Internal audit and statutory audit are part of internal control system and done by independent auditors and audit committee regularly reviews the same.

#### SWOT Analysis

##### Strengths

- Plant is ideally located in the upcoming state of Gujarat, having abandoned natural resources.
- State of art manufacturing facility with latest technology.
- Multi product Company offering complete tiling and bathroom solutions.
- Quality product and established brand.

##### Weakness

- The rising fuel cost which is not controllable, affecting the product cost.
- Stressed working capital.
- Low Capacity utilization affecting the cost.

##### Opportunities

- Growing demand in housing sectors and service sector
- Urbanization and development of tier II and tier III cities in India Changing pattern of consumers on increase of per capita income
- Increasing literacy rate improving sanitation level.

##### Threats

- Fast changing Technology
- Growing Brand Equity of Competitor
- Competition with cheap products of China and Unorganized Sector.
- Expected Entry of MNC's.

##### Conclusion and Future Outlook:

Even in such a financial crises and such a stretched working capital, the Company & promoters are making strong efforts for increasing it's market shares especially in Sanitaryware and Agglomerated marble segments with its brand and quality products. Considering the immense opportunities in the market, Company will achieve its goals and target in the coming years and surpass all the hurdles with its experience and support of all associates.

## Financial Analysis: 2012-13 vs. 2011-12

### Key Financial Information

- The overall operations of the Company was under stress due to severe liquidity crunch and the adverse market conditions.
- The Company has not done any business in the Reality business during the year, considering the high risk and adverse market conditions, especially for real estate sector. There was no production of Wall Tiles and Aluminum Sections during the year due to overall slowdown and limited working capital. Net sales was decreased by 49.78 % from ₹ 17,647.54 Lacs in FY 2011-12 to ₹ 8,860.99 Lacs in FY 2012-13.
- EBDITA margin of the Company is continued to be negative to ₹ 2,792.41 Lacs during the FY 2012-13, due to low capacity utilization in all the division and cost burden of unavoidable fixed expenses.
- The Company reported a Net Loss (after tax) of ₹ 10,699.98 Lacs during the year under review against the Net Loss (after tax) of ₹ 9322.10 Lacs of previous year.

### Revenue (Net Sales)

- The total net sales declined by 49.78 % from ₹ 17,647.54 Lacs in FY 2011-12 to ₹ 8,860.99 Lacs in FY 2012-13, due to fall in sales from all the division.
- The below mentioned divisional sales break up shows that Tiles Division sales fall drastically due to various internal and external factors including stretched working capital.

(₹ In Lacs)

Division	FY 2012-13	FY 2011-12
Tiles	7,431.23	14,574.94
Aluminum	0.48	1,342.85
Sanitaryware	1,429.29	1,729.75

- Wall tiles and Aluminium segment could not contribute to total revenue as the Company has not operated the plants during the year due to low margins and working capital issues.
- Geographical revenue break up, shows that export revenues also decreased from ₹ 1,539.23 Lacs to ₹ 620.67 Lacs in the current year against the previous year, mainly to concentrate on the domestic market having better margins than the foreign trade.

### Other Income

- Other Income of ₹ 51.81 Lacs, mainly comprises of rental income and interest on deposits. The other income declined by ₹ 315.67 lacs compared to previous year as there were no reversal / write back of any provisions in current year.

### Cost Analysis

- The overall operational activity was low during the year across all the division, resulting into high cost of production on account of fixed cost.
- Total operating cost (excluding Depreciation and Interest) decreased by around 40.77 % in the FY 2012-13 to ₹ 11,642.21 Lacs against ₹ 19,729.60 Lacs in FY 2011-12, as the overall activity was down by around 50%.
- The major cost components in the total operating cost are Material Cost (after stock adjustment), Employee Cost, Power & Fuel Cost, Manufacturing Expenses and Admin and Selling Cost.

### The Cost break-up year on year are given below:

(₹ In Lacs)

	FY 2012-13	FY 2011-12
Cost of Material	4,723.35	9,830.03
Employee Cost	1,668.68	2,376.22
Power & Fuel	3,010.78	4,657.66
Other Cost	2,239.40	2,865.69

**Material Cost:** The raw material cost as percentage of sales was marginally low.

**Employee Cost:** The employee cost decreased due to overall man count fall down due to non operation of wall tiles and aluminum divisions.

**Power & Fuel Cost:** The fuel cost in absolute terms fall due to low production, mainly in Vitrified tiles and no production in wall tiles division. The cost as percentage of sales increased due to increasing fuel prices. Further the energy cost of the Company was also high in the current year, as Company has procured from the state board, rather than from captive power plant, which was shut down due to inappropriate load.

**Other Cost:** Other cost mainly comprises of manufacturing overheads, administration expenses and selling and distribution expenses. The other cost as absolute number was low due to low production and sales. However the cost as percentage to sale was high, due to unabsorbed fixed cost in the nature of sales promotion, rent and taxes, travelling expenses, insurance charges etc. which are not directly linked to sales or production.

**Interest:** The Company's interest cost increased from ₹ 4,646.24 Lacs in FY 2011-12 to ₹ 4,989.38 Lacs in FY 2012-13, due to increase in the rate of interest as per the Corporate Debt Restructuring scheme implemented in the previous year.

**Depreciation:** The Company continues to provide depreciation on straight line method. The Depreciation cost slightly increased by ₹ 57.60 Lacs from ₹ 2,923.59 Lacs in FY 2011-12 to ₹ 2,981.20 in FY 2012-13.



**Capital Employed**

The Company's total capital employed decreased to ₹ 48,413.43 Lacs as on March 31, 2013 from ₹ 37,023.23 Lacs as on March 31, 2012, mainly due to the loss incurred by the Company during the year.

**Share Capital:** The Company's share capital was increased to ₹ 2,857.80 Lacs as on March 31, 2013 as compared to ₹ 2,642.81 Lacs as on March 31, 2013, as the Company has issued 21,49,878 fresh equity shares to the lender during the year, in line with Corporate Debt Restructuring scheme.

**Reserves and Surplus:** The Reserves and Surplus decreased by ₹ 10,389.97 Lacs from ₹ 5,801.06 Lacs as on March 31, 2012 to ₹ (4,588.91) Lacs as on March 31, 2013. Decrease was net of losses incurred during the year of ₹ 10,699.99 Lacs and share premium received ₹ 310.01 Lacs on issue of equity shares to lender.

**Long term Liabilities:** Long term liabilities comprises of Secured Loans, Unsecured Loans, Deposits and Bond and Debentures issued to lenders. The long term liabilities has been decreased by ₹ 1,215. 21 Lacs due to repayment of term loans and conversion of dues into equity capital, as per the Corporate Debt Restructuring Scheme.

**Deferred Tax Liability:** Due to losses, there has been no change in the deferred tax liability of ₹ 1,523.92 Lacs, as on March 31, 2013.

**Application of Funds**

**Fixed assets:** The gross block of fixed assets increased by ₹ 191.13 Lacs from ₹ 58,699.53 Lacs to ₹ 58,890.65 Lacs, due to additions to plant and machinery and building.

**Investments:** The investment portfolio amounting to ₹ 277.61 Lacs remained unchanged as on March 31, 2013.

**Working Capital Management:** The Company's net current assets as on March 31, 2013, were decreased by ₹ 8,516.24 Lacs due to increase in current liabilities by ₹ 1,900.32 Lacs and decrease in current assets by ₹ 6,615. 92 Lacs. Current assets decreased on account of liquidation of stock and book debts due to stretched working capital. Current liabilities increased due to interest accrued and installments payable to lenders.

## Risk Management:

Risk management process involves Identification, assessment and mitigation of risks. Managing risk and evaluation of its impact on the business is ongoing process.

### 1. BRANDING RISK:

The loss of brand recall in the competitive market, can affect the business of the Company.

#### Mitigation

- The Company continues its brand promotion through various means like exhibition, trade promotion, advertisements in all possible media.
- Increasing market reach and personal touch with the end users.
- Innovative products are launched with the same Brands.

### 2. INDUSTRY RISK:

Lower demand and low growth in end use segment may affect the ceramics industry.

#### Mitigation

- The expected growth in real estate and housing sector is bullish.
- The increase in urbanization and rise in disposable income will boost the demand for the industry.
- Tire II and Tier III cities are developing at a faster rate.
- Increase in hospitality and commercial space.

### 3. COMPETITION RISK:

Increased in competition from various players may affect the revenues.

#### Mitigation

- The delivery of quality products against low cost cheap products.
- Recognized Brand in the industry.
- Multiproduct portfolio catering all type of customers.
- Need based customized products.

### 4. TECHNOLOGY OBSOLESCENCE RISK:

The changing technology may affect the innovation and customer attrition rate.

#### Mitigation

- The Company has state of art manufacturing facilities.
- In house R & D team with well equipped laboratory.
- Cost effective capital expenditure to upgrade the technology.
- Customers are retained with innovative products and designs.

### 5. HUMAN RESOURCE RISK:

The loss of talented employee may affect the operations of the Company.

#### Mitigation

- The Company maintains a transparent and loyal relation with the employees.
- Monetary and Non-monetary motivations at regular intervals.
- Conducting regular training at all levels.

## Directors' Report

Dear Members,

Your Directors hereby present Eleventh Annual Report of the Company for the year ended March 31, 2013.

### FINANCIAL RESULTS:

The highlights of the financial results for the year ended March 31, 2013 are as follows:

(₹ in Lacs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Income:</b>		
Revenue from operations	8,860.99	17,647.54
Other Income	51.81	367.48
Total Income	8,912.80	18,015.02
Less: Total Expenditure	11,642.21	19,729.60
<b>Earnings before Interest, Depreciation &amp; Tax</b>	<b>(2,729.41)</b>	<b>(1,714.58)</b>
Less: Interest & other finance expenses	4,989.38	4,646.24
Less: Depreciation	2,981.20	2,923.60
Profit/(Loss) before Tax	(10,699.99)	(9,284.42)
Less: Provision for Tax	-	37.69
Net Profit/(Loss) after Tax	(10,699.99)	(9,322.11)
Add: Balance Brought forward from the previous year	(4,708.79)	4,613.32
Balance carried to Balance Sheet	(15,408.78)	(4,708.79)

### FINANCIAL PERFORMANCE:

The year under review was adversely affected due to stressed working capital crunch and low off take of the Company's products by the end user segment. The total revenue from operations declined drastically by 49.78% from ₹17,647.54 Lacs in FY 2012 to ₹ 8,860.99 Lacs in FY 2013. Cut throat competition and liquidity crisis coupled with the secured and unsecured lenders pressure has affected the manufacturing capacity utilization and there by the profitability. The Company has reported a loss of ₹ 10,699.99 Lacs during the year under review against a loss of ₹ 9,322.11 Lacs of previous year.

The brief financial highlights are given above and discussed in detail in the Management Discussion and Analysis as part of this report.

### OPERATIONAL PERFORMANCE:

#### a) Tile Division:

Tiles Division has three products namely Vitrified Tiles, Wall Tiles and Calcareous Tiles also called Agglomerated Marble.

During the year the Company operated only Vitrified Tiles and the Agglomerated Marble Plant due to availability of limited working capital.

Vitrified Tiles and Agglomerated Marble together contributed ₹7,431.22 Lacs against the turnover of ₹14,574.93 Lacs in the previous year, declined due to non availability of the working capital, cut throat competition from unorganized sector and the adverse market conditions, affecting the end user segment.

#### b) Aluminium Division:

Due to the severe liquidity crunch, low margins, price volatility in metal segment, Company could not run the Aluminum plant during the year.

#### c) Sanitaryware Division:

The Company is gradually establishing the business and brand name in this segment. The quality product produced by the Company has made a well established and recognized OEM for many Indian and International sanitaryware brand.

The total revenue from this segment is ₹ 1,429.29 Lacs in the current year, declined marginally by 17% against the previous year's revenue of ₹ 1,729.75 Lacs. The capacity utilization in this division is as low as 16 %, more or less maintaining the level of previous year.

#### d) Realty Division:

The overall economic slowdown and adverse market conditions along with the problems faced by the real estate segment, the Company has not taken any business exposure in the said segment during the period under review.

### DIVIDEND:

In view of losses during the year under review, your Directors do not recommend any dividend for the financial year 2012-13.

### POSTAL BALLOT PROCESS:

During the period under review, the Company conducted postal ballot process two times as per the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011 for seeking approval of the members of the Company for various matters. Brief details of the postal ballot process are given here-in-below:

#### 1. Postal Ballot I:

Notice was dispatched on March 31, 2012, for seeking approval of the members of the Company for the following matters:

- Special Resolution under Section 81 (1A) of the Companies Act, 1956 for issue of 21,49,878 Equity

Shares on preferential basis.

- ii. Special Resolution under Section 81 (1A) of the Companies Act, 1956 for issue of 52,82,555 Compulsorily Convertible Debentures (CCDs) on preferential basis.
- iii. Ordinary Resolution u/s 293(1)(a) of the Companies Act, 1956, for sell, lease, transfer or dispose of Company's Sanitary ware Business Undertaking.

The result of the postal ballot was declared on May 3, 2012. All the proposed resolutions were passed with requisite majority.

## 2. Postal Ballot II:

Notice was dispatched on December 6, 2012 for seeking approval of the members of the Company for Ordinary Resolution u/s 293(1) (a) of the Companies Act, 1956, to sell, lease, transfer or dispose of surplus land of the Company at Ankaleshwar, Bharuch, Gujarat.

The result of the postal ballot was declared on January 9, 2013. The proposed resolution was passed with requisite majority.

## CAPITAL STRUCTURE:

During the year under review, the Company has issued following securities pursuant to Corporate Debt Restructuring (CDR) package as approved by CDR cell vide its Letter of Approval (LOA) dated October 29, 2011:

### i. Equity Shares:

12,49,878 Equity Shares of ₹ 10/- each at a price of ₹ 24.42 per share (including premium of ₹ 14.42 per share), fully paid up to ICICI Bank Limited on August 8, 2012 on preferential basis.

### ii. Compulsorily Convertible Debentures (CCDs):

41,35,954 2% Compulsorily Convertible Debentures (CCDs) of ₹ 24.42/- each to State Bank of India and 10,23,751 2% Compulsorily Convertible Debentures (CCDs) of ₹ 24.42/- each to Bank of India, issued on August 8, 2012 on preferential basis, convertible into even number of Equity Shares having face value of ₹ 10/- each within a period of eighteen months from the date of allotment.

After the allotment of equity shares as detailed above, the paid up share capital of the Company is increased to ₹ 28,57,80,120/- divided into 2,85,78,012 Equity Shares of ₹ 10/- each.

## DIRECTORS:

In terms of Section 256 of the Companies Act, 1956, read with Article no. 196 of the Articles of Association of the Company, Mr. Anil Mandevia, Director of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible, has

offered himself for re-appointment.

The Board of Directors at its meeting held on February 11, 2013 re-appointed Mr. Paresh K. Shah as Whole-time Director of the Company for a further period of 5 (five) years with effect from April 1, 2013.

Your Directors recommend for the re-appointment of Mr. Anil Mandevia as Director and approval to the re-appointment of Mr. Paresh K. Shah as Whole-time Director of the Company at the ensuing Annual General Meeting of the Company.

Mr. Talakshi L. Nandu, Mr. Kumar P. Shah, Whole Time Directors and Mr. Amit G. Shah, Independent Director of the Company resigned from the Directorship of the Company w.e.f. April 25, 2013. The Board places on record its sincere appreciation for their valuable contribution extended to the Company during their tenure as Directors of the Company.

## STATUTORY AUDITORS:

M/s. Deepak Maru & Co., Chartered Accountants, (FRN: 115678W) Mumbai, Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

Your Directors recommend their re-appointment as Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting upto the next Annual General Meeting of the Company and to audit financial accounts of the Company for the financial year 2013-2014.

## COST AUDITORS:

Pursuant to the provisions of Section 233B of the Companies Act, 1956 and in terms of the Order no. 52/26/CAB-2010 dated June 30, 2011 issued by Central Government, the Company, with the prior approval of the Central Government, has appointed M/s M. S. Saiyed & Co., Cost Accountant as Cost Auditors of the Company for audit of the cost accounting records for the financial year 2012-13.

## AUDITORS' REPORT:

With regards to observations made by the Statutory Auditors in their report, your Directors would like to state that;

- (i) All the directors are disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

Disqualification occurred on account of default in repayment of deposits and interest there on due to liquidity crisis in the Company and to run the plant operations.

- (ii) The financial statements of the Company having been prepared on a going concern basis, in spite, the fact of erosion of net worth.

Considering the growth opportunities available in the ceramic industry and with the revival of its business with appropriate working capital management and rescheduling of its debt, the Company is hopeful of its turnaround, hence has prepared the financial statements on a going concern basis.

- (iii) No provision for depletion in the value of the investment and loans and advances made/given by the Company to its wholly owned subsidiary company M/s. Euro Merchandise (India) Ltd. (EMIL)

The said investment is strategic and long term in nature. The management is hopeful of turning around of business of the subsidiary company and recovery of the loans and advances given to the subsidiary. Hence in the opinion of the management, no provision is necessary for the depletion in the value of the investment.

- (iv) Non compliance in respect of the deposits accepted within the meaning of section 58A of the Companies Act, 1956.

Due to liquidity crunch and urgent requirements of working capital, the Company has paid higher interest rate than the prescribed rate under the Companies (Acceptance of Deposits) Rules, 1975 to some of the depositors. The Company has implemented the Corporate Debt Restructuring Scheme during the previous year but the operations of the Company are under stress due to various internal and external factors including liquidity crunch, adverse market conditions, economic slowdown and fixed cost burden due to low capacity utilization. Under such situation, the Company could not maintain the liquid asset ratio as required under the said rules.

- (v) Accumulated losses, cash loss during the year, erosion of net worth and default in payment to banks for installment and interest dues.

The Company was passing through severe liquidity crunch during the year. The capacity utilization in all the divisions was very low due to non availability of working capital, delay in implementation of CDR package, delay in release of additional working capital by banks, adverse market conditions and price competition. The cost of production was also high due to low capacity utilization, increasing fuel prices and unabsorbed fixed cost. In the course of time the Company incurred cash losses and there has been default in repayment of installments and interest dues to banks. The Directors of the Company are hopeful of turnaround of the business of the Company and to rectify all above in the years to come.

#### **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:**

The particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in 'Annexure – I' attached to this Report.

#### **SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS:**

The Ministry of Corporate Affairs (MCA) vide General Circular No.2/2011 No. 51/12/2007-CL-III dated February 8, 2011 read with General Circular No. 3/2011 and No. 5/12/2007-CL-III dated February 21, 2011 has granted a general exemption from attaching the Balance Sheet of subsidiary companies with holding Company's Balance Sheet, if the holding Company presents in its Annual Report the Consolidated Financial Statements duly audited by its statutory auditors. The Company is publishing Consolidated Financial Statements in the Annual Report and accordingly, is not attaching the Balance Sheets of its wholly owned subsidiary companies viz. Euro Merchandise (India) Limited (EMIL) and Subhnen Sanitaryware Private Limited with its Balance Sheet. Further, as required under the said circular, a statement of financial information of the subsidiary companies is given in 'Annexure – II' attached to this Report.

The Annual Accounts of the above referred subsidiaries shall be made available to the shareholders of the Company on request and will also be kept open for inspection at the Registered Office of the Company and of the subsidiary companies during the office hours on all working days, except Saturdays.

In accordance with the requirements of Accounting Standard – AS 21 issued by the Institute of Chartered Accountants of India, the Consolidated Financial Statements and Auditors' Report thereon are published in this report.

#### **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanations relating to material departures;
2. they have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the loss of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a 'Going Concern' basis.

**CORPORATE GOVERNANCE:**

A separate section on Corporate Governance Report and a certificate from the statutory auditors of the Company regarding compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement with stock exchanges forms a part of the Annual Report.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report on matters related to the business performance, as stipulated under Clause 49 of the Listing Agreement with stock exchanges, is given as a separate section in the Annual Report.

**PUBLIC DEPOSITS:**

Your Company has taken unsecured loan, within the meaning of Public Deposits under Section 58A of the Companies Act, 1956, during the year under review. The Company has filed "Statement in lieu of Advertisement" along with necessary particulars as required with the Registrar of Companies, Maharashtra, Mumbai.

However, due to liquidity crunch and urgent requirement of working capital, the Company has paid higher interest rate than the prescribed rate under the Companies (Acceptance of Deposits) Rules, 1975 to some of the depositors.

The Company has implemented the Corporate Debt Restructuring Scheme during the previous year but the operations of the Company are under stress due to various internal and external factors including, liquidity crunch, adverse market conditions, economic slowdown and fixed cost burden due to low capacity utilization. Under such situation, the Company could not maintain the liquid asset ratio as required under the said rules.

**PARTICULARS OF EMPLOYEES:**

No employees were in receipt of remuneration exceeding the limits as prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules 1975 as amended, hence no such particulars are furnished.

**PERSONNEL:**

Your Company maintained cordial relations during the year under review. The Company continued its endeavour to grow the learning curve through regular training programmes for its team members enabling them to attain higher productivity and superior quality.

**APPRECIATION:**

Your Directors acknowledge with gratitude and wish to place on record, their deep appreciation of continued support and co-operation received by the Company from the various Government authorities, Shareholders, Bankers, Lenders, Business Associates, Dealers, Customers, Financial Institutions and Investors during the year.

Your Directors place on record their deep appreciation of the dedication and commitment of your Company's employees at all levels and look forward to their continued support in the future as well.

We are deeply grateful to our shareholders for the confidence and faith reposed on us. Your Company looks forward to their continued support in future.

**For and on behalf of the Board of Directors**

**Nenshi L. Shah**  
**Chairman & Managing Director**

Place: Mumbai  
Date: May 30, 2013



## Annexure 'I' to Directors' Report

The particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are as under:

### A. Conservation of Energy: -

Energy conservation is been monitored across all the segments throughout the year and Company takes various measures for improving the energy use and cost in the required areas.

1. The conservative measures taken for optimum utilization of energy and saving the energy cost includes:
  - a. Use of small compressors reduces the power consumptions
  - b. Use of electric roto pumps reduces the air consumption and electric consumption.
  - c. Quality control and strict monitoring to quality norms on floor area, elements the second fire and saves fuel cost.

- d. Replaced the heavy load motors with low loading motors for saving power consumption.
  - e. Change in running time of motors and increased in cycle speed in major processes.
  - f. Modification in vacuum line in press to increase in efficiency.
2. The above measures have reduced the power and fuel cost and the Company maintained the optimum utilization of energy.
  3. Total energy consumption and energy consumption per unit of production is given in **Form A** annexed herewith.

### B. Technology Absorption:

Information is given in the prescribed **Form B** annexed herewith.

### C. Foreign Exchange Earnings and Outgo

The information on foreign exchange earnings and outgo is contained in Notes No.25,26 & 27, forming part of the Financial Statement.

### Form A

(See Rule 2)

#### Form for disclosure of particulars with respect to Conservation of Energy

#### a. Power & Fuel Consumption:

##### 1. Electricity :

	Current Year	Previous Year
i) Purchased		
Units (KWH)	8,663,692	72,85,680
Total Amount (₹) *	66,557,779	45,423,230
Cost / Unit (₹)	7.68	6.23
ii) Own Generation		
(a) Through Liquid Fuel Generator		
Units (KWH)	26,065	290,293
Units (KWH)/ Ltr. of LDO/HSD/ Furnace Oil	3.45	3.63
Cost / Unit (₹)	11.07	12.15
(b) Through Steam Turbine/Generator		
Units (KWH)	8,712,420	24,307,440
Units (KWH)/ Tonne of Fuel (Lignite)	660	726
Cost / Unit (₹)	6.68	5.22

\*Includes minimum demand charges paid to grid.

##### 2. Propane / LPG/ Natural Gas :

	Current Year	Previous Year
Quantity (In SCM)	5,053,380	12,112,373
Total Amount (₹)	155,926,147	271,258,634
Average Rate (₹/SCM)	30.86	22.40

##### 3. Coal / Lignite:

	Current Year	Previous Year
Quantity (MT)	4,676.81	3,035.37
Total Amount (₹)	25,778,516.69	15,876,047.00
Average Rate (₹/ MT)	5,511.98	5,230.00

#### b. Consumption per unit of Production :

	Current Year	Previous Year
i) Electricity Units /MT Tiles	409.58	399.95
ii) Electricity Units / MT of Aluminium	-	364.40
iii) Electricity Units / MT of Sanitaryware	701.08	895.32
iv) Propane/LPG/Natural Gas SCM/MT Vitriified Tiles	100.22	133.48
v) Propane/LPG/Natural Gas SCM/MT Sanitaryware	628.87	1100.80
vi) Propane/LPG/Natural Gas SCM/MT Aluminium	-	332.79
vii) Coal MT / MT Tiles	0.14	0.05

## Form B

(See Rule 2)

## Form for disclosure of particulars with respect to Technology Absorption

## Research &amp; Development and Technology Absorption

The Company is regularly doing research and development in all the possible areas for maintaining and improving its product quality, reduction in cost and improvisation in the process.

## Specific areas of R &amp; D :

- Development of green resin, using the recycled material.
- Introduction of new vitrified tiles with high strength, which can be used in industrial area and parking area.
- Change in cutting mechanism in calcareous tiles plant, which increases the efficiency and output.
- Introduction of new design and product in sanitaryware and vitrified tiles.

## Benefits of Research and Development and Technology up-gradation:

- Quality of products improved
- Efficiency and output increased
- Range of products increased to capture better market share.
- Cost effective production in competitive market.

## Total Expenditure on Research and Development :

(₹ in Lacs)

	Current Year	Previous Year
I Capital Expenditure	1.05	3.57
II Recurring Expenditure	2.32	6.19
III Total	3.37	9.76
IV Total R & D Expenditure as percentage to total turnover	0.04%	0.05%

## Future plan of action are as under:

1. Update the machineries with latest technology.
2. Introduce new models and design, which are as per market demand.

## Annexure – 'II' to Directors' Report

## Information relating to Subsidiary Companies for the year ended March 31, 2013

[As per General Circular No. 2/2011 No. 51/12/2007-CL-III dated February 8, 2011 of Ministry of Corporate Affairs (MCA)]

(₹ in Lacs)

Name of Subsidiary Company	Euro Merchandise (India) Limited	Subhnen Sanitaryware Private Limited
Capital	19.00	1.00
Reserves	(1785.24)	Nil
Total Assets	1656.86	1.11
Total Liabilities	1656.86	1.11
Investments made by Subsidiary	Nil	Nil
Revenues (Turnover & other Income)	537.09	Nil
Profit before Taxation	(619.72)	Nil
Provisions for Taxation	Nil	Nil
Profit After Tax	(619.72)	Nil
Proposed Dividend	Nil	Nil

## Report on Corporate Governance

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is both the structure and relationships which determine corporate direction and performance. It comprises of processes and structures by which the business and affairs of the Company are directed and managed, in order to enhance long term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of all stakeholders. It is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values.

Good governance practices stem from the quality and mindset of the organisation. Euro Ceramics visualises "Corporate Governance" as a process which provides transparency of corporate policies, strategies and the decision-making process and also strengthen internal control systems and helps in building relationship with stakeholders. Our Company, through Corporate Governance, strives for an exemplary shift in its work culture and provides a congenial environment to harmonise the goals of maximizing the stakeholders' value and maintaining a customer-centric focus in all its dealings.

### 2. BOARD OF DIRECTORS

#### a) Composition

The Board of Directors of the Company has an optimum combination of executive and non executive Directors. As on March 31, 2013, the Board comprised of total 8 Directors out of which, 1 is Executive Chairman, 3 are Executive Directors and 4 are Independent Directors.

The composition of the Board of Directors is in conformity

with clause 49 of the Listing Agreement entered into with the Stock Exchanges.

#### b) Board Procedure

The agenda for the Board Meetings and Committee Meetings containing relevant information/supporting data, as required, are distributed well in advance to all the Board members from time to time in a structured manner to enable the Board to take informed decisions. When deemed expedient, the Board also approves through Circular Resolution, important items of business, which are permitted under the Companies Act, 1956 and which can not be deferred till the next Board Meeting.

Matter discussed at Board Meeting generally relate to Company's performance, quarterly results of the Company, approval of related party transactions, general notice of interest of Directors, review of the reports of the internal Auditors, Audit Committee and compliance with their recommendation, suggestion, compliance of any regulatory, statutory or listing requirements etc.

#### c) Attendance at Board meetings and last Annual General Meeting:

During the year under review, the Board of Directors met seven times viz. 15/05/2012, 08/08/2012, 14/08/2012, 27/08/2012, 09/11/2012, 30/11/2012 and 11/02/2013 and as required, the gap between two Board meetings did not exceed four calendar months.

The attendance record of the Directors at Board Meetings held during the financial year 2012-2013, number of Directorship held and position of Membership / Chairmanship of Committees in Indian Public Limited Companies are given below:

Name	Nature of Directorship	No. of Board meetings held	No. of Board meetings attended	No. of other Directorship in Public Companies	Membership / Chairmanship of Committees in other Companies		Whether attended the last AGM
					Member	Chairman	
Mr. Nenshi L. Shah	Chairman & Managing Director	7	7	-	-	-	Yes
Mr. Talakshi L. Nandu	Whole-time Director	7	6	-	-	-	No
Mr. Kumar P. Shah	Whole-time Director	7	6	-	-	-	No
Mr. Paresh K. Shah	Whole-time Director	7	7	-	-	-	Yes
Mr. Anil M. Mandevia	Independent Director	7	7	1	-	-	Yes
Mr. Amit G. Shah	Independent Director	7	3	-	-	-	No
Mr. Mahendra V. Modi	Independent Director	7	7	1	-	2	Yes
Mr. Ajit B. Nalwaya (appointed w.e.f. 03/05/2012)	Independent Director	7	3	1	2	-	Yes

#### Note:

1. Directorships in respect of Private Limited companies, Section 25 companies and Foreign companies have not been included.
2. Position in Audit Committee and Shareholders' Grievance Committee are considered for the purpose.
3. None of the Director is a member of more than 10 committees and Chairman of more than 5 committees (as specified in clause 49) across all the companies in which they are directors.

### 3. COMMITTEES OF THE BOARD

The Board has constituted three committees consisting of members of the Board. Details of the Committees and other related information are provided hereunder:

#### a) 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. The Committee comprises of three independent Directors and Managing Director of the Company. The Statutory Auditors are also invited to the meetings. The Committee oversees the work carried out by the management, internal auditors on the financial reporting process, the safeguards employed by them and such relevant matters as it finds necessary to entrust.

The Audit Committee met five times on 15/05/2012, 14/08/2012, 27/08/2012, 09/11/2012 and 11/02/2013 during the year under review. The details of numbers of meetings attended by each member during the year ended March 31, 2013 are as under:

Name of the member	Designation	No. of Committee Meetings	
		Held	Attended
Mr. Mahendra Modi	Chairman	5	5
Mr. Nenshi L. Shah	Member	5	5
Mr. Anil M. Mandevia	Member	5	5
Mr. Amit G. Shah	Member	5	3

The Compliance officer acts as the Secretary to the committee.

All the members of the Audit Committee are financially literate and Mr. Mahendra V. Modi, Chairman is a qualified Chartered Accountant has the relevant accounting and related financial management expertise.

The terms of reference of this Committee are wide. Besides having access to all the required information from the Company; the Committee acts as a link between the Statutory Auditors and the Board of Directors of the Company.

The brief descriptions of terms of references are as follows:

- It shall have authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of our Company and external professional advice, if necessary.
- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending the appointment/re-appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption.
  - Compliance with accounting standards.
  - Compliance with stock exchange and legal requirements concerning financial statements.
  - Any related party transactions, i.e. transaction of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of company at large.
- Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors and significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with external auditors before the audit commences nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.
- It shall have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half yearly, and annual financial statements before submission to the Board.
- It shall ensure compliance of internal control systems.

#### b) Remuneration Committee:

The Remuneration Committee comprises of three Independent Directors. The Committee has been constituted to review remuneration payable to Executive Directors, based on their performance vis a vis the performance of the Company on defined assessment parameters.

#### Terms of reference:

- The Remuneration Committee shall meet as when required.

- The Remuneration Committee shall determine remuneration packages for executive Directors including pension rights and any compensation payment.

The Remuneration Committee met two times on 06/04/2012 and 11/02/2013 during the year under review. The details of numbers of meetings attended by each member during the year ended March 31, 2013 are as under:

Name of the member	Designation	No. of Committee Meetings	
		Held	Attended
Mr. Mahendra V. Modi	Chairman	2	2
Mr. Anil M. Mandevia	Member	2	2
Mr. Amit G. Shah	Member	2	2

The Compliance officer acts as the Secretary to the committee.

#### Remuneration Policy:

The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance with the industry standards.

#### Details of remuneration paid to the directors during the year 2012-2013 are as follows:

##### (a) Executive Directors:

The aggregate value of salary and perquisites paid for the year ended March 31, 2013 and No. of shares held by the Managing Director and Whole-time Directors as on that date are as follows:

(Amount in ₹)

Name & Designation	Salary	Perquisites or Allowances	Total	No. of shares held
Mr. Nenshi L. Shah Managing Director	23,48,400	51,600	24,00,000	14,85,440
Mr. Talakshi L. Nandu Whole Time Director	23,48,400	51,600	24,00,000	14,23,760
Mr. Kumar P. Shah Whole Time Director	23,48,400	51,600	24,00,000	11,23,380
Mr. Paresh K. Shah Whole Time Director	23,48,400	51,600	24,00,000	11,83,360

##### (b) Non-executive Directors:

Except sitting fees no remuneration is paid to non executive Directors. The details of sitting fees paid during the financial year and number of shares held by them as on March 31, 2013 are as under:

Name of the Director	Sitting fees paid (₹)	No. of Shares held	No. of Stock Options granted
Mr. Mahendra M. Modi	17500	Nil	Nil
Mr. Anil M. Mandevia	17500	Nil	Nil
Mr. Amit G. Shah	7500	Nil	Nil
Mr. Ajit B. Nalwaya	7500	Nil	Nil

##### c) Shareholders' / Investors' Grievance Committee:

The Committee comprises one Independent Director and two Executive Directors. The Shareholders' / Investors' Grievance Committee met four times on 15/05/2012, 14/08/2012, 09/11/2012 and 11/02/2013 during the year under review. The details of number of meetings attended by each member during the year ended March 31, 2013 are as under:

Name of the member	Designation	No. of Committee Meetings	
		Held	Attended
Mr. Amit G. Shah	Chairman	4	4
Mr. Kumar P. Shah	Member	4	3
Mr. Paresh K. Shah	Member	4	4

The Compliance officer acts as the Secretary to the committee.

#### Broad terms of reference:

To examine and redress the complaints and grievances of the shareholders' / investors' of the Company such as transfer / transmission / demat / remat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate, non-receipt of Annual Report, non receipt of dividend, non-receipt of application money and other issues concerning the shareholders / investors.

The Committee also looks into matters which can facilitate/smoothen investor's services and relations. Wherever deemed expedient, it also directs the Registrar and Share Transfer Agents (RTA) to ensure prompt redressal of genuine complaints of investors. The Committee also examines and recommends to the Board about appointment/removal of RTA and /or fees payable to them etc.

#### Details of Shareholders' Complaints:

The Compliance officer has been regularly interacting with Registrar and Share Transfer Agents (RTA) to ensure that the complaints/grievances of the shareholders / investors are attended without delay and where deemed expedient, the complaints are referred to the Chairman of the Committee or discussed at its meetings.

#### Status of Investors' Complaints:

Opening	Received during the year	Resolved during the year	Pending
0	5	5	0

#### Name of the Compliance Officer:

Ms. V. Annapurneswary is Compliance Officer of the Company.

**4. GENERAL BODY MEETINGS AND POSTAL BALLOT****a) Annual General Meetings:**

Location, time and date where last three Annual General Meetings were held are given below:

Financial Year	Date	Time	Location	Special Resolution passed
2009-10	December 22, 2010	10.00 a.m.	S.P.B.T. College, JVPD Scheme, Vile Parle (W), Mumbai – 400056	Special Resolution was passed U/s 314 (1) (b) and other applicable provisions, if any, of the Companies Act, 1956 for appointment of Mr. Anish K. Shah as a Vice president (Resin Plant) of the Company for a period 5 years w.e.f. November 1, 2010.
2010-11	September 28, 2011	10.00 a.m.	S.P.B.T. College, JVPD Scheme, Vile Parle (W), Mumbai – 400056	--
2011-12	September 28, 2012	11.00 a.m.	Swagat Bageecha, Bageecha Complex, Marve Road, Malad (W), Mumbai – 400095	--

**b) Resolution passed through Postal Ballot:**

During the financial year 2012-13, the Company conducted postal ballot process two times. The details of the postal ballot process are given here-in-below:

**Postal Ballot I:**

The Company dispatched Postal Ballot Notice to its shareholders on March 31, 2012. The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011. Mr. Manish L. Ghia, Practicing Company Secretary was appointed as Scrutinizer for conducting the Postal Ballot process. The result of the Postal Ballot process was announced on May 3, 2012.

The resolutions passed through postal ballot and the voting pattern for the same are as follows:

Business	Postal Ballot Forms received		Valid Votes Casted		
	Total	Valid	Total	In favour	Against
1. Special Resolution under section 81(1A) of the Companies Act, 1956, for issue of 21,49,878 Equity Shares on Preferential basis.	141	138	11654606	11653587	1019
2. Special Resolution under section 81(1A) of the Companies Act, 1956, for issue of 52,82,555 Compulsorily Convertible Debentures on Preferential basis.	141	137	11654571	11653252	1319
3. Ordinary Resolution under section 293(1)(a) of the Companies Act, 1956, for sell, transfer, lease or dispose of Company's Sanitaryware Business Undertaking.	141	137	11654571	11653337	1234

**Result:** Resolutions were passed with requisite majority.

**Postal Ballot II:**

The Company dispatched Postal Ballot Notice to its shareholders on December 6, 2012. The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2011. Mr. Manish L. Ghia, Practising Company Secretary was appointed as Scrutinizer for conducting the Postal Ballot process. The result of the Postal Ballot process was announced on January 9, 2013.

The resolution passed through postal ballot and the voting pattern for the same are as follows:

Business	Postal Ballot Forms received		Valid Votes Casted		
	Total	Valid	Total	In favour	Against
Ordinary resolution under Section 293 (1) (a) of the Companies Act, 1956, to sell, transfer or dispose of surplus land of the Company at Ankaleshwar, Bharuch (Gujarat)	125	122	10211762	10205391 (99.94%)	6371 (0.06%)



**Result:** Resolution was passed with requisite majority.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a Special Resolution through Postal ballot.

## 5. DISCLOSURES

### a) Related-party transactions

Related party transactions are defined as transactions of the Company of material nature, with promoters, Directors or with their relatives; its subsidiaries etc. None of the transactions with any of the related parties were in conflict with the interest of the Company.

Details on material significant related party transactions are given in the appended financial statement under notes to the accounts annexed to the financial statements.

### b) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital market during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other statutory Authorities.

### c) Whistle-blower Policy

Though there is no formal Whistle-blower policy, the Company takes cognizance of complaints made and suggestions given by the employees and others. Even anonymous complaints are looked into and whenever necessary, suitable corrective measures are implemented. No person has been denied access to the Audit Committee.

### d) Subsidiary Companies:

The Company has two wholly owned subsidiary companies, namely Euro Merchandise (India) Limited (EMIL) and Subhnen Sanitaryware Private Limited, none of them fall in the category of material non-listed subsidiary companies. The requirements of clause 49 of the Listing Agreement with regard to subsidiary companies have been complied with.

### e) Details of compliance with mandatory requirements and adoption of non-mandatory requirements:

The Company has complied with all the mandatory requirements.

The Company has complied with the following non-mandatory requirements:

- The Company has a Remuneration Committee.

### f) Code of Conduct

The Company has laid down a code of conduct for the Directors, Senior Management and Employees of the Company. The code has been posted on the website of the Company. A declaration to the effect that the Directors and Senior Managerial personnel have adhered to the same, signed by the Managing Director of the Company, forms part of this report.

### g) Disclosure of Accounting Treatment

In the preparation of the financial statement, the Company has followed accounting standards issued by the Institute of the Chartered Accountants of India.

### h) Disclosure of Risk management

The Company has initiated the risk assessment and minimization procedure.

### i) CEO / CFO Certification

In terms of clause 49 (V) of the listing agreement, Mr. Nenshi L. Shah, Chairman and Managing Director, has submitted a certificate to the Board of Directors in the prescribed format for the year under review.

### j) Review of Directors' Responsibility statement

The Board, in its report, has confirmed that the annual accounts for the year ended March 31, 2013 have been prepared as per applicable accounting standards and policies, and that sufficient care has been taken for maintaining adequate accounting records.

## 6. MEANS OF COMMUNICATION

- **Quarterly Results:** Quarterly Results are published in accordance with the provisions of the listing agreement. The results are published in English Newspapers viz. Business Standard and in Marathi newspapers viz. Mahanayak.
- **Website:** The Company's website [www.eurovitrified.com](http://www.eurovitrified.com) contains a separate dedicated section- "Investor Relationship"- where shareholders information is available. Un-audited quarterly results, annual results and Shareholding Pattern, Code of Conduct for the Board of directors and Senior Management Personnel are also available on the website in a user-friendly and downloadable form.
- The presentations, as and when made to the Institutional Investors and analysts, are also simultaneously displayed on the website of the Company.
- Management Discussion and Analysis forms part of the Annual Report.

**7. GENERAL INFORMATION FOR SHAREHOLDERS**

a)	Date Time and Venue of Annual General Meeting	Date : August 22, 2013 Time : 11.30 a.m. Venue : Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400056
b)	Financial Calendar (2013-2014)	First Quarterly Results - On or before August 14, 2013 Second Quarterly Results - On or before November 14, 2013 Third Quarterly Results - On or before February 14, 2014 Fourth Quarterly Results - On or before May 30, 2014
c)	Date of Book Closure	Monday, August 19, 2013 to Thursday, August 22, 2013 (both days inclusive)
d)	Dividend payment date	Not applicable
e)	Listing on Stock Exchanges	BSE Limited (BSE) & National Stock Exchange of (India) Limited (NSE)
f)	Stock Code / Symbol	BSE - 532823 NSE – EUROCERA
	ISIN for CDSL and NSDL	INE649H01011

**g) Market Price Data:**

The monthly high and low quotations of shares traded on the BSE Limited (BSE) and National Stock Exchange of (India) Limited (NSE) during each month in 2012 – 2013 are as follows:

Month	Share price of the company on BSE*		BSE Sensex* (Points)		Share price of the company on NSE**		CNX Nifty** (Points)	
	High (₹)	Low (₹)	High	Low	High (₹)	Low (₹)	High	Low
Apr'12	11.50	9.41	17664.10	17010.16	10.70	9.15	5378.75	5154.30
May'12	10.40	8.40	17432.33	15809.71	9.85	8.80	5279.60	4788.95
Jun'12	9.75	8.22	17448.48	15748.98	10.15	8.60	5286.25	4770.35
Jul'12	9.36	8.32	17631.19	16598.48	9.30	8.30	5348.55	5032.40
Aug'12	9.17	6.88	17972.54	17026.97	9.30	7.55	5448.60	5164.65
Sep'12	8.90	7.30	18869.94	17250.80	9.00	7.10	5735.15	5215.70
Oct'12	9.49	7.75	19137.29	18393.42	9.50	7.95	5815.35	4888.20
Nov'12	8.98	7.41	19372.70	18255.69	9.00	7.45	5885.25	5548.35
Dec'12	10.88	8.16	19612.18	19149.03	10.95	8.45	5965.15	5823.15
Jan'13	10.48	8.30	20203.66	19508.93	10.55	8.25	6111.80	5935.20
Feb'13	8.98	6.75	19966.69	18793.97	9.00	7.00	6052.95	5671.90
Mar'13	7.99	5.15	19754.66	18568.43	7.60	5.15	5971.20	5604.85

Source : \* www.bseindia.com / \*\* www.nseindia.com

**l) Distribution of Shareholding as on March 31, 2013:****h) Shareholding Pattern as on March 31, 2013:**

Category	No. of shares held	Percentage of Shareholding (%)
Promoters	75,33,606	26.36
Foreign Institutional Investors	50,000	0.17
Bodies Corporate	16,38,709	5.73
Financial Institutions/Banks	49,71,378	17.40
Clearing Member	1,87,032	0.66
Non Resident Indians	33,03,764	11.56
Resident Individuals (Public)	1,08,93,523	38.12
<b>Total</b>	<b>2,85,78,012</b>	<b>100.00</b>

Shareholding (No. of Shares)	Number of Share-holders	% of total number of share-holders	Total Number of Shares	% of Total Number of Shares
1 to 500	6308	88.00	767753	2.69
501 to 1000	373	5.20	308462	1.08
1001 to 2000	218	3.04	325035	1.14
2001 to 3000	76	1.06	194603	0.68
3001 to 4000	28	0.39	97010	0.34
4001 to 5000	34	0.47	158949	0.55
5001 to 10000	49	0.68	339651	1.19
10001 and above	83	1.16	26386549	92.33
<b>Total</b>	<b>7169</b>	<b>100.00</b>	<b>28578012</b>	<b>100.00</b>

**j) Share Transfer System:**

All shares sent or transferred in physical form are registered by the Registrar and Share Transfer Agents within 15 days of the lodgement, if documents are found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares processed and the confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within 15 days. The Company obtains, from a Practicing Company Secretary, a half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of Listing Agreement entered into with Stock Exchanges and files a copy of the certificate with the concerned Stock Exchanges.

**k) Dematerialization of shares and liquidity:**

As on March 31, 2013 the total number of Equity Shares of the Company in dematerialization form, stood at 2,61,00,410 Shares (representing 91.33 % of the Company's Paid-up Equity Share Capital)

**l) Outstanding ADRS, GDRS, Warrants or any convertible instruments, conversion date and impact on Equity.**

Compulsorily Convertible Debentures (CCDs):

The Company has issued and allotted 41,35,954 2% Compulsorily Convertible Debentures (CCDs) of ₹ 24.42/- each to State Bank of India and 10,23,751 2% Compulsorily Convertible Debentures (CCDs) of ₹ 24.42/- each to Bank of India on August 8, 2012 on preferential basis, convertible into even number of Equity Shares having face value of ₹ 10/- each within a period of eighteen months from the date of allotment. The Preferential Allotment was made in accordance with Chapter VII of SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 and pursuant to Corporate Debt Restructuring (CDR) package as approved by CDR cell vide its Letter of Approval (LOA) dated October 29, 2011.

The Company has not issued any ADRs, GDRs, warrants or any other convertible instruments except as mentioned above.

**m) Plant Location:**

Survey No. 510, 511, 512, 517/1,  
Bhachau Dudhai Road,  
Bhachau (Kutch),  
Gujarat – 370140

**n) Registrar and Share Transfer Agents:**

M/s. Link Intime India Private Limited has been appointed as one point agency, for dealing with shareholders. Shareholders correspondence should be addressed to the Company's Registrar & Share Transfer Agent at the address mentioned below:

M/s. Link Intime India Private Limited  
Unit: Euro Ceramics Limited  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai – 400 078

Tel: 91 22 2594 6970  
Fax: 91 22 2594 6969  
E-mail: helpline@linkintime.co.in

**o) Address for Investor Correspondence:**

Shareholders can contact the Compliance Officer for Share / Secretarial related matters of the Company at the below mentioned address:

Ms. V. Annapurneswary  
Compliance Officer  
Euro Ceramics Limited  
Euro House, CTS No. 1406, A25/6,  
Chincholi Bunder Road,  
Behind Inorbit Mall,  
Malad (West), Mumbai – 400 064

E-mail: investors@eurovitified.com  
Tel No.: 91 22 4019 4019  
Fax No.: 91 22 4019 4020

**For Euro Ceramics Limited**

**Nenshi L. Shah**  
**Chairman and Managing Director**

Place: Mumbai  
Date: May 30, 2013

## **Declaration on compliance with code of conduct:**

It is hereby confirmed that the Company has adopted Code of Conduct for the Board of Directors and Senior Management Personnel of the Company and all have affirmed their adherence to the code during the year ended on March 31, 2013.

**For Euro Ceramics Limited**

Place: Mumbai  
Date: May 30, 2013

**Nenshi L. Shah**  
**Chairman & Managing Director**

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## **Auditors Certificate on Compliance of the Corporate Governance**

**To the members of  
EURO CERAMICS LIMITED**

We have examined the Compliance of the conditions of Corporate Governance by EURO CERAMICS LIMITED for the year ended March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

In our opinion and based on the information and explanations given to us and the representations made by management and to the best of our knowledge and belief, we certify that the Company has complied 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 effectiveness with which the management has conducted the affairs of the Company.

**For DEEPAK MARU & CO.**  
*Chartered Accountants*  
Firm Regn. No. 115678W

**(CA Jaymin P. Shah)**  
**Partner**  
Mem. No: 118113

Place: Mumbai  
Date: May 30, 2013

## Independent Auditor's Report

To  
The Members of  
EURO CERAMICS LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Euro Ceramics Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date, and
- c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

- 1) As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2) As required by Section 227(3) of the Act, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) **On the basis of the written representations received from the directors as on March 31, 2013 taken on record by the Board of Directors, all the directors are disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.**
  - f) **As mentioned in Note 'A' of the significant accounting policies of the Company that the financial statements of the Company having been prepared on a going concern basis, notwithstanding the fact that its net worth has eroded. The appropriateness of the said basis is inter-alia dependent on the Company's ability to infuse requisite funds for meeting its obligations, rescheduling of debts.**
  - g) **As on March 31, 2013, the Company has investment in equity shares of wholly owned subsidiary Euro Merchandise (India) Limited amounting to ₹1,42,50,000/- and also an outstanding of ₹2,66,31,649/-. The Company has also issued corporate guarantee to Bank amounting to ₹16,20,00,000/-. As per the latest audited financial statements of Euro Merchandise (India) Limited the net worth of the company has**

completely eroded and the cash flows are under stress. No provision has been made in the financial statements of the company for depletion in value of investment and the amount receivable

by the company totaling to ₹ 4,08,81,649/-. Had the provision for the same been made, the profits before tax for the year would have been lower to that extent.

For DEEPAK MARU & CO.  
Chartered Accountants  
Firm Regn No:115678W

Place: Mumbai  
Date: May 30, 2013

(CA JAYMIN P. SHAH)  
Mem. No:118113

## Annexure to the Auditor's Report (referred to in Paragraph 3 of Our Report of Even Date)

### (1) In respect of Fixed Assets:

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regards to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year.

- b) According to the information and explanation given to us, the Company has granted loans to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹72,64,85,400/- and the year-end balance of loans given to such parties was ₹ 70,79,02,861/-.
- c) In our opinion, the rate of interest and other terms and conditions on which loans mentioned above have been taken / granted are not, prima facie, prejudicial to the interest of the Company.
- d) In the absence of stipulations in respect of the terms of payment of principal amount and interest for the loans taken/granted, it is not possible to comment whether the principal and interest payments are regular.

### (2) In respect of its Inventories:

- a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of such verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.

### (4) In respect of contracts or arrangements referred to in section 301 of the Companies Act, 1956:

- a) In our opinion, and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under 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 made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to ₹ 5 Lacs or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

### (3) In respect of loans, secured or unsecured, taken or granted by the Company from / to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:

- a) According to the information and explanation given to us, the Company has taken unsecured loans from eighteen parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 23,48,45,315/- and the year end balance of loans taken from such parties was ₹ 21,80,80,315/-.

### (5) The company during the year has accepted deposits within the meaning of public deposits under the provisions of section 58A read with Companies (Acceptance of Deposits) Rules, 1975 in the nature of unsecured loans. In our opinion, there has been non-compliance to the provisions of section 58A with respect to maintenance of liquid assets, maximum permissible rate of interest allowed to be paid /



**payable (in some of the cases) and filing of return as required under the said rules. The Company has not accepted deposits within the meaning of public deposits under the provisions of section 58AA.**

- (6) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regards to purchases of inventory, fixed assets and with regards to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (7) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (8) We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (9) In respect of Statutory Dues:
- According to the information and explanation given to us, the Company during the year has been facing liquidity stress due to which there were delays in payment of various statutory dues with appropriate authorities including undisputed statutory dues such as Income tax, Sales tax, VAT, Wealth tax, Custom duty, Excise Duty, Tax deducted/collected at source, Provident Fund, Employees' State Insurance, Profession Tax, Cess and other material statutory dues applicable to it and there are no arrears outstanding as at the year end for a period of more than six months from the date they became payable except Service Tax payable amounting to ₹ 9,69,839/-.
  - According to the information and explanation given to us, there are no dues of Income tax, Sales Tax, VAT, Wealth tax, Customs duty, Excise duty and cess, which have not been deposited on account of any dispute.
- (10) **The Company has accumulated losses at the end of financial year and also had the same at the end of the immediately preceding financial year. Further the Company has incurred cash losses during the financial year covered by our audit and also during the immediately preceding financial year. The accumulated losses of the Company have exceeded 50% of its net worth.**
- (11) In our opinion and according to the information and explanations given to us the Company has defaulted in repayment of loans and interests dues to the banks and financial institution. Estimated unpaid overdues in respect of principal outstanding amount to ₹ 2,35,87,725/- and overdue interest amounts to ₹ 30,91,89,985/- as at March 31, 2013.
- According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  - The company is not a chit fund or a nidhi/mutual benefit fund/society. Hence the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  - In our opinion, 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.
  - According to the information and explanations given to us, the Company has given the guarantee for loans taken by its subsidiary from banks. The terms and conditions are not prejudicial to the interest of the Company.
  - In our opinion, the term loans are being applied for the purpose for which they were obtained.
  - According to the information and explanations given to us and on an overall examination of the balance sheet of the Company and after placing reliance on the reasonable assumptions made by the company for classification of long term and short term usages of funds, we are of the opinion that, prima facie funds raised on short-term basis have been utilized for long-term investment.
  - According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
  - According to the information and explanations given to us, during the year covered by our audit report, the Company has issued Compulsorily Convertible Debentures (CCDs) to two of its Bankers according to the approved scheme of Corporate Debt Restructuring (CDR) to be converted into even number of Equity Shares within eighteen months from the date of issue. The Company has issued 51,59,705 CCDs with a Face Value of ₹ 24.42/- each aggregating to ₹12,59,99,997/-. However no security has been created against the said Debentures.
  - The Company has not raised any money by way of public issues during the year.
  - According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

**For DEEPAK MARU & CO.**  
Chartered Accountants  
Firm Regn No:115678W

**(CA JAYMIN P. SHAH)**  
Mem. No:118113

Place: Mumbai  
Date: May 30, 2013

**Balance Sheet as at March 31, 2013**

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
		₹	₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	1	285,780,120	264,281,340
(b) Reserves and surplus	2	(458,891,232)	580,106,326
		(173,111,112)	844,387,666
<b>Non-current liabilities</b>			
(a) Long-term borrowings	3	3,723,041,733	3,844,563,340
(b) Deferred tax liabilities (net)		152,392,056	152,392,056
		3,875,433,789	3,996,955,396
<b>Current liabilities</b>			
(a) Short-term borrowings	4	1,180,151,307	1,044,873,331
(b) Trade payables	5	328,855,143	542,607,413
(c) Other current liabilities	6	678,754,428	413,667,407
(d) Short-term provisions	7	20,531,563	17,112,310
		2,208,292,440	2,018,260,461
<b>TOTAL</b>		<b>5,910,615,117</b>	<b>6,859,603,523</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	8	4,266,901,801	4,538,037,692
(ii) Capital work-in-progress		49,748,563	49,748,563
		4,316,650,364	4,587,786,255
(b) Non-current investments	9	27,760,750	27,760,750
(c) Long-term loans and advances	10	164,942,702	181,202,970
		4,509,353,816	4,796,749,975
<b>Current assets</b>			
(a) Inventories	11	400,584,608	626,876,593
(b) Trade receivables	12	203,935,984	497,878,696
(c) Cash and Bank Balances	13	30,428,773	87,352,333
(d) Short-term loans and advances	14	766,291,249	849,834,959
(e) Other current assets	15	20,686	910,967
		1,401,261,300	2,062,853,548
<b>TOTAL</b>		<b>5,910,615,117</b>	<b>6,859,603,523</b>
<b>Significant Accounting Policies and Notes on Financial Statements forming part of the financial statements</b>	1 to 35		

In terms of our report attached.

**For DEEPAK MARU & CO.**

Chartered Accountants

Firm Regn. No.:115678W

**For and on behalf of the Board of Directors****NENSHI L. SHAH**

(Chairman &amp; Managing Director)

**PARESH K. SHAH**

(Director)

**(CA Jaymin P. Shah)****Partner**

Mem. No.118113

Place : Mumbai

Date : May 30, 2013

Place : Mumbai

Date : May 30, 2013

**Statement of Profit and Loss for the year ended March 31, 2013**

Particulars	Note No.	For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
<b>CONTINUING OPERATIONS</b>			
Revenue from operations (gross)	16	987,459,341	1,931,449,720
Less: Excise duty		101,359,908	166,695,771
		886,099,433	1,764,753,949
Other Income	17	5,181,275	36,748,226
Revenue from operations (net)		891,280,708	1,801,502,175
<b>Expenses</b>			
(a) Cost of materials consumed	18	319,806,287	733,172,185
(b) Purchases of stock-in-trade	18.1	5,885,612	24,212,043
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	18.2	146,643,078	225,618,575
(d) Employee benefits expense	19	166,867,928	237,621,899
(e) Other expenses	20	525,018,496	752,334,900
<b>Total Expenses</b>		1,164,221,402	1,972,959,602
<b>Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortisation (EBDITA)</b>		(272,940,694)	(171,457,426)
Finance costs	21	498,937,855	464,624,234
Depreciation and amortisation expense	8	298,120,250	292,359,534
<b>Profit / (Loss) before exceptional and extraordinary items and tax</b>		(1,069,998,798)	(928,441,193)
Exceptional items		-	-
<b>Profit / (Loss) before extraordinary items and tax</b>		(1,069,998,798)	(928,441,193)
Extraordinary items		-	-
<b>Profit / (Loss) before tax</b>		(1,069,998,798)	(928,441,193)
<b>Tax expense:</b>			
(a) Current tax expense for current year		-	-
(b) (Less): MAT credit (where applicable)		-	-
(c) Current tax expense relating to prior years		-	3,769,318
(d) Net current tax expense		-	3,769,318
(e) Deferred tax		-	-
		-	3,769,318
<b>Profit / (Loss) for the year</b>		(1,069,998,798)	(932,210,511)
<b>Earnings per share (of ₹ 10/- each):</b>			
(a) Basic		(40.49)	(35.27)
(b) Diluted		(34.29)	(35.27)
<b>Significant Accounting Policies and Notes on Financial Statements forming part of the financial statements</b>	1-35		

In terms of our report attached.

For and on behalf of the Board of Directors

**For DEEPAK MARU & CO.**

Chartered Accountants

Firm Regn. No.:115678W

**(CA Jaymin P. Shah)**  
**Partner**

Mem. No.118113

**NENSHI L. SHAH**  
(Chairman & Managing Director)**PARESH K. SHAH**  
(Director)Place : Mumbai  
Date : May 30, 2013Place : Mumbai  
Date : May 30, 2013

## Cash Flow Statement for the year ended March 31, 2013

Particulars	For the year ended March 31, 2013		For the year ended March 31, 2012	
	₹	₹	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before tax		(1,069,998,798)		(928,441,193)
Adjustments for :				
Depreciation	298,120,250		292,359,534	
Finance Costs	498,937,855		464,624,234	
Interest Income	(4,209,464)		(6,795,248)	
Dividend Income	-		(20,000)	
Rent Income	(971,811)		(2,491,630)	
Provision for Doubtful Debts	-		-	
(Profit) On Sale Of Fixed Assets	-		(1,017,660)	
Loss On Sale Of Fixed Assets	592,703	792,469,533	37,928,466	784,587,695
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>(277,529,265)</b>		<b>(143,853,498)</b>
Adjustments for :				
Decrease / (Increase) in Trade & Other Receivables	395,429,406		224,976,927	
Decrease / (Increase) in Inventories	226,291,985		282,866,599	
Increase / (Decrease) in Trade and Other payables	54,754,004	676,475,394	(161,610,843)	346,232,683
<b>CASH GENERATED FROM OPERATIONS</b>		<b>398,946,129</b>		<b>202,379,185</b>
Direct Taxes Paid/(Refund) (net)		792,432		(11,837,514)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>		<b>398,153,697</b>		<b>214,216,699</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
(Purchase) of Fixed Assets including Capital Work in Progress	(27,971,814)		(41,680,900)	
Sales Proceeds from Sale of Fixed Assets	394,750		14,545,125	
(Purchase)/ Sale of Investments	-		(100,000)	
Interest Income	4,209,464		6,795,248	
Dividend Income	-		20,000	
Rent Income	971,811		2,491,630	
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(22,395,789)</b>		<b>(17,928,897)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Borrowings	135,277,975		477,256,734	
Repayments of Borrowings	(247,521,604)		(171,119,281)	
Proceeds from Issue of Equity Shares	52,500,020		-	
Proceeds from Issue of Compulsorily Convertible Debentures	125,999,997		-	
Finance Costs	(498,937,855)		(464,624,234)	
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(432,681,467)</b>		<b>(158,486,781)</b>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>		<b>(56,923,559)</b>		<b>37,801,021</b>
<b>CASH AND CASH EQUIVALENTS (OPENING BALANCE)</b>		<b>87,352,333</b>		<b>49,551,312</b>
<b>CASH AND CASH EQUIVALENTS (CLOSING BALANCE)</b>		<b>30,428,774</b>		<b>87,352,333</b>

**Notes:**

(i) Cash and Cash Equivalent includes all the cash and bank balances.

(ii) These earmarked account balances with banks can be utilised only for the specific identified purposes.

**See accompanying notes forming part of the financial statements**

In terms of our report attached.

**For DEEPAK MARU & CO.**

Chartered Accountants

Firm Regn. No.:115678W

**(CA Jaymin P. Shah)**
**Partner**

Mem. No.118113

Place : Mumbai

Date : May 30, 2013

**NENSHI L. SHAH**

(Chairman &amp; Managing Director)

**PARESH K. SHAH**

(Director)

Place : Mumbai

Date : May 30, 2013

**Notes forming part of the Financial Statements for the Year Ended March 31, 2013****SIGNIFICANT ACCOUNTING POLICIES****A Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year unless stated otherwise. The financial statements have been prepared on going concern basis.

**B Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

**C Inventories**

Inventories are valued at the lower of cost (on FIFO / weighted average basis) and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes cost of purchase, cost of conversion and all other costs incurred in bringing the goods to their respective present location and condition. Work-in-progress and finished goods include appropriate proportion of overheads and, where applicable, excise duty.

**D Cash and Bank Balances**

Cash and Bank Balances also include fixed deposits, margin money deposits, earmarked balances with bank, other bank balances and cash on hand. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**E Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**F Depreciation and amortisation**

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956. The Vitrified Ceramic Tile Plant and the allied Machineries have been classified as a continuous process plant on technical assessment & depreciation has been provided accordingly.

**G Revenue recognition**

"Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales include excise duty but exclude sales tax and value added tax."

Export Incentives on Advance Licenses are recognized on accrual basis.

Interest Income is recognized on accrual basis and dividend income is accounted for when the right to receive the same is established.

**H Tangible fixed assets**

Fixed assets are stated at cost net of tax / duty credits availed if any less accumulated depreciation and impairment losses, if any.

The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date.

**Notes forming part of the Financial Statements for the Year Ended March 31, 2013**

Exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets.

Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Tangible Assets which are not ready for their intended use comprising direct cost, related incidental expenses and attributable interest are disclosed under capital work-in-progress.

**I Foreign currency transactions and translations**

Transactions in foreign currency are accounted at the exchange rate prevailing on the date of transaction or the rate approximate to the actual rate at the date of transaction. Exchange Rate fluctuation between the transaction date and the settlement date in respect of revenue transactions are recognized in Statement of Profit and Loss and in respect of acquisition of the fixed assets are adjusted to the cost of the respective assets.

Non-monetary foreign currency items are carried at cost.

All export proceeds / import payables not realized at the year end are restated at the rate prevailing at the year end. The exchange difference arising there on has been recognized as income / expenses in the current year's Statement of Profit and Loss.

Monetary Assets & Liabilities denominated in Foreign Currency are translated at year end exchange rates and the Profit/Loss so determined is recognized in the Profit & Loss account.

The profit/loss on cancellation or renewal of derivative instruments such as forward contract and option contract undertaken to hedge exchange fluctuation/price risks are recognized as income/expenses in the Statement of Profit and Loss for the year.

**J Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments include acquisition charges such as brokerage, fees and duties.

**K Employee benefits****Short-term employee benefits**

All employee benefits falling due wholly within twelve months of rendering service are classified as short term employee benefits. The benefits like salary, wages, short term compensated absences etc. and the expected cost of bonus / performance incentives are recognised in the period in which the employee renders the related service.

**Defined contribution plans**

The Company's contribution to provident fund and employees state insurance scheme and other welfare funds are considered as defined contribution plans and are charged as an expense as they fall due based on the amount of contribution required to be made.

**Defined benefit plans**

The employees gratuity fund scheme managed by the trust is the company's defined benefit plan. The present value of the obligation under such plan is determined based on actuarial valuation using the projected unit credit method. In case of funded plan, the fair value of the plan assets is reduced from the gross obligation to recognise such obligation on a net basis.

**L Borrowing costs**

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing Costs attributable to acquisition and construction of qualifying asset are capitalized as a part of the cost of such asset up to the date when such asset is ready for its intended use or sale. A qualifying asset is the one that necessarily takes a substantial period to get ready for intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.



## Notes forming part of the Financial Statements for the Year Ended March 31, 2013

### **M Segment reporting**

The Company identifies primary segments based on the dominant source, nature of risks and returns and the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by the executive Management in deciding how to allocate resources and in assessing performance.

"The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship to the operating activities of the segment."

Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market / fair value factors.

Revenue, expenses, assets and liabilities which relate to the Company as a whole and are not allocable to segments on reasonable basis have been included under "unallocated revenue / expenses / assets / liabilities".

### **N Earning Per Share**

In determining the earnings per share, the Company considers the net profit/loss after tax and post tax effect of any extraordinary/exceptional item is shown separately. The number of shares considered in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares considered for computing diluted earnings per share comprises the weighted average number of shares used for deriving the basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares which includes potential CCD conversions. The number of shares and potentially dilutive equity shares are adjusted for any stock splits and bonus shares issues.

### **O Taxes on income**

Provision for taxation comprises of Current tax and Deferred Tax. Current tax Provision has been made in accordance with the Income Tax Act, 1961. Deferred tax for timing differences between the book and tax profits for the period is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future. Deferred tax assets are recognized on unabsorbed losses only if there is virtual certainty that such deferred tax asset can be realized against future taxable profit.

### **P Impairment of assets**

An asset is treated as impaired when the carrying cost of such asset exceeds its recoverable value. An impairment loss is charged to Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

### **Q Provisions, contingent liabilities and contingent assets**

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are neither recognised nor disclosed in the financial statements.

### **R Derivative contracts**

The Company enters into derivative contracts in the nature of foreign currency swaps, currency options, forward contracts with an intention to hedge its existing assets and liabilities, firm commitments and highly probable transactions. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for Foreign Currency Transactions and Translations. Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting. All other derivative contracts are marked-to-market and losses are recognised in the Statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

## Notes forming part of the financial statements

### Note 1:- SHARE CAPITAL

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number of shares	₹	Number of shares	₹
(a) Authorised Equity shares of ₹ 10 each	35,000,000	350,000,000	35,000,000	350,000,000
(b) Issued, Subscribed and fully paid up Equity shares of ₹ 10 each	28,578,012	285,780,120	26,428,134	264,281,340
<b>Total</b>	<b>28,578,012</b>	<b>285,780,120</b>	<b>26,428,134</b>	<b>264,281,340</b>

#### Terms and Rights attached to the Equity Shares:

The Company has only one class of equity shares having a par value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. No Dividends were proposed by the Board of Directors for the financial year 2012-2013 / 2011-2012. In the event of liquidation of the company, equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution shall be in proportion to the number of equity shares held by them.

#### 1.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Add: Shares issued during the year	Closing Balance
Equity shares with voting rights Year ended March 31, 2013			
- Number of shares	26,428,134	2,149,878	<b>28,578,012</b>
- Amount (₹)	264,281,340	21,498,780	<b>285,780,120</b>
Year ended March 31, 2012			
- Number of shares	17,100,000	9,328,134	<b>26,428,134</b>
- Amount (₹)	171,000,000	93,281,340	<b>264,281,340</b>

#### 1.2 Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at March 31, 2013		As at March 31, 2012	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Equity shares with voting rights</b>				
Dharmesh Kishor Gathani Jointly with Deena Kishor Gathani	6,753,767	23.63%	6,753,767	25.56%
ICICI Bank Ltd.	4,971,378	17.40%	-	-
Milankumar Dhirajlal Mehta	2,477,579	8.67%	2,477,579	9.37%
Nenshi Ladhahbai Shah	1,485,440	5.20%	1,485,440	5.62%
Inventure Finance Private Limited	-	-	1,561,660	5.91%
Talakshi Lakhamshi Nandu	-	-	1,423,760	5.39%

#### 1.3 Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Aggregate number of shares	
	As at March 31, 2013	As at March 31, 2012
<b>Equity shares with voting rights</b>		
Shares out of the issued, subscribed and paid-up share capital were allotted pursuant to Scheme of Corporate Debt Restructuring (CDR) without payments being received in cash.	2,149,878	-
Shares out of the issued, subscribed and paid-up share capital were allotted pursuant to Scheme of Demerger without payments being received in cash.	-	9,328,134
Fully paid up by way of bonus shares	-	-
Shares bought back	-	-

## Notes forming part of the financial statements

## Note 2:- RESERVES &amp; SURPLUS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Capital reserve (on Demerger)		
Opening balance	49,728,952	49,728,952
Add: Additions during the year	-	-
Less: Utilised / transferred during the year	-	-
Closing balance	49,728,952	49,728,952
(b) Securities premium account		
Opening balance	991,255,534	991,255,534
Add : Premium on shares issued during the year	31,001,240	-
Less : Utilised during the year	-	-
Closing balance	1,022,256,774	991,255,534
(c) General reserve		
Opening balance	10,000,000	10,000,000
Add: Transferred from surplus in Statement of Profit and Loss	-	-
Less: Utilised / transferred during the year	-	-
Closing balance	10,000,000	10,000,000
(d) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	(470,878,160)	461,332,351
Add: Profit / (Loss) for the year	(1,069,998,798)	(932,210,511)
Less: Appropriations	-	-
Closing balance	(1,540,876,958)	(470,878,160)
<b>Total (a + b + c + d)</b>	<b>(458,891,232)</b>	<b>580,106,326</b>

## Note 3:- LONG TERM BORROWINGS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>SECURED:</b>		
(a) Term loans		
(i) From banks	3,219,530,827	3,488,163,429
(ii) From others	42,072,620	42,072,620
	3,261,603,447	3,530,236,049
(b) Vehicle Loans	743,227	782,651
<b>Total</b>	<b>3,262,346,674</b>	<b>3,531,018,700</b>
<b>UNSECURED:</b>		
(a) Zero Coupon Bonds	38,500,000	38,500,000
(b) Compulsorily Convertible Debentures (CCD)	125,999,997	-
(c) Deposits	90,933,215	72,662,524
(d) Loans and advances from related parties	205,261,847	202,382,116
<b>Total</b>	<b>460,695,059</b>	<b>313,544,640</b>
<b>Total (Secured + Unsecured)</b>	<b>3,723,041,733</b>	<b>3,844,563,340</b>

## Notes forming part of the financial statements

### 3.1 Interest and Repayment Schedule for Long Term Borrowings:

Particulars	Type	As At March 31, 2013 (₹)	Current maturities of long-term debt - included in Other Current Liabilities (₹)	Interest Rate Range % p.a. as at Year End	Repayment Schedule
Secured Borrowings	Term Loans from Banks :				
	Category I	147,352,500	11,947,500	8.00% to 9.00%	34 structured quarterly installments in a stepped up manner starting from Oct 2012 to March 2021 as prescribed in approved CDR Package.
	Category II	1,870,317,099	160,737,500	9.00%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category III	793,576,854	66,996,746	9.00%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category IV	408,284,374	73,359,017	9.00% to 12.00%	38 to 47 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	<b>Total</b>	<b>3,219,530,827</b>	<b>313,040,763</b>		
	Term Loans from others	42,072,620	-	9.00%	No Specific Repayment Schedule has been prescribed by the Lendor.
	Vehicle Loans	743,227	783,309	8.00% to 13.50%	Equated Monthly Installments as per specific repayment schedule predetermined in case of each vehicle loan.
	<b>Grand Total</b>	<b>3,262,346,674</b>	<b>313,824,072</b>		
Unsecured Borrowings	Zero Coupon Bonds	38,500,000	-	0.00%	385 Bonds of the F.V. of ₹ 1,00,000/- each, redeemable after March 31, 2021 as per approved CDR Package.
	Compulsorily Convertible Debentures (CCD)	125,999,997	-	2.00%	51,59,705 CCDs of the F.V. of ₹ 24.42/- each, convertible within 18 months from the date of issue of the same into an even number of fully paid Equity Shares as per approved CDR Package.
	Deposits	90,933,215	-	0.00% to 18.00%	No Specific Repayment Schedule has been prescribed by the Lendor.
	Loans and advances from related parties	205,261,847	-	0.00% to 18.00%	No Specific Repayment Schedule has been prescribed by the Lendor.
	<b>Grand Total</b>	<b>460,695,059</b>	<b>-</b>		

## Notes forming part of the financial statements

### 3.2 Nature of Security for Long Term Secured Borrowings as on March 31, 2013:

Category of Loan	Nature of Security
Category I	Secured against the pari passu charge created on Non Exclusive movable and immovable fixed assets worth ₹ 50 Cr., situated at Bhachau (Kutch), Gujarat
Category II	Secured against the First pari passu Charge created by mortgage on all the existing and future fixed assets situated at Bhachau (Kutch), Bharuch and Mumbai (except for plant & machinery of Calcareous Line II) and second charge created by hypothecation of current assets of the Company and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category III	Secured against Exclusive charge on all the moveable assets including its moveable plant and machinery, spares, tools and accessories, both present and future assets of the project situated at Bhachau, Kutch on plant pertaining to Calcareous Line II. Additional Security by way of tertiary charge on on the current assets and fixed assets both moveable and immovable, present and future, located at Bhachau (Kutch), Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category IV	Secured by way of tertiary charge on on the current assets and fixed assets both moveable and immovable, present and future, located at Kutch, Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Term Loan from Others	Secured against the Keyman Insurance Policy of the Promoter.
Vehicle Loans	Secured against the Hypothecation of underlying Company owned vehicles

### 3.3 Interest and Repayment Schedule for Long Term Borrowings:

Particulars	Type	As At March 31, 2012 (₹)	Current maturities of long-term debt - included in Other Current Liabilities (₹)	Interest Rate Range % p.a. as at Year End	Repayment Schedule
Secured Borrowings	Term Loans from Banks				
	Category I	155,300,000	4,000,000	3.50% to 8.00%	34 structured quarterly installments in a stepped up manner starting from Oct 2012 to March 2021 as prescribed in approved CDR Package.
	Category II	2,021,652,612	8,000,000	3.50%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category III	858,382,693	5,400,190	3.50%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category IV	452,828,124	2,914,063	3.50%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	<b>Total</b>	<b>3,488,163,429</b>	<b>20,314,253</b>		
	Term Loans from others	42,072,620	-	9.00%	No Specific Repayment Schedule has been prescribed by the Lendor.
	Vehicle Loans	782,651	2,143,251	8.00% to 13.50%	Equated Montly Installments as per specific repayment schedule predetermined in case of each vehicle loan.
	<b>Grand Total</b>	<b>3,531,018,700</b>	<b>22,457,504</b>		

## Notes forming part of the financial statements

### 3.3 Interest and Repayment Schedule for Long Term Borrowings: (Contd.)

Particulars	Type	As At March 31, 2012 (₹)	Current maturities of long-term debt - included in Other Current Liabilities (₹)	Interest Rate Range % p.a. as at Year End	Repayment Schedule
Unsecured Borrowings	Zero Coupon Bonds	38,500,000	-	0.00%	385 Bonds of the F.V. of ₹1,00,000/- each, redeemable after March 31, 2021 as per approved CDR Package.
	Deposits	72,662,524	-	0.00% to 19.20%	No Specific Repayment Schedule has been prescribed by the Lendor.
	Loans and advances from related parties	202,382,116	-	0.00% to 18.00%	No Specific Repayment Schedule has been prescribed by the Lendor.
	<b>Grand Total</b>	<b>313,544,640</b>	-		

### 3.4 Nature of Security for Long Term Secured Borrowings as on March 31, 2012:

Category of Loan	Nature of Security
Category I	Secured against the pari passu charge created on Non Exclusive movable and immovable fixed assets worth ₹ 50 Cr., situated at Bhachau (Kutch), Gujarat
Category II	Secured against the First pari passu Charge created by mortgage on all the existing and future fixed assets situated at Bhachau (Kutch), Bharuch and Mumbai (except for plant & machinery of Calcareous Line II) and second charge created by hypothecation of current assets of the Company and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category III	Secured against Exclusive charge on all the moveable assets including its moveable plant and machinery, spares, tools and accessories, both present and future assets of the project situated at Bhachau, Kutch on plant pertaining to Calcareous Line II. Additional Security by way of tertiary charge on the current assets and fixed assets both moveable and immovable, present and future, located at Bhachau (Kutch), Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category IV	Secured by way of tertiary charge on the current assets and fixed assets both moveable and immovable, present and future, located at Kutch, Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Term Loan from Others	Secured against the Keyman Insurance Policy of the Promoter.
Vehicle Loans	Secured against the Hypothecation of underlying Company owned vehicles

3.5 Installments falling due in respect of all the above Loans upto 31.03.2012 & 31.03.2013 as the case may be have been grouped under "Current maturities of long-term debt" under the head Other Current Liabilities. (Refer Note No.6.1)

### Note 4:- SHORT TERM BORROWINGS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>SECURED:</b>		
(a) Working Capital Loans from Banks	1,030,642,672	878,098,395
(b) Buyers Credit Arrangements	-	10,098,528
	<b>1,030,642,672</b>	<b>888,196,923</b>
<b>UNSECURED:</b>		
(a) Deposits	149,508,635	156,676,408
	<b>149,508,635</b>	<b>156,676,408</b>
<b>Total</b>	<b>1,180,151,307</b>	<b>1,044,873,331</b>

4.1 Working capital loan from banks and buyers credit arrangement are secured against the hypothecation of present and future stocks of Raw Materials, Stock-In-Process, Finished Goods, Stock-In-Trade, Stores & Spares, Consumables and Book Debts and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.



## Notes forming part of the financial statements

### Note 5:- TRADE PAYABLES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
Micro, Small and Medium Enterprises	4,025,761	4,522,931
Other	324,829,382	538,084,482
<b>Total</b>	<b>328,855,143</b>	<b>542,607,413</b>

5.1 The information of amounts outstanding to Micro, Small and Medium Enterprises has been determined to the extent such parties could be identified on the basis of the information available with the Company regarding the status of suppliers under the MSME.

5.2 No interest is paid / payable during the year to any enterprise registered under the MSME.

### Note 6:- OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Current maturities of long-term debt	294,859,784	22,457,504
(b) Interest accrued but not due on borrowings	-	107,733
(c) Interest accrued and due on borrowings	309,189,985	45,641,771
(d) Unclaimed dividends	167,087	167,087
(e) Borrowings to be Converted into Equity / Equity Convertible Instruments	-	181,526,806
(f) Other payables		
(I) Statutory remittances (Contributions to PF and ESIC, Excise Duty, VAT, Service Tax, etc.)	36,320,129	44,226,843
(ii) Payables on purchase of fixed assets	10,642,738	19,525,176
(iii) Trade / security deposits received	8,913,601	72,786,043
(iv) Advances from customers	18,194,741	26,406,996
(v) Book Overdraft in Bank Balance	466,363	821,448
<b>Total</b>	<b>678,754,428</b>	<b>413,667,407</b>

6.1 Current maturities of long-term debt (refer notes 3.1 to 3.4) in Note 3 - Long-term borrowings for details of rate of interest, repayment schedule, security and guarantee.

### Note 7:- SHORT TERM PROVISIONS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
Provision for employee benefits:		
(i) Provision for bonus	11,206,564	6,877,032
(ii) Provision for leave encashments	2,779,176	4,271,621
(iii) Provision for gratuity (net) (Refer Note 31)	6,545,823	5,963,657
<b>Total</b>	<b>20,531,563</b>	<b>17,112,310</b>

## Notes forming part of the financial statements

### Note 8:- FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	Cost as on 31-Mar-12	Additions	Deletions / Adjustment	Cost as on 31-Mar-13	Upto 31-Mar-13	For the Y. E. 31-Mar-13	Deletions /	On deletions	As on 31-Mar-13	As on 31-Mar-12
<b>Tangible Assets :</b>										
I Land - Freehold	46,837,112	-	-	46,837,112	-	-	-	-	46,837,112	46,837,112
II Building	868,592,713	5,427,638	-	874,020,351	121,402,134	26,142,932	-	147,545,066	726,475,285	747,190,579
III Plant & Machinery	4,593,189,714	21,301,239	8,825,134	4,605,665,819	1,006,116,582	236,751,254	7,853,713	1,235,014,123	3,370,651,696	3,587,073,132
IV Furniture & Fixtures	48,113,128	134,206	-	48,247,334	13,590,797	3,043,202	-	16,634,000	31,613,334	34,522,331
V Office Equipments	13,237,540	-	-	13,237,540	3,383,049	628,783	-	4,011,832	9,225,708	9,854,491
VI Vehicles	21,733,053	1,108,731	33,715	22,808,069	9,723,166	2,184,951	17,683	11,890,434	10,917,635	12,009,887
VII Computers	10,206,958	-	-	10,206,958	7,641,691	1,654,548	-	9,296,238	910,720	2,565,267
VIII Power Project	268,032,691	-	-	268,032,691	170,047,799	27,714,580	-	197,762,380	70,270,311	97,984,891
<b>Intangible Assets :</b>										
I Trademarks	10,000	-	-	10,000	10,000	-	-	10,000	-	-
<b>Grand Total</b>	<b>5,869,952,909</b>	<b>27,971,814</b>	<b>8,858,849</b>	<b>5,889,065,874</b>	<b>1,331,915,219</b>	<b>298,120,250</b>	<b>7,871,396</b>	<b>1,622,164,073</b>	<b>4,266,901,801</b>	<b>4,538,037,692</b>
Previous Year	5,627,590,455	312,749,164	70,386,710	5,869,952,909	1,058,486,465	292,359,534	18,930,782	1,331,915,217	4,538,037,691	4,569,103,991

### Note 9:- NON-CURRENT INVESTMENTS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Investments (At cost):</b>		
A. Other investments		
(a) Investment in equity instruments - Unquoted, fully paid up		
(i) of subsidiaries		
1,90,000 (As at 31 March, 2012: 1,90,000) shares of ₹ 10 each in Euro Merchandise (India) Limited	14,250,000	14,250,000
10,000 (As at 31 March, 2012: NIL) shares of ₹ 10 each in Subhnen Sanitaryware Private Limited	100,000	100,000
(ii) of other entities		
13,00,000 (As at 31 March, 2012: 13,00,000) shares of ₹ 10 each in Euro Glass Private Limited	13,000,000	13,000,000
35,075 (As at 31 March, 2012: 35,075) shares of ₹ 10 each in The Cosmos Co-Operative Bank Ltd. (Pledged with Bank)	350,750	350,750
	27,700,750	27,700,750
(b) Investment in government or trust securities		
6 Years National Savings Certificate (Deposited with Sales Tax Department)	10,000	10,000
(c) Investment in partnership firms		
M/s. Euro Realtors (Fixed Capital)	50,000	50,000
Share of Profit/Loss - 95% and Other Partner Dharmesh Gathani 5%		
<b>Total</b>	<b>27,760,750</b>	<b>27,760,750</b>

## Notes forming part of the financial statements

### Note 10:- LONG TERM LOANS AND ADVANCES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Unsecured, considered good</b>		
(a) Capital advances	898,763	10,743,157
(b) Security deposits	8,343,413	11,273,943
(c) Prepaid expenses	34,222,222	38,500,000
(d) Advance income tax ( Net of Provisions )	68,214,621	67,422,187
(e) MAT Credit Entitlement	53,263,683	53,263,683
<b>Total</b>	<b>164,942,702</b>	<b>181,202,970</b>

### Note 11:- INVENTORIES

(As Valued and Certified by Management)

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Raw Materials & Consumables	110,687,927	175,237,123
(b) Work-in-progress	50,119,535	115,409,962
(c) Finished goods (other than those acquired for trading)	152,958,149	226,815,058
(d) Stock-in-trade (acquired for trading)	17,577,865	25,073,607
(e) Stores and spares	62,178,510	72,004,195
(f) Power & Fuel	1,104,241	1,088,692
(g) Packing Materials	5,958,383	11,247,956
<b>Total</b>	<b>400,584,608</b>	<b>626,876,593</b>

#### 11.1 Details of Goods In Transit included in above inventories

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Raw Materials & Consumables	-	1,064,290
	-	<b>1,064,290</b>

#### 11.2 Details of inventory of work-in-progress

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Tiles	16,306,130	60,821,650
(b) Other items	33,813,406	54,588,312
	<b>50,119,535</b>	<b>115,409,962</b>

### Note 12:- TRADE RECEIVABLES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Unsecured and considered good</b>		
Outstanding for a period exceeding six months from the date they were due for payment	107,329,867	147,565,298
Less : Provision for Doubtful Debts	38,714,553	32,497,627
	68,615,314	115,067,671
Others	135,320,670	382,811,025
<b>Total</b>	<b>203,935,984</b>	<b>497,878,696</b>

## Notes forming part of the financial statements

### Note 13:- CASH AND BANK BALANCES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>(a) Cash and cash equivalents</b>		
(i) Balances with banks		
- In current accounts	4,495,221	8,980,489
(ii) Cash on hand	434,301	1,724,085
	4,929,521	10,704,574
<b>(b) Other Bank Balances</b>		
In earmarked accounts		
(i) Balances held as margin money or security against borrowings, guarantees and other commitments.	25,297,201	76,445,708
(ii) Unclaimed Dividend Account	202,051	202,051
<b>Total</b>	<b>30,428,773</b>	<b>87,352,333</b>

### Note 14:- SHORT TERM LOANS AND ADVANCES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Unsecured, considered good</b>		
(a) Loans and advances to related parties	711,027,842	771,542,723
(b) Loans and advances to employees	3,321,140	3,824,842
(c) Prepaid expenses	2,470,780	2,070,947
(d) Balances with government authorities		
(i) CENVAT credit receivable	3,812,163	3,486,412
(ii) VAT credit receivable	10,547,398	16,969,398
(iii) Service Tax credit receivable	4,253,004	3,054,066
(e) Others	30,858,922	48,886,571
<b>Total</b>	<b>766,291,249</b>	<b>849,834,959</b>

### Note 15:- OTHER CURRENT ASSETS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(i) Receivables on sale of fixed assets	-	258,767
(ii) Interest Accrued On Fixed Deposits	20,686	652,200
<b>Total</b>	<b>20,686</b>	<b>910,967</b>

### Note 16:- REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
(a) Sale of products (Refer Note 16.1 below)	882,361,819	1,942,135,574
(b) Sale of services (Refer Note 16.2 below)	16,402,569	1,564,650
(c) Other operating revenues (Refer Note 16.3 below)	(12,664,954)	(12,250,504)
	886,099,433	1,931,449,720
Less:		
(d) Excise duty	101,359,908	166,695,771
<b>Total</b>	<b>784,739,525</b>	<b>1,764,753,949</b>

## Notes forming part of the financial statements

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
<b>16.1 Sale of products comprises:</b>			
Manufactured goods			
a) Tiles		737,102,359	1,597,568,851
b) Others		127,814,061	292,780,847
<b>Total - Sale of manufactured goods</b>		<b>864,916,421</b>	<b>1,890,349,698</b>
Traded goods			
c) Others		17,445,398	51,785,875
<b>Total - Sale of traded goods</b>		<b>17,445,398</b>	<b>51,785,875</b>
<b>Total - Sale of products</b>		<b>882,361,819</b>	<b>1,942,135,573</b>
<b>16.2 Sale of services comprises:</b>			
a) Others		16,402,569	1,564,650
<b>Total - Sale of services</b>		<b>16,402,569</b>	<b>1,564,650</b>
<b>16.3 Other operating revenues comprise:</b>			
a) Sale of scrap		122,289	827,868
b) Export incentives on Advance Licenses and Focus Licenses		(12,787,243)	(13,078,372)
<b>Total - Other operating revenues</b>		<b>(12,664,954)</b>	<b>(12,250,504)</b>

## Note 17:- OTHER INCOME

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
(a) Interest income (Refer Note 17.1 below)		4,209,464	6,795,248
(b) Dividend income:			
others		-	20,000
(c) Net gain on foreign currency transactions and translation (other than considered as finance cost)		-	1,757,736
(d) Other non-operating income (net of expenses directly attributable to such income) (Refer Note 17.2 below)		971,811	28,175,242
<b>Total</b>		<b>5,181,275</b>	<b>36,748,226</b>

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
<b>17.1 Interest income comprises:</b>			
Interest from banks on:			
deposits		3,640,106	1,827,023
Interest on loans and advances		-	214,248
Interest on overdue trade receivables		569,358	-
Interest income from long term investments			
others		-	3,498,979
Interest on income tax refund		-	1,254,998
<b>Total - Interest income</b>		<b>4,209,464</b>	<b>6,795,248</b>

## Notes forming part of the financial statements

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
17.2 Other non-operating income comprises:		
Rental income from properties	971,811	2,491,630
Vat Refund	-	209,813
Profit on Sale of Fixed Assets	-	1,017,660
Liabilities / provisions no longer required written back	-	24,456,139
<b>Total - Other non-operating income</b>	<b>971,811</b>	<b>28,175,242</b>

## Note 18:- COST OF MATERIAL CONSUMED

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Opening stock	185,420,789	234,857,660
Add: Purchases	251,031,807	683,735,314
	436,452,596	918,592,974
Less: Closing stock	116,646,309	185,420,789
<b>Cost of material consumed</b>	<b>319,806,287</b>	<b>733,172,185</b>
Material consumed comprises:		
Clay	78,254,196	107,472,584
Feldsper	34,104,654	82,975,753
Quartz	1,870,664	6,537,333
Marble & Stone	29,728,705	87,803,747
Resin	39,827,298	46,832,718
Powder Chemicals	27,227,184	90,738,502
Aluminium Scrap	-	115,733,026
Binders & Others	9,380,980	9,930,844
Others	99,412,606	185,147,678
<b>Total</b>	<b>319,806,287</b>	<b>733,172,185</b>

## 18.1 Purchase of traded goods

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Sanitaryware	4,158,938	18,716,841
Tiles	1,726,674	5,495,202
<b>Total</b>	<b>5,885,612</b>	<b>24,212,043</b>



## Notes forming part of the financial statements

### 18.2 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Inventories at the end of the year:		
Finished goods	152,958,149	226,815,058
Work-in-progress	50,119,535	115,409,962
Stock-in-trade	17,577,865	25,073,607
	220,655,549	367,298,627
Inventories at the beginning of the year:		
Finished goods	226,815,058	439,303,522
Work-in-progress	115,409,962	116,448,165
Stock-in-trade	25,073,607	37,165,515
	367,298,627	592,917,202
<b>Net (increase) / decrease</b>	<b>146,643,078</b>	<b>225,618,575</b>

### Note 19:- EMPLOYEE BENEFIT EXPENSES

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Salaries and Wages	159,219,160	219,837,388
Contributions to provident and other funds	3,865,627	5,534,703
Staff welfare expenses	3,783,141	12,249,808
<b>Total</b>	<b>166,867,928</b>	<b>237,621,899</b>

### Note 20:- OTHER EXPENSES

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Consumption of stores and spare parts	30,070,458	33,411,393
Increase / (decrease) of excise duty on inventory	(7,347,212)	(19,838,366)
Power and fuel	301,078,200	465,766,044
Processing Charges	21,961,339	37,489,712
Rent	5,722,864	10,677,238
Repairs and maintenance - Buildings	-	852,224
Repairs and maintenance - Machinery	1,164,005	3,259,067
Repairs and maintenance - Others	5,216,017	6,340,006
Insurance	2,890,982	5,908,517
Rates and taxes	6,920,884	606,818
Travelling and conveyance	6,368,287	12,530,471
Freight and forwarding	17,292,031	47,544,338
Sales commission	27,982,582	39,994,449
Donations and contributions	-	52,500
Payments to auditors (Refer Note 19.1 below)	720,000	550,000
Loss on fixed assets sold / scrapped / written off	592,703	37,928,466
Bad Debts (Net) and Provision for Doubtful Debts	45,505,427	6,233,473
Share of Loss From Partnership Firm - M/s.Euro Realtors	18,582,539	-
Selling and Distribution Expenses	18,375,815	34,666,756
Miscellaneous expenses	21,921,576	28,361,793
<b>Total</b>	<b>525,018,496</b>	<b>752,334,900</b>

## Notes forming part of the financial statements

20.1 Payments to the auditors comprises (net of service tax input credit, where applicable):

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
As auditors - statutory audit	520,000	350,000
For taxation matters	150,000	150,000
For other services	50,000	50,000
<b>Total</b>	<b>720,000</b>	<b>550,000</b>

### Note 21:- FINANCE COSTS

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
(i) Interest expense on Borrowings	476,825,728	440,421,326
(ii) Interest expense on Others	11,544,745	9,304,584
(iii) Other borrowing costs	8,432,334	14,898,324
(vi) Net (gain) / loss on foreign currency transactions and translation (considered as finance cost)	2,135,048	-
<b>Total</b>	<b>498,937,855</b>	<b>464,624,234</b>

### Note 22:- CONTINGENT LIABILITIES

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	Bills Discounted with Banks	-	7,160,614
b.	Letter of Credit	-	19,317,417
c.	Bank Guarantees	255,000	42,994,000
d.	Guarantees given to the Banks for the loans taken by the Euro Merchandise (India) Ltd., (100 % Subsidiary)	162,000,000	322,000,000
e.	The Company has imported various Capital Goods under the Export Promotion Capital Goods Scheme (EPCG), of the Government of India, through various licenses, at concessional rates of Custom Duty on an undertaking to fulfill quantified exports within a period of eight years from the date of the respective licenses. The Custom Duty so saved amounts to ₹30,76,45,374/- (Previous Year ₹30,78,61,293/-) and the corresponding Export Obligation to be fulfilled is ₹1,71,03,91,974/- (Previous Year ₹ 1,72,50,51,747/-) as on the Balance Sheet date. If the said export is not made within the stipulated time period, the company is required to pay the said saved Custom Duty together with interest @15% p.a. Formal discharge from the obligation by the appropriate authorities is in progress in respect of some of the Licenses of which Export Obligation is entirely fulfilled by the close of the year.		

### Note 23 : CAPITAL COMMITMENTS

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
	Estimated amount of contracts remaining to be executed on capital account and not provided for.	-	-

## Notes forming part of the financial statements

**Note 24:- VALUES OF IMPORTED AND INDIGENOUS RAW MATERIALS, CONSUMABLES, STORES & SPARES, ETC. CONSUMED**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	Raw Materials & Consumables		
	-Imported	73,398,544 22.95%	265,277,181 36.18%
	-Indigenous	246,407,743 77.05%	467,895,004 63.82%
		<b>319,806,287</b>	<b>733,172,185</b>
b.	Stores and Spares		
	-Imported	8,212,208 27.31%	7,043,978 21.08%
	-Indigenous	21,858,250 72.69%	26,367,415 78.92%
		<b>30,070,458</b>	<b>33,411,393</b>

**Note 25 :- VALUES OF IMPORTS ON CIF BASIS IN RESPECT OF :**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	Raw Materials & Consumables	35,627,531	152,939,927
b.	Stores & Spares	7,590,235	3,425,369
c.	Capital Goods	1,927,852	2,699,974
d.	Trading Goods	-	3,933,142

**Note 26 :- EXPENDITURE IN FOREIGN CURRENCY**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	Foreign Traveling Expenses	668,032	1,690,347
b.	Commission	256,835	2,699,258
c.	Exhibition Expenses & Other Expenses	-	3,204,097

**Note 27:- EARNINGS IN FOREIGN CURRENCY**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	FOB value of Exports (excluding sales to SEZ)	18,249,362	122,557,924

## Notes forming part of the financial statements

**Note 28:- DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
(a)	Unhedged Foreign Currency Exposure :		
I	Outstanding Creditors for Purchase of Raw Material, Consumables & Spares	USD 580,053.57	USD 728,475.66
II	Outstanding Creditors for Purchase of Raw Material, Consumables & Spares	EURO 99,787.78	EURO 97,948.78
III	Outstanding Creditors for Capital Goods	EURO 49,000.00	EURO 49,000.00
IV	Outstanding Debtors	USD 179,002.90	USD 519,446.50
V	Advance to Creditors for Purchase of Raw Material, Consumables & Spares	USD 22,266.20	USD 24,094.10
VI	Advance to Creditors for Purchase of Raw Material, Consumables & Spares	EURO -----	EURO 4,047.00
VII	Advance to Creditors for Capital Goods	USD -----	USD 10,560.00
VIII	Advance from Debtors	USD 4,526.24	USD 63,880.95
IX	Buyers Credit	USD -----	USD 199,715.77

**Note 29:- EARNINGS PER SHARE**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
(a.)	<b>Earnings per share</b>		
	Basic		
	Net profit / (loss) for the year	(1,069,998,798)	(932,210,511)
	Weighted average number of equity shares	27,818,192	26,428,134
	Par value per share	10/-	10/-
	<b>Earnings per share - Basic</b>	<b>(38.46)</b>	<b>(35.27)</b>
(b.)	<b>Diluted</b>		
	Net profit / (loss) for the year	(1,068,234,798)	(932,210,511)
	Weighted average number of equity shares	31,154,330	26,428,134
	Par value per share	10/-	10/-
	<b>Earnings per share - Basic</b>	<b>(34.29)</b>	<b>(35.27)</b>

**Note 30:- MAJOR COMPONENT OF DEFERRED TAX LIABILITY**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
	Depreciation	146,794,651	146,794,651
	Expenditure / Provisions Disallowable	5,597,405	5,597,405
		<b>152,392,056</b>	<b>152,392,056</b>

The Company has not provided for Deferred Tax Liability / Assets for the financial year 2012-13 on account of absence of virtual certainty of future taxable profit and brought forward business losses and depreciation under the Income Tax Act.

## Notes forming part of the financial statements

Note 31:- DISCLOSURE PURSUANT TO ACCOUNTING STANDARD (AS-15) (REVISED)			
a.	Defined Contribution Plan : The Company has recognized the following amounts in statement of Profit & Loss		
	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
	Employer's Contribution to Provident Fund	3,757,836	5,534,703
	Employer's Contribution to Employees' State Insurance	99,913	166,358
b.	Defined Benefit Plan : Gratuity The Company has Group Gratuity Policy managed by LIC and SBI Life Insurance Co. Ltd., the below mentioned disclosure have been obtained from them:		
	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	<b>Changes in the present value of obligations</b>		
	Present value of obligations as at Beginning of the year	9,827,349	9,646,584
	Interest cost	689,607	705,235
	Current Service Cost	1,711,850	2,238,087
	Benefits Paid	(2,521,619)	(1,662,290)
	Actuarial (Gain)/Loss on obligations	(1,473,907)	(1,100,267)
	Present value of obligations as at End of the year	8,233,280	9,827,349
b.	<b>Changes in the fair value of plan assets</b>		
	Fair value of plan assets at Beginning of the year	3,863,693	5,229,140
	Expected return on plan assets	211,334	419,505
	Employer's Contributions	24,234	4,316
	Benefits paid	(2,521,619)	(1,662,290)
	Actuarial Gain / (Loss) on Plan assets	109,815	(126,978)
	Fair value of plan assets at End of the year	1,687,457	3,863,693
c.	<b>Table showing fair value of plan assets</b>		
	Fair value of plan assets at Beginning of the year	3,863,693	5,229,140
	Actual return on plan assets	321,149	292,527
	Contributions	24,234	4,316
	Benefits Paid	(2,521,619)	(1,662,290)
	Fair value of plan assets at End of the year	1,687,457	3,863,693
	Funded status	(6,545,823)	(5,963,656)
	Excess of Actual over estimated return on plan assets	NIL	NIL
	(Actual rate of return = Estimated rate of return as ARD falls on March 31)		
d.	<b>Actuarial Gain/Loss recognized</b>		
	Actuarial Gain/(Loss) for the year –Obligation	1,473,907	1,100,267
	Actuarial Gain/(Loss) for the year - plan assets	109,815	(126,978)
	Total Gain/(Loss) for the year	1,583,722	973,289
	Actuarial Gain/(Loss) recognized in the year	1,583,722	973,289
e.	<b>The amounts to be recognized in the balance sheet and statements of profit and loss</b>		
	Present value of obligations as at the end of the year	8,233,280	9,827,349
	Fair value of plan assets as at the end of the year	1,687,457	3,863,693
	Funded status	6,545,823	5,963,656
	Net Asset/(Liability) to be recognized in balance sheet	(6,545,823)	(5,963,656)
	-Current Liability	-	-
	-Non Current Liability	(6,545,823)	(5,963,656)
f.	<b>Expenses Recognized in statement of Profit &amp; Loss</b>	<b>6,570,057</b>	<b>5,967,972</b>
g.	<b>Principal Actuarial Assumptions used at the Balance Sheet Date</b>		
	Discount Rate	8.00%	8.00%
	Salary Escalation	5.00%	5.00%

## Notes forming part of the financial statements

**Note 32 :- DISCLOSURE IN RESPECT OF RELATED PARTIES PURSUANT TO ACCOUNTING STANDARD 18:**

(a)	Subsidiary			
	Euro Merchandise (India) Limited			
	Subhnen Sanitaryware Private Limited			
(b)	Name of the enterprises having same Key Management Personnel and/or their relatives as the Reporting enterprises:			
	Eurobond Industries Private Limited	Euro Flooring Pvt. Ltd.	Euro Décor Pvt. Ltd	
	Euro Multivision Ltd	Euro Developers Pvt. Ltd.	Subhnen Ply Pvt. Ltd.	
	Euro Pratik Ispat Pvt. Ltd.	Euro Solo Energy Systems Pvt. Ltd.	Euro India Cylinders Ltd.	
	Subhnen Finance & Investments Pvt Ltd.	Euro Glass Pvt. Ltd.	Kanch Ghar	
	Neelam Metal	Laxmi Ply Agency	Metro Stationery Mart	
	Neelam Ply & Laminates	NLS Enterprise Pvt Ltd.	Gurukul Enterprises Pvt. Ltd.	
	Tangent Furniture Pvt Ltd	Lyons Technologies Ltd	Ladhabhai Sanganbhai Gala Charitable Trust	
	Monex Stationers	Disti Multimedia & Communications Pvt Ltd	Vaman International (P) Ltd.	
	National Ply & Laminates	Zenith Corporation	Nova Enterprises	
	National Laminate Corporation	Gala Enterprises	Euro Foundation	
	Euro Conventional Energy Pvt. Ltd.	Canbara Constructions Pvt. Ltd.	Euro Solar Power Pvt. Ltd.	
	Euro Buildtech LLP	Euro Realtors	Maxim Enterprises	
	Link Estate Pvt. Ltd.	Euro Steel & Minerals	Euro Polaad Minerals & Steel LLP	
	Rahul Sales	Subhnen Realtors LLP	Jainy Glass & Veneer	
	Janata Industries	Drashti Veneers	Euro Pallets Pvt. Ltd.	
	Laxmi Laminates			
	(c)	Relatives of Key Management Personnel:		
		Nenshi L. Shah H.U.F.	Shantilal L. Shah H.U.F.	Laljbhai K. Shah H.U.F.
		Pinank N. Shah H.U.F.	Hitesh S. Shah H.U.F.	Dhaval S. Shah H.U.F.
		Manjari H. Shah	Hitesh S. Shah	Sushila H. Gala
		Nitesh P. Shah	Jayantilal Nishar	Rekhaben Nishar
		Dhaval L. Shah	Forum D. Shah	Kasturben T. Nandu
		Shantaben L. Shah	Urmi P. Shah	Viral T. Nandu
		Sonalben L. Shah	Parag K. Shah	Gunvantiben N. Shah
Pinank N. Shah		Shantilal L. Shah	Laljbhai K. Shah	
Parita V. Nandu		Anish K. Shah	Dimple A. Shah	
Dhruti P. Shah		Hiral M. Shah	Mahek H. Shah	
(d)	Key Management Personnel:			
	Nenshi L. Shah	Kumar P. Shah	Talakshi L. Nandu	Paresh K. Shah
	Amit G. Shah	Anil M. Mandevia	Mahendra V. Modi	Ajit B. Nalaviya
	Deepak G. Savla	Shivaji K. Vikamsey	Raichand K. Shah	Shantilal L. Shah



## Notes forming part of the financial statements

(Amount in ₹)

Nature of Transactions	Subsidiary	Enterprises having common Key Management Personnel	Relative of the Key Management Personnel	Key Management Personnel
Sales Service and other income	29,900,042 (36,018,120)	(3,889,390) (218,245,490)	----- (-----)	----- (-----)
Sale Of Fixed Assets	----- (-----)	----- (-----)	----- (-----)	----- (-----)
Purchase of goods and services	323,249 (28,479,856)	7,046,461 (105,686,565)	----- (-----)	----- (-----)
Purchase of fixed assets	----- (-----)	23,931,412 (-----)	----- (-----)	----- (-----)
Donation	----- (-----)	----- (-----)	----- (-----)	----- (-----)
Director's Remuneration/Sitting Fees	----- (-----)	----- (-----)	1,080,000 (2,230,000)	9,650,000 (9,652,500)
Interest Received	----- (-----)	----- (3,035,243)	----- (-----)	----- (-----)
Interest Paid/Payable	----- (-----)	2,233,857 (9,889,671)	----- (-----)	----- (8,497,713)
Loans/Advances Taken	----- (-----)	----- (100,682,772)	20,701,026 (-----)	----- (217,320,000)
Loans/Advance Repaid	----- (-----)	16,415,000 (14,188,585)	----- (-----)	600,000 (199,976,000)
Loans/Advances Given	----- (1,600,000)	825,000 (25,630,000)	----- (-----)	----- (-----)
Loans/Advance Received Back	----- (1,600,000)	512,000 (10,850,000)	----- (-----)	----- (-----)
<b>Outstanding balance as at March 31, 2013:</b>				
Loans Payable	----- (-----)	106,423,106 (120,997,606)	20,701,026 (-----)	120,383,107 (120,795,767)
Loans Receivable	----- (11,533,409)	707,902,861 (726,160,400)	----- (-----)	----- (-----)
Amount Receivable	26,631,649 (4,441,348)	25,292,981 (82,931,653)	----- (-----)	----- (-----)
Amount Payable	----- (-----)	----- (3,328,049)	86,900 (45,000)	383,000 (-----)

**Note 33:-** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

**Note 34:-** The Company does not have a Company Secretary as required under the provision of Section 383A of the Companies Act, 1956. The Company is in the process of appointing a whole time Company Secretary as required by the provision of Section 383A of the Companies Act, 1956.

## 35 SEGMENTWISE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2013 - PURSUANT TO ACCOUNTING STANDARD - 17

## I) PRIMARY SEGMENTS - BUSINESS

	Tiles Division		Aluminium Division		Sanitaryware Division		Realty Division		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
a) Segmental Revenue										
Sales to External Customers	827,714,258	1,596,872,009	53,634	147,957,787	159,691,449	186,619,923	-	-	987,459,341	1,931,449,719
Less : Excise Duty	84,591,406	139,378,139	5,673	13,673,190	16,762,829	13,644,442	-	-	101,359,908	166,695,771
	743,122,852	1,457,493,870	47,961	134,284,597	142,928,620	172,975,481	-	-	886,099,433	1,764,753,948
Inter-Segmental Revenue	-	-	-	-	-	-	-	-	-	-
Total Segmental Revenue	743,122,852	1,457,493,870	47,961	134,284,597	142,928,620	172,975,481	-	-	886,099,433	1,764,753,948
b) Segmental Results (PBIT)	(397,404,604)	(184,550,250)	(2,734,130)	(3,882,959)	(41,286,920)	(125,152,469)	(242,927)	(475,950)	(441,668,580)	(314,061,628)
Less: Interest & Finance Charges								(934,261,923)	492,593,343	464,624,234
									(778,685,862)	
Less: Unallocable Expenses Net of Unallocable Income									135,736,877	149,755,330
Profit Before Tax & Exceptional Items									(1,069,998,800)	(928,441,192)
Loss / (Gain) due to Exceptional Items									-	-
Profit Before Tax									(1,069,998,800)	(928,441,192)
Less: Provision for Current Tax									-	-
Add: MAT Credit									-	-
Less: Earlier Years Excess/Short Provision									-	3,769,318
Less: Provision for Deferred Tax									-	-
Profit After Tax									(1,069,998,800)	(932,210,510)
c) Carrying amount of Segmental Assets	4,636,309,891	5,221,619,106	26,190,930	88,815,531	1,183,350,818	1,247,227,457	707,902,861	701,542,115	6,553,754,500	7,259,204,209
Unallocated Assets									979,024,674	932,314,518
Total Assets									7,532,779,174	8,191,518,727
d) Carrying amount of Segmental Liabilities	2,887,092,496	3,102,212,456	1,475,756	67,531,163	36,439,537	29,677,346	446,026	203,099	2,925,453,815	3,199,624,065
Unallocated Liabilities									3,158,272,414	2,815,591,793
Total Liabilities									6,083,726,229	6,015,215,857
e) Cost incurred to acquire Segment Fixed Assets during the year	2,425,995	30,679,740	-	2,647,244	-	98,400	-	-	2,425,995	33,425,384
Unallocated Assets									27,866,814	8,255,516
f) Depreciation / Amortization	205,952,714	201,613,002	2,572,573	2,481,042	48,231,715	48,360,383	-	-	256,757,002	252,454,427
Unallocated depreciation									41,363,248	39,905,107

Note : There are no inter segment transactions in the previous year as well as in current year.

## II) PRIMARY SEGMENTS - GEOGRAPHICAL

	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
The Company's operating facilities are located in India		
Domestic Revenues	824,032,323	1,610,830,350
Export Revenues	62,067,111	153,923,599
<b>TOTAL</b>	<b>886,099,433</b>	<b>1,764,753,949</b>

## Independent Auditor's Report On Consolidated Financial Statement

### To The Members of EURO CERAMICS LIMITED

We have audited the accompanying consolidated financial statements of EURO CERAMICS LIMITED ('the Company'), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

1. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements as notified by the Companies (Accounting Standard) Rules, 2006.
2. We further report that on the basis of the information and explanations given to us, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :-
  - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
  - ii. in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
  - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**DEEPAK MARU & CO.**  
**Chartered Accountants**  
 Firm Registration No:115678W

Place: MUMBAI  
 Date: MAY 30, 2013

**(CA JAYMIN P. SHAH)**  
 Membership No:118113

**Consolidated Balance Sheet as at March 31, 2013**

Particulars	Note No.	As at March 31, 2013	As at March 31, 2012
		₹	₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share Capital	1	285,780,120	264,281,340
(b) Reserves and Surplus	2	(657,978,327)	441,584,237
		(372,198,207)	705,865,577
<b>Non-current liabilities</b>			
(a) Long-term borrowings	3	3,738,285,580	3,847,471,081
(b) Deferred tax liabilities (net)		152,392,056	152,392,056
		3,890,677,636	3,999,863,137
<b>Current liabilities</b>			
(a) Short-term borrowings	4	1,430,101,104	1,276,157,165
(b) Trade payables	5	357,528,372	545,336,412
(c) Other current liabilities	6	699,345,443	458,029,954
(d) Short-term provisions	7	21,583,282	18,026,196
		2,508,558,202	2,297,549,727
<b>TOTAL</b>		<b>6,027,037,630</b>	<b>7,003,278,441</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	8	4,270,913,789	4,542,409,456
(ii) Capital work-in-progress		49,748,563	49,748,563
		4,320,662,352	4,592,158,019
(b) Non-current investments	9	13,510,750	13,510,750
(c) Long-term loans and advances	10	164,948,702	181,208,970
		4,499,121,804	4,786,877,739
<b>Current assets</b>			
(a) Inventories	11	466,520,565	705,930,736
(b) Trade receivables	12	195,635,934	521,239,603
(c) Cash and Bank Balances	13	36,554,839	92,491,753
(d) Short-term loans and advances	14	826,358,360	893,601,607
(e) Other current assets	15	2,846,128	3,137,002
		1,527,915,826	2,216,400,701
<b>TOTAL</b>		<b>6,027,037,630</b>	<b>7,003,278,441</b>
<b>Significant Accounting Policies and Notes on Financial Statements forming part of the financial statements</b>	1-29		

In terms of our report attached.

For and on behalf of the Board of Directors

**For DEEPAK MARU & CO.**

Chartered Accountants

Firm Regn. No.:115678W

**(CA Jaymin P. Shah)**  
**Partner**

Mem. No.118113

**NENSHI L. SHAH**  
(Chairman & Managing Director)**PARESH K. SHAH**  
(Director)Place : Mumbai  
Date : May 30, 2013Place : Mumbai  
Date : May 30, 2013

**Consolidated Statement of Profit and Loss for the year ended March 31, 2013**

Particulars	Note No.	For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
CONTINUING OPERATIONS			
Revenue from operations (gross)	16	1,004,255,374	2,021,356,437
Less: Excise duty		101,359,908	166,695,771
		902,895,466	1,854,660,666
Other income	17	8,118,346	36,661,241
Revenue from operations (net)		911,013,813	1,891,321,907
Expenses			
(a) Cost of materials consumed	18	319,534,444	711,668,068
(b) Purchases of stock-in-trade	18.1	18,530,397	96,406,822
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	18.2	159,761,264	271,837,892
(d) Employee benefits expense	19	173,778,806	257,061,296
(e) Other expenses	20	535,911,391	788,301,102
Total		1,207,516,302	2,125,275,180
Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortisation (EBITDA)			
Finance costs	21	(296,502,489) 536,051,633	(233,953,273) 499,999,916
Depreciation and amortisation expense	8	298,480,028	292,720,074
Profit / (Loss) before exceptional and extraordinary items and tax		(1,131,034,151)	(1,026,673,263)
Exceptional items		-	-
Profit / (Loss) before extraordinary items and tax		(1,131,034,151)	(1,026,673,263)
Extraordinary items		-	-
Profit / (Loss) before tax		(1,131,034,151)	(1,026,673,263)
Tax expense:			
(a) Current tax expense for current year		-	-
(b) (Less): MAT credit (where applicable)		-	-
(c) Current tax expense relating to prior years		(470,346)	3,769,318
(d) Net current tax expense		(470,346)	3,769,318
(e) Deferred tax		-	-
		(470,346)	3,769,318
Profit / (Loss) for the year		(1,130,563,805)	(1,030,442,579)

In terms of our report attached.

**For DEEPAK MARU & CO.**

Chartered Accountants

Firm Regn. No.:115678W

**For and on behalf of the Board of Directors****NENSHI L. SHAH**

(Chairman &amp; Managing Director)

**PARESH K. SHAH**

(Director)

**(CA Jaymin P. Shah)****Partner**

Mem. No.118113

Place : Mumbai

Date : May 30, 2013

Place : Mumbai

Date : May 30, 2013

## Consolidated Cash Flow Statement for the year ended March 31, 2013

Particulars	For the year ended March 31, 2013		For the year ended March 31, 2012	
	₹	₹	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit before tax		(1,131,034,151)		(1,026,673,261)
Adjustments for :				
Depreciation	298,480,028		292,720,074	
Finance Costs	536,051,633		499,999,915	
Interest Income	(5,379,714)		(7,688,263)	
Dividend Income	(15,000)		(40,000)	
Rent Income	(971,811)		(1,491,630)	
Amenity Income	(345,800)		-	
(Profit) On Sale Of Fixed Assets	-		(1,017,660)	
Loss On Sale Of Fixed Assets	592,703	828,412,040	37,928,466	820,410,902
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>(302,622,111)</b>		<b>(206,262,359)</b>
Adjustments for :				
Decrease / (Increase) in Trade & Other Receivables	408,742,851		314,237,945	
Decrease / (Increase) in Inventories	239,410,171		329,085,916	
Increase / (Decrease) in Trade and other payables	57,070,153	705,223,175	(186,279,414)	457,044,447
<b>CASH GENERATED FROM OPERATIONS</b>		<b>402,601,064</b>		<b>250,782,088</b>
Direct Taxes Paid/(Refund) (net)		(1,125,554)		(11,837,514)
<b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>		<b>403,726,618</b>		<b>262,619,602</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
(Purchase) of Fixed Assets including Capital Work in Progress	(27,977,432)		(47,615,252)	
Sales Proceeds from Sale of Fixed Assets	394,750		14,545,125	
Interest Income	5,379,714		7,688,263	
Dividend Income	15,000		40,000	
Rent Income	971,811		1,491,630	
Amenity Income	345,800		-	
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(20,870,357)</b>		<b>(23,850,234)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Borrowings	153,943,939		515,650,262	
Repayments of Borrowings	(235,185,498)		(219,570,596)	
Proceeds from Issue of Equity Shares	52,500,020		-	
Proceeds from Issue of Compulsorily Convertible Debentures	125,999,997		-	
Finance Costs	(536,051,633)		(499,999,915)	
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>		<b>(438,793,176)</b>		<b>(203,920,249)</b>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>		<b>(55,936,915)</b>		<b>34,849,118</b>
CASH AND CASH EQUIVALENTS (OPENING BALANCE)		92,491,753		57,642,635
<b>CASH AND CASH EQUIVALENTS (CLOSING BALANCE)</b>		<b>36,554,839</b>		<b>92,491,753</b>

**Notes:**

(i) Cash and Cash Equivalent includes all the cash and bank balances.

(ii) These earmarked account balances with banks can be utilised only for the specific identified purposes.

**See accompanying notes forming part of the financial statements**

In terms of our report attached.

**For DEEPAK MARU & CO.**

Chartered Accountants

Firm Regn. No.:115678W

**(CA Jaymin P. Shah)**
**Partner**

Mem. No.118113

Place : Mumbai

Date : May 30, 2013

**NENSHI L. SHAH**

(Chairman &amp; Managing Director)

**PARESH K. SHAH**

(Director)

Place : Mumbai

Date : May 30, 2013



## Notes forming part of the Consolidated Financial Statements for the Year Ended March 31, 2013

### SIGNIFICANT ACCOUNTING POLICIES

#### A Basis of Consolidation

- i The consolidated financial statements (CFS) comprises of the financial statements of Euro Ceramics Limited (the Company) and its subsidiaries.
- ii The details of subsidiaries are as under :
- | Name                           | Incorporated in | % of holding |
|--------------------------------|-----------------|--------------|
| Euro Merchandise (Inida) Ltd.  | India           | 100 %        |
| Subhnen Sanitaryware Pvt. Ltd. | India           | 100 %        |
- iii The financial statements of the Company and its Subsidiary Company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-company balances, intra-company transactions and unrealized profits or losses in accordance with Accounting Standard –21 'Consolidated Financial Statements', issued by the Institute Of Chartered Accountants of India.
- iv Both the Companies are a wholly owned subsidiaries of the Company and therefore, the information pertaining to minority shareholders is not applicable in respect thereof.
- v 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.

#### B Accounting Policies

As far as possible, the consolidated financial statements are prepared using uniform accounting policies, except stated otherwise, for like transactions and are presented to the extent possible, in the same manner as the Company's separate financial statements.

## Notes forming part of the consolidated financial statements

### Note 1:- SHARE CAPITAL

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number of shares	₹	Number of shares	₹
(a) Authorised Equity shares of ₹ 10 each	35,000,000	350,000,000	35,000,000	350,000,000
(b) Issued, Subscribed and fully paid up Equity shares of ₹ 10 each	28,578,012	285,780,120	26,428,134	264,281,340
<b>Total</b>	<b>28,578,012</b>	<b>285,780,120</b>	<b>26,428,134</b>	<b>264,281,340</b>

#### Terms and Rights attached to the Equity Shares:

The Company has only one class of equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. No Dividends were proposed by the Board of Directors for the financial year 2012-2013 / 2011-2012. In the event of liquidation of the company, equity shareholders will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution shall be in proportion to the number of equity shares held by them.

#### 1.1 Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Add: Shares issued during the year	Closing Balance
Equity shares with voting rights Year ended March 31, 2013			
- Number of shares	26,428,134	2,149,878	<b>28,578,012</b>
- Amount (₹)	264,281,340	21,498,780	<b>285,780,120</b>
Year ended March 31, 2012			
- Number of shares	17,100,000	9,328,134	<b>26,428,134</b>
- Amount (₹)	171,000,000	93,281,340	<b>264,281,340</b>

#### 1.2 Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March, 2013		As at 31 March, 2012	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
<b>Equity shares with voting rights</b>				
Dharmesh Kishor Gathani Jointly with Deena Kishor Gathani	6,753,767	23.63%	6,753,767	25.56%
ICICI Bank Ltd.	4,971,378	17.40%	-	-
Milankumar Dhirajlal Mehta	2,477,579	8.67%	2,477,579	9.37%
Inventure Finance Private Limited	-	-	1,561,660	5.91%
Nenshi Ladhahbai Shah	1,485,440	5.20%	1,485,440	5.62%
Talakshi Lakhamshi Nandu	-	-	1,423,760	5.39%

#### 1.3 Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash, bonus shares and shares bought back for the period of 5 years immediately preceding the Balance Sheet date:

Particulars	Aggregate number of shares	
	As at 31 March, 2013	As at 31 March, 2012
Equity shares with voting rights		
Shares out of the issued, subscribed and paid-up share capital were allotted pursuant to Scheme of Demerger without payments being received in cash.	9,328,134	-
Fully paid up by way of bonus shares	-	-
Shares bought back	-	-

## Notes forming part of the consolidated financial statements

### Note 2:- RESERVES & SURPLUS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Capital reserve (on Demerger)		
Opening balance	49,728,952	49,728,952
Add: Additions during the year	-	-
Less: Utilised / transferred during the year	-	-
Closing balance	49,728,952	49,728,952
(b) Capital reserve (on Consolidation)		
Opening balance	2,098,827	2,098,827
Add: Additions during the year	-	-
Less: Utilised / transferred during the year	-	-
Closing balance	2,098,827	2,098,827
(c) Securities premium account		
Opening balance	991,255,534	991,255,534
Add : Premium on shares issued during the year	31,001,240	-
Less : Utilised during the year	-	-
Closing balance	1,022,256,774	991,255,534
(d) General reserve		
Opening balance	10,000,000	10,000,000
Add: Transferred from surplus in Statement of Profit and Loss	-	-
Less: Utilised / transferred during the year	-	-
Closing balance	10,000,000	10,000,000
(e) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	(611,499,076)	418,943,503
Add: Profit / (Loss) for the year	(1,029,203,897)	(1,030,442,579)
Less: Appropriations	-	-
Closing balance	(1,640,702,972)	(611,499,076)
<b>Total (a + b + c + d + e)</b>	<b>(556,618,419)</b>	<b>441,584,237</b>

### Note 3:- LONG TERM BORROWINGS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>SECURED:</b>		
(a) Term loans		
(i) From banks	3,219,530,827	3,488,163,429
(ii) From others	42,072,620	42,072,620
	3,261,603,447	3,530,236,049
(b) Vehicle Loans	743,227	782,651
<b>Total</b>	<b>3,262,346,674</b>	<b>3,531,018,700</b>
<b>UNSECURED:</b>		
(a) Zero Coupon Bonds	38,500,000	38,500,000
(b) Compulsorily Convertible Debentures (CCD)	125,999,997	-
(c) Deposits	90,933,215	72,662,524
(d) Loans and advances from related parties	220,505,694	205,289,857
<b>Total</b>	<b>475,938,906</b>	<b>316,452,381</b>
<b>Total (Secured + Unsecured)</b>	<b>3,738,285,580</b>	<b>3,847,471,081</b>

## Notes forming part of the consolidated financial statements

### 3.1 Interest and Repayment Schedule for Long Term Borrowings:

Particulars	Type	As At March 31, 2013 (₹)	Current maturities of long-term debt - included in Other Current Liabilities (₹)	Interest Rate Range % p.a. as at Year End	Repayment Schedule
Secured Borrowings	Term Loans from Banks :				
	Category I	147,352,500	11,947,500	8.00% to 9.00%	34 structured quarterly installments in a stepped up manner starting from Oct 2012 to March 2021 as prescribed in approved CDR Package.
	Category II	1,870,317,099	160,737,500	9.00%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category III	793,576,854	66,996,746	9.00%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category IV	408,284,374	73,359,017	9.00% to 12.00%	38 to 47 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	<b>Total</b>	<b>3,219,530,827</b>	<b>313,040,763</b>		
	Term Loans from others	42,072,620	-	9.00%	No Specific Repayment Schedule has been prescribed by the Lender.
	Vehicle Loans	743,227	783,309	8.00% to 13.50%	Equated Monthly Installments as per specific repayment schedule predetermined in case of each vehicle loan.
	<b>Grand Total</b>	<b>3,262,346,674</b>	<b>313,824,072</b>		
Unsecured Borrowings	Zero Coupon Bonds	38,500,000	-	0.00%	385 Bonds of the F.V. of ₹ 1,00,000/- each, redeemable after March 31, 2021 as per approved CDR Package.
	Compulsorily Convertible Debentures (CCD)	125,999,997	-	2.00%	51,59,705 CCDs of the F.V. of ₹ 24.42/- each, convertible within 18 months from the date of issue of the same into an even number of fully paid Equity Shares as per approved CDR Package.
	Deposits	90,933,215	-	0.00% to 18.00%	No Specific Repayment Schedule has been prescribed by the Lender.
	Loans and advances from related parties	220,505,694	-	0.00% to 18.00%	No Specific Repayment Schedule has been prescribed by the Lender.
	<b>Grand Total</b>	<b>475,938,906</b>	<b>-</b>		

## Notes forming part of the consolidated financial statements

### 3.2 Nature of Security for Long Term Secured Borrowings as on March 31, 2013:

Category of Loan	Nature of Security
Category I	Secured against the pari passu charge created on Non Exclusive movable and immovable fixed assets worth ₹ 50 Cr., situated at Bhachau (Kutch), Gujarat
Category II	Secured against the First pari passu Charge created by mortgage on all the existing and future fixed assets situated at Bhachau (Kutch), Bharuch and Mumbai (except for plant & machinery of Calcareous Line II) and second charge created by hypothecation of current assets of the Company and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category III	Secured against Exclusive charge on all the moveable assets including its moveable plant and machinery, spares, tools and accessories, both present and future assets of the project situated at Bhachau, Kutch on plant pertaining to Calcareous Line II. Additional Security by way of tertiary charge on the current assets and fixed assets both moveable and immovable, present and future, located at Bhachau (Kutch), Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category IV	Secured by way of tertiary charge on the current assets and fixed assets both moveable and immovable, present and future, located at Kutch, Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Term Loan from Others	Secured against the Keyman Insurance Policy of the Promoter.
Vehicle Loans	Secured against the Hypothecation of underlying Company owned vehicles

### 3.3 Interest and Repayment Schedule for Long Term Borrowings :

Particulars	Type	As At March 31, 2012 (₹)	Current maturities of long-term debt - included in Other Current Liabilities (₹)	Interest Rate Range % p.a. as at Year End	Repayment Schedule
Secured Borrowings	Term Loans from Banks				
	Category I	155,300,000	4,000,000	3.50% to 8.00%	34 structured quarterly installments in a stepped up manner starting from Oct 2012 to March 2021 as prescribed in approved CDR Package.
	Category II	2,021,652,612	8,000,000	3.50%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category III	858,382,693	5,400,190	3.50%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	Category IV	452,828,124	2,914,063	3.50%	38 structured quarterly installments in a stepped up manner starting from Oct 2011 to March 2021 as prescribed in approved CDR Package.
	<b>Total</b>	<b>3,488,163,429</b>	<b>20,314,253</b>		
	Term Loans from others	42,072,620	-	9.00%	No Specific Repayment Schedule has been prescribed by the Lender.
	Vehicle Loans	782,651	2,143,251	8.00% to 13.50%	Equated Monthly Installments as per specific repayment schedule predetermined in case of each vehicle loan.
	<b>Grand Total</b>	<b>3,531,018,700</b>	<b>22,457,504</b>		

## Notes forming part of the consolidated financial statements

### 3.3 Interest and Repayment Schedule for Long Term Borrowings: (Contd.)

Particulars	Type	As At March 31, 2012 (₹)	Current maturities of long-term debt - included in Other Current Liabilities (₹)	Interest Rate Range % p.a. as at Year End	Repayment Schedule
Unsecured Borrowings	Zero Coupon Bonds	38,500,000	-	0.00%	Redeemable after March 31, 2021 as per approved CDR Package.
	Deposits	90,933,215	-	0.00% to 19.20%	No Specific Repayment Schedule has been prescribed by the Lender.
	Loans and advances from related parties	220,505,694	-	0.00% to 18.00%	No Specific Repayment Schedule has been prescribed by the Lender.
	<b>Grand Total</b>	<b>349,938,909</b>	-		

### 3.4 Nature of Security for Long Term Secured Borrowings as on March 31, 2012:

Category of Loan	Nature of Security
Category I	Secured against the pari passu charge created on Non Exclusive movable and immovable fixed assets worth ₹ 50 Cr., situated at Bhachau (Kutch), Gujarat
Category II	Secured against the First pari passu Charge created by mortgage on all the existing and future fixed assets situated at Bhachau (Kutch), Bharuch and Mumbai (except for plant & machinery of Calcareous Line II) and second charge created by hypothecation of current assets of the Company and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category III	Secured against Exclusive charge on all the moveable assets including its moveable plant and machinery, spares, tools and accessories, both present and future assets of the project situated at Bhachau, Kutch on plant pertaining to Calcareous Line II. Additional Security by way of tertiary charge on on the current assets and fixed assets both moveable and immoveable, present and future, located at Bhachau (Kutch), Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Category IV	Secured by way of tertiary charge on the current assets and fixed assets both moveable and immoveable, present and future, located at Kutch, Gujarat and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.
Term Loan from Others	Secured against the Keyman Insurance Policy of the Promoter.
Vehicle Loans	Secured against the Hypothecation of underlying Company owned vehicles

3.5 Installments falling due in respect of all the above Loans upto 31.03.2012 & 31.03.2013 as the case may have been grouped under "Current maturities of long-term debt" under the head Other Current Liabilities. (Refer Note No.6.1)

### Note 4:- SHORT TERM BORROWINGS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
<b>SECURED:</b>		
(a) Working Capital Loans from Banks	1,257,459,659	1,049,860,547
(b) Buyers Credit Arrangements	-	10,098,528
(c) Overdraft Facility from Banks	-	22,838,872
	<b>1,257,459,659</b>	<b>1,082,797,947</b>
<b>UNSECURED:</b>		
(a) Overdraft Facility from Banks	20,932,810	-
(b) Loans and advances from related parties	1,200,000	26,682,810
(c) Deposits	150,508,635	166,676,408
	172,641,445	193,359,218
<b>Total</b>	<b>1,430,101,104</b>	<b>1,276,157,165</b>



## Notes forming part of the consolidated financial statements

4.1 Working capital loan from banks and buyers credit arrangement are secured against the hypothecation of present and future stocks of Raw Materials, Stock-In-Process, Finished Goods, Stock-In-Trade, Stores & Spares, Consumables and Book Debts and against the collateral securities & Personal Guarantee given by the Directors and Related Parties.

4.2 Overdraft Facility from Banks is secured against the Tertiary Charge on the entire Fixed Assets and Current Assets.

### Note 5:- TRADE PAYABLES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
Micro, Small and Medium Enterprises	4,025,761	4,522,931
Other	353,502,611	540,813,481
<b>Total</b>	<b>357,528,372</b>	<b>545,336,412</b>

5.1 The information of amounts outstanding to Micro, Small and Medium Enterprises has been determined to the extent such parties could be identified on the basis of the information available with the Company regarding the status of suppliers under the MSME.

5.2 No interest is paid / payable during the year to any enterprise registered under the MSME.

### Note 6:- OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Current maturities of long-term debt (Refer Note (i) & (ii) below)	294,859,784	22,457,504
(b) Interest accrued but not due on borrowings	-	107,733
(c) Interest accrued and due on borrowings	311,577,461	69,215,162
(d) Unclaimed dividends	167,087	167,087
(e) Borrowings to be Converted into Equity / Equity Convertible Instruments	-	181,526,806
(f) Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	51,507,663	59,055,011
(ii) Payables on purchase of fixed assets	10,642,738	19,525,176
(iii) Trade / security deposits received	11,282,540	76,739,100
(iv) Advances from customers	18,740,880	28,414,927
(v) Book Overdraft	567,290	821,448
<b>Total</b>	<b>699,345,443</b>	<b>458,029,954</b>

6.1 Current maturities of long-term debt (refer notes 3.1 to 3.4) in Note 3 - Long-term borrowings for details of rate of interest, repayment schedule, security and guarantee.

### Note 7:- SHORT TERM PROVISIONS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
Provision for employee benefits:		
(i) Provision for bonus	11,668,324	7,293,790
(ii) Provision for leave encashments	2,850,466	4,335,911
(iii) Provision for gratuity (net)	7,064,492	6,396,495
<b>Total</b>	<b>21,583,282</b>	<b>18,026,196</b>

## Notes forming part of the consolidated financial statements

## Note 8:- FIXED ASSETS

Particulars	Gross Block			Depreciation			Net Block		
	Holding	Subsidiary	Consolidated as on March 31, 2013	Holding	Subsidiary	Consolidated as on March 31, 2013	Holding	Subsidiary	Consolidated as on March 31, 2013
<b>Tangible Assets :</b>									
I Land -Freehold	46,837,112	272,600	47,109,712	-	-	-	46,837,112	272,600	47,109,712
II Building	874,020,351	-	874,020,351	147,545,066	-	147,545,066	726,475,285	-	726,475,285
III Plant & Machinery	4,605,665,819	198,640	4,605,864,459	1,235,014,123	74,005	1,235,088,128	3,370,651,696	124,635	3,370,776,331
IV Furniture & Fixtures	48,247,334	3,385,071	51,632,405	16,634,000	368,076	17,002,076	31,613,334	3,016,995	34,630,329
V Office Equipments	13,237,540	385,412	13,622,952	4,011,832	105,408	4,117,240	9,225,708	280,004	9,505,711
VI Vehicles	22,808,069	912,314	23,720,383	11,890,434	628,315	12,518,749	10,917,635	283,999	11,201,634
VII Computers	10,206,958	521,746	10,728,704	9,296,238	487,993	9,784,231	910,720	33,753	944,473
VIII Power Project	268,032,691	-	268,032,691	197,762,380	-	197,762,380	70,270,311	-	70,270,311
<b>Intangible Assets :</b>									
I Trademarks	10,000	-	10,000	10,000	-	10,000	-	-	-
<b>Grand Total</b>	<b>5,889,065,874</b>	<b>5,675,783</b>	<b>5,894,741,656</b>	<b>1,622,164,073</b>	<b>1,663,797</b>	<b>1,623,827,870</b>	<b>4,266,901,801</b>	<b>4,011,986</b>	<b>4,270,913,789</b>
Previous Year	5,869,952,909	5,675,783	5,875,628,691	1,331,915,217	1,304,020	1,333,219,237	4,538,037,691	4,371,763	4,542,409,456

## Note 9:- NON-CURRENT INVESTMENTS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Investments (At cost):</b>		
<b>A. Other investments</b>		
<b>(a) Investment in equity instruments - Unquoted, fully paid up</b>		
(i) of other entities		
13,00,000 (As at March 31, 2012: 13,00,000) shares of ₹ 10 each in Euro Glass Private Limited	13,000,000	13,000,000
45,075 (As at March 31, 2012: 45,075) shares of ₹ 10 each in The Cosmos Co-Operative Bank Ltd. (Pledged with Bank)	450,750	450,750
	13,450,750	13,450,750
<b>(b) Investment in government or trust securities</b>		
6 Years National Savings Certificate (Deposited with Sales Tax Department)	10,000	10,000
<b>(c) Investment in partnership firms</b>		
M/s. Euro Realtors (Fixed Capital)	50,000	50,000
Share of Profit/Loss - 95% and Other Partner Dharmesh Gathani 5%		
<b>Total</b>	<b>13,510,750</b>	<b>13,510,750</b>

## Notes forming part of the consolidated financial statements

### Note 10:- LONG TERM LOANS AND ADVANCES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Unsecured, considered good</b>		
(a) Capital advances	898,763	10,743,157
(b) Security deposits	8,343,413	11,273,943
(d) Prepaid expenses	34,222,222	38,500,000
(e) Advance income tax (Net of Provision)	68,214,621	67,422,187
(f) MAT Credit Entitlement	53,269,683	53,269,683
<b>Total</b>	<b>164,948,702</b>	<b>181,208,970</b>

### Note 11:- INVENTORIES

(As Valued and Certified by Management)

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Raw Materials & Consumables	110,687,927	175,237,123
(b) Work-in-progress	50,119,535	115,409,962
(c) Finished goods (other than those acquired for trading)	152,958,149	226,815,058
(d) Stock-in-trade (acquired for trading)	83,513,821	104,127,750
(e) Stores and spares	62,178,510	72,004,195
(f) Power & Fuel	1,104,241	1,088,692
(g) Packing Materials	5,958,383	11,247,956
<b>Total</b>	<b>466,520,565</b>	<b>705,930,736</b>

#### 11.1 Details of Goods In Transit included in above inventories

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Raw Materials & Consumables	-	1,064,290
	-	<b>1,064,290</b>

#### 11.2 Details of inventory of work-in-progress

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Tiles	16,306,130	60,821,650
(b) Other items	33,813,406	54,588,312
	<b>50,119,535</b>	<b>115,409,962</b>

### Note 12:- TRADE RECEIVABLES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
<b>Unsecured and considered good</b>		
Outstanding for a period exceeding six months from the date they were due for payment	121,748,857	189,341,763
Less : Provision for Doubtful Debts	38,714,553	32,497,627
	83,034,304	156,844,136
Others	112,601,631	364,395,467
<b>Total</b>	<b>195,635,934</b>	<b>521,239,603</b>

## Notes forming part of the consolidated financial statements

## Note 13:- CASH AND BANK BALANCES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(a) Cash and cash equivalents		
(i) Balances with banks		
- In current accounts	5,844,622	9,277,138
(ii) Cash on hand	607,686	1,963,577
	6,452,308	11,240,715
(b) Other Bank Balances		
- In earmarked accounts		
(i) Balances held as margin money or security against borrowings, guarantees and other commitments.	29,900,480	81,048,987
(ii) Unclaimed Dividend Account	202,051	202,051
<b>Total</b>	<b>36,554,839</b>	<b>92,491,753</b>

## Note 14:- SHORT TERM LOANS AND ADVANCES

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
Unsecured, considered good		
(a) Loans and advances to related parties	731,327,842	772,043,762
(b) Loans and advances to employees	3,372,032	4,540,157
(c) Prepaid expenses	2,528,694	2,136,493
(d) Balances with government authorities		
(i) CENVAT credit receivable	3,812,163	3,486,412
(ii) VAT credit receivable	30,155,951	36,698,097
(iii) Service Tax credit receivable	4,253,004	3,054,066
(iv) Custom Duty receivable	16,359,968	16,359,968
(e) Advance income tax (net of provisions)	370,689	1,818,328
(f) Others	34,178,016	53,464,324
<b>Total</b>	<b>826,358,360</b>	<b>893,601,607</b>

## Note 15:- OTHER CURRENT ASSETS

Particulars	As at March 31, 2013	As at March 31, 2012
	₹	₹
(i) Receivables on sale of fixed assets	-	258,767
(ii) Interest Accrued On Fixed Deposits	2,846,128	2,878,235
<b>Total</b>	<b>2,846,128</b>	<b>3,137,002</b>

## Note 16:- REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
(a) Sale of products	1,000,517,760	2,032,042,291
(b) Sale of services	16,402,569	1,564,650
(c) Other operating revenues	(12,664,954)	(12,250,504)
	1,004,255,374	2,021,356,437
Less:		
(d) Excise duty	101,359,908	166,695,771
<b>Total</b>	<b>902,895,466</b>	<b>1,854,660,666</b>

## Notes forming part of the consolidated financial statements

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
16.1	Sale of products comprises:		
	Manufactured goods		
	Tiles	789,436,876	1,564,933,019
	Realty	-	-
	Others	144,294,230	292,780,847
	Total - Sale of manufactured goods	933,731,107	1,857,713,866
	Tiles	48,060,771	102,062,438
	Others	18,725,882	72,265,987
	Total - Sale of traded goods	66,786,653	174,328,425
	Total - Sale of products	100,517,760	2,032,042,291
16.2	Sale of services comprises:		
	Others	16,402,569	1,564,650
	Total - Sale of services	16,402,569	1,564,650
16.3	Other operating revenues comprise:		
	Sale of scrap	122,289	827,868
	Export incentives on Advance Licenses and Focus Licenses	(12,787,243)	(13,078,372)
	<b>Total - Other operating revenues</b>	<b>(12,664,954)</b>	<b>(12,250,504)</b>

## Note 17:- OTHER INCOME

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
(a)	Interest income (Refer Note 17.1 below)	5,379,714	7,688,263
(b)	Dividend income:		
	others	15,000	40,000
(c)	Net gain on foreign currency transactions and translation (other than considered as finance cost)	525	1,757,736
(d)	Other non-operating income (net of expenses directly attributable to such income) (Refer note 17.2 below)	2,723,108	27,175,242
	<b>Total</b>	<b>8,118,346</b>	<b>36,661,241</b>

Particulars		For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
17.1	Interest income comprises:		
	Interest from banks on:		
	deposits	4,239,513	2,720,038
	Interest on overdue trade receivables	569,358	214,248
	Interest income from long term investments		
	others	-	3,498,979
	Interest on income tax refund	-	1,254,998
	Other interest	570,843	-
	<b>Total - Interest income</b>	<b>5,379,714</b>	<b>7,688,263</b>

## Notes forming part of the consolidated financial statements

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
17.2 Other non-operating income comprises:		
Rental income from investment properties	971,811	1,491,630
Vat Refund	-	209,813
Profit on Sale of Fixed Assets	-	1,017,660
Commission	1,405,497	-
Amenity charges	345,800	-
Liabilities / provisions no longer required written back	-	24,456,139
<b>Total - Other non-operating income</b>	<b>2,723,108</b>	<b>27,175,242</b>

## Note 18:- COST OF MATERIAL CONSUMED

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Opening stock	185,420,789	234,857,660
Add: Purchases	250,759,964	662,231,197
	436,180,753	897,088,857
Less: Closing stock	116,646,309	185,420,789
<b>Cost of material consumed</b>	<b>319,534,444</b>	<b>711,668,068</b>

## 18.1 Purchase of traded goods

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Sanitaryware	3,845,862	16,824,062
Tiles	13,668,748	72,584,631
Others	1,015,787	6,998,129
<b>Total</b>	<b>18,530,397</b>	<b>96,406,822</b>

## 18.2 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Inventories at the end of the year:		
Finished goods	152,958,149	226,815,058
Work-in-progress	50,119,535	115,409,962
Stock-in-trade	83,513,821	104,127,750
	286,591,505	446,352,770
Inventories at the beginning of the year:		
Finished goods	226,815,058	439,303,522
Work-in-progress	115,409,962	116,448,165
Stock-in-trade	104,127,750	162,438,975
	446,352,770	718,190,662
<b>Net (increase) / decrease</b>	<b>159,761,264</b>	<b>271,837,892</b>



## Notes forming part of the consolidated financial statements

### Note 19:- EMPLOYEE BENEFIT EXPENSES

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Salaries and Wages	166,066,755	239,181,641
Contributions to provident and other funds	3,865,627	5,534,703
Staff welfare expenses	3,846,424	12,344,952
<b>Total</b>	<b>173,778,806</b>	<b>257,061,296</b>

### Note 20:- OTHER EXPENSES

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
Consumption of stores and spare parts	30,070,458	33,411,393
Increase / (decrease) of excise duty on inventory	(7,347,212)	(19,838,366)
Power and fuel	301,078,200	465,766,044
Processing Charges	21,961,339	37,489,712
Rent	6,354,513	11,505,167
Repairs and maintenance - Buildings	-	852,224
Repairs and maintenance - Machinery	1,164,005	3,259,067
Repairs and maintenance - Others	5,436,688	6,496,220
Insurance	3,069,578	6,178,694
Rates and taxes	7,354,623	1,356,391
Travelling and conveyance	6,866,660	14,475,937
Freight and forwarding	18,143,359	56,354,046
Sales commission	28,195,107	43,403,667
Donations and contributions	-	52,500
Payments to auditors (Refer Note 20.1 below)	770,000	600,000
Bad trade and other receivables, loans and advances written off	2,325,524	7,648,292.00
Loss on fixed assets sold / scrapped / written off	592,703	37,928,466
Provision for doubtful trade and other receivables, loans and advances (net)	45,505,427	-
Share of Loss From Partnership Firm - M/s.Euro Realtors	18,582,539	-
Selling and Distribution Expenses	22,273,908	49,655,961
Miscellaneous expenses	23,513,972	31,705,687
<b>Total</b>	<b>535,911,391</b>	<b>788,301,102</b>

#### 20.1 Payments to the auditors comprises (net of service tax input credit, where applicable):

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
As auditors - statutory audit	555,000	385,000
For taxation matters	165,000	165,000
For other services	50,000	50,000
<b>Total</b>	<b>770,000</b>	<b>600,000</b>

## Notes forming part of the consolidated financial statements

### Note 21:- FINANCE COSTS

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	₹	₹
(i) Interest expense on Borrowings	513,897,411	473,747,109
(ii) Interest expense on Others	11,544,745	9,304,584
(iii) Other borrowing costs	8,474,430	16,948,223
(iv) Net (gain) / loss on foreign currency transactions and translation (considered as finance cost)	2,135,048	-
<b>Total</b>	<b>536,051,633</b>	<b>499,999,916</b>

### Note 22:- CONTINGENT LIABILITIES

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
a.	Bills Discounted with Banks	-	7,160,614
b.	Letter of Credit	-	19,317,417
c.	Bank Guarantees	255,000	42,994,000
d.	Customs Duty	36,988,372	36,988,372
e.	The Company has imported various Capital Goods under the Export Promotion Capital Goods Scheme (EPCG), of the Government of India, through various licenses, at concessional rates of Custom Duty on an undertaking to fulfill quantified exports within a period of eight years from the date of the respective licenses. The Custom Duty so saved amounts to ₹30,76,45,374/- (Previous Year ₹30,78,61,293/-) and the corresponding Export Obligation to be fulfilled is ₹ 1,71,03,91,974/- (Previous Year ₹ 1,72,50,51,747/-) as on the Balance Sheet date. If the said export is not made within the stipulated time period, the company is required to pay the said saved Custom Duty together with interest @15% p.a. Formal discharge from the obligation by the appropriate authorities is in progress in respect of some of the Licenses of which Export Obligation is entirely fulfilled by the close of the year.		

### Note 23:- CAPITAL COMMITMENTS

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
	Estimated amount of contracts remaining to be executed on capital account and not provided for.	-	-

## Notes forming part of the consolidated financial statements

**Note 24:- DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
(a)	<b>Unhedged Foreign Currency Exposure :</b>		
I	Outstanding Creditors for Purchase of Raw Material, Consumables & Spares	USD 580,053.57	USD 728,475.66
II	Outstanding Creditors for Purchase of Raw Material, Consumables & Spares	EURO 99,787.78	EURO 97,948.78
III	Outstanding Creditors for Capital Goods	EURO 49,000.00	EURO 49,000.00
IV	Outstanding Debtors	USD 179,002.90	USD 519,446.50
V	Advance to Creditors for Purchase of Raw Material, Consumables & Spares	USD 22,266.20	USD 24,094.10
VI	Advance to Creditors for Purchase of Raw Material, Consumables & Spares	EURO -----	EURO 4,047.00
VII	Advance to Creditors for Capital Goods	USD -----	USD 10,560.00
VIII	Advance from Debtors	USD 4,526.24	USD 63,880.95
IX	Buyers Credit	USD -----	USD 199,715.77

**Note 25:- EARNINGS PER SHARE**

	Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
		₹	₹
(a.)	<b>Earnings per share</b>		
	<b>Basic</b>		
	Net profit / (loss) for the year	(1,130,563,805)	(1,030,442,579)
	Weighted average number of equity shares	27,818,192	26,428,134
	Par value per share	10/-	10/-
	<b>Earnings per share - Basic</b>	<b>(40.64)</b>	<b>(38.99)</b>
(b.)	<b>Diluted</b>		
	Net profit / (loss) for the year	(1,128,799,805)	(1,030,442,579)
	Weighted average number of equity shares	31,154,330	26,428,134
	Par value per share	10/-	10/-
	<b>Earnings per share - Basic</b>	<b>(36.23)</b>	<b>(38.99)</b>

**Note 26:- MAJOR COMPONENT OF DEFERRED TAX LIABILITY**

	Particulars	As at March 31, 2013	As at March 31, 2012
		₹	₹
	Depreciation	146,794,651	146,794,651
	Expenditure / Provisions Disallowable	5,597,405	5,597,405
		<b>152,392,056</b>	<b>152,392,056</b>
	The Company has not provided for Deferred Tax Liability / Assets for the financial year 2012-13 on account of absence of virtual certainty of future taxable profit and brought forward business losses and depreciation under the Income Tax Act.		

## Notes forming part of the consolidated financial statements

**Note 27:- DISCLOSURE IN RESPECT OF RELATED PARTIES PURSUANT TO ACCOUNTING STANDARD 18:**

(a)	Name of the enterprises having same Key Management Personnel and/or their relatives as the Reporting enterprises:							
	Eurobond Industries Private Limited		Euro Flooring Pvt. Ltd.		Euro Décor Pvt. Ltd			
	Euro Multivision Ltd		Euro Developers Pvt. Ltd.		Subhnen Ply Pvt. Ltd.			
	Euro Pratik Ispat Pvt. Ltd.		Euro Solo Energy Systems Pvt. Ltd.		Euro India Cylinders Ltd.			
	Subhnen Finance & Investments Pvt Ltd.		Euro Glass Pvt. Ltd.		Kanch Ghar			
	Neelam Metal		Laxmi Ply Agency		Metro Stationery Mart			
	Neelam Ply & Laminates		NLS Enterprise Pvt Ltd.		Gurukul Enterprises Pvt. Ltd.			
	Tangent Furniture Pvt Ltd		Lyons Technologies Ltd		Ladhabhai Sanganbhai Gala Charitable Trust			
	Monex Stationers		Disti Multimedia & Communications Pvt Ltd		Vaman International (P) Ltd.			
	National Ply & Laminates		Zenith Corporation		Nova Enterprises			
	National Laminate Corporation		Gala Enterprises		Euro Foundation			
	Euro Conventional Energy Pvt. Ltd.		Canbara Constructions Pvt. Ltd.		Euro Solar Power Pvt. Ltd.			
	Euro Buildtech LLP		Euro Realtors		Maxim Enterprises			
	Link Estate Pvt. Ltd.		Euro Steel & Minerals		Euro Polaad Minerals & Steel LLP			
	Rahul Sales		Subhnen Realtors LLP		Jainy Glass & Veneer			
	Janata Industries		Drashti Veneers		Euro Pallets Pvt. Ltd.			
	Laxmi Laminates		Euro Natural Resources Pvt. Ltd.					
	(b)	Relatives of Key Management Personnel:						
		Nenshi L. Shah H.U.F.		Shantilal L. Shah H.U.F.		Laljibhai K. Shah H.U.F.		
		Pinank N. Shah H.U.F.		Hitesh S. Shah H.U.F.		Dhaval S. Shah H.U.F.		
Manjari H. Shah		Hitesh S. Shah		Sushila H. Gala				
Mahek H. Shah		Jayantilal Nishar		Rekhaben Nishar				
Dhaval L. Shah		Forum D. Shah		Kasturben T. Nandu				
Shantaben L. Shah		Urmi P. Shah		Viral T. Nandu				
Sonalben L. Shah		Parag K. Shah		Gunvantiben N. Shah				
Pinank N. Shah		Devika P. Shah		Laljibhai K. Shah				
Parita V. Nandu		Anish K. Shah		Dimple A. Shah				
Dhruti P. Shah		Hiral M. Shah						
(c)	Key Management Personnel:							
	Nenshi L. Shah		Kumar P. Shah		Talakshi L. Nandu		Paresh K. Shah	
	Amit G. Shah		Anil M. Mandevia		Shivji K. Vikamsey		Shantilal L. Shah	
	Raichand Shah		Deepak G. Savla		Mahendra V. Modi		Nitesh P. Shah	
	Ajit Nalwaya							
	During the year following transactions were carried out with the related parties in the ordinary course of business.							

## Notes forming part of the consolidated financial statements

(Amount in ₹)

Nature of Transactions	Enterprises having common Key Management Personnel	Relative of the Key Management Personnel	Key Management Personnel
Sales Service and other income	3,936,890 (236,774,268)	287 (-----)	----- (-----)
Sale Of Fixed Assets	----- (-----)	----- (-----)	----- (-----)
Purchase of goods and services	14,746,584 (107,909,830)	----- (-----)	----- (-----)
Purchase of fixed assets	23,931,412 (-----)	----- (-----)	----- (-----)
Donation	----- (-----)	----- (-----)	----- (-----)
Director's Remuneration/Sitting Fees	----- (-----)	1,080,000 (2,230,000)	10,850,000 (10,852,500)
Interest Received	----- (3,035,243)	----- (-----)	----- (-----)
Interest Paid/Payable	2,233,857 (9,889,671)	----- (32,585)	----- (10,505,246)
Loans/Advances Taken	----- (101,132,772)	20,701,026 (28,000,000)	----- (220,420,000)
Loans/Advance Repaid	16,665,000 (47,930,775)	----- (25,350,000)	600,000 (207,001,000)
Loans/Advances Given	1,625,000 (45,930,000)	----- (-----)	----- (-----)
Loans/Advance Received Back	1,312,000 (10,850,000)	----- (-----)	----- (-----)
<b>Outstanding balance as at March 31, 2013:</b>			
Loans Payable	122,356,366 (137,180,416)	20,701,026 (2,950,873)	137,318,999 (133,088,741)
Loans Receivable	728,202,861 (746,460,400)	----- (-----)	----- (-----)
Amount Receivable	25,292,981 (95,999,978)	----- (-----)	----- (-----)
Amount Payable	2,570,413 (3,328,291)	86,900 (45,000)	383,000 (-----)

**Note 28:-** Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

## 35 SEGMENTWISE FINANCIAL STATEMENT FOR THE YEAR ENDED MARCH 31, 2013 - PURSUANT TO ACCOUNTING STANDARD - 17

## I) PRIMARY SEGMENTS - BUSINESS

	Tiles Division		Aluminium Division		Sanitaryware Division		Realty Division		Total	
	2012-13 ₹	2011-12 ₹	2012-13 ₹	2011-12 ₹	2012-13 ₹	2011-12 ₹	2012-13 ₹	2011-12 ₹	2012-13 ₹	2011-12 ₹
a) Segmental Revenue										
Sales to External Customers	844,823,367	1,686,778,728	53,634	147,957,787	159,378,373	186,619,923	-	-	1,004,255,374	2,021,356,438
Less : Excise Duty	84,591,406	139,378,139	5,673	13,673,190	16,762,829	13,644,442	-	-	101,359,908	166,695,771
	760,231,961	1,547,400,589	47,961	134,284,597	142,615,544	172,975,481	-	-	902,895,466	1,854,660,667
Inter-Segmental Revenue	-	-	-	-	-	-	-	-	-	-
Total Segmental Revenue	760,231,961	1,547,400,589	47,961	134,284,597	142,615,544	172,975,481	-	-	902,895,466	1,854,660,667
b) Segmental Results (PBIT)	(421,326,939)	(247,406,638)	(2,734,130)	(3,882,959)	(41,286,920)	(125,152,469)	(242,927)	(475,950)	(465,590,915)	(376,918,016)
Less: Interest & Finance Charges									536,051,633	499,999,916
									(1,001,642,549)	(876,917,932)
Less: Unallocable Expenses Net of Unallocable Income									129,391,602	149,755,330
Profit Before Tax & Exceptional Items									(1,131,034,151)	(1,026,673,262)
Loss / (Gain) due to Exceptional Items										
Profit Before Tax									(1,131,034,151)	(1,026,673,262)
Less: Provision for Current Tax									-	-
Add: MAT Credit									-	-
Less: Earlier Years Excess/Short Provision									(470,346)	3,769,318
Less: Provision for Deferred Tax									-	-
Profit After Tax									(1,130,563,805)	(1,030,442,580)
c) Carrying amount of Segmental Assets	4,754,396,215	5,366,598,054	26,190,930	88,815,531	1,183,350,818	1,247,227,457	707,902,861	701,542,115	6,671,840,824	7,404,183,157
Unallocated Assets									979,024,674	932,314,518
Total Assets									7,650,865,498	8,336,497,675
d) Carrying amount of Segmental Liabilities	3,202,602,104	3,384,409,463	1,475,756	67,531,163	36,439,537	29,677,346	446,026	203,099	3,240,963,423	3,481,821,071
Unallocated Liabilities									3,158,272,414	2,815,591,793
Total Liabilities									6,399,235,837	6,297,412,864
e) Cost incurred to acquire Segment Fixed Assets during the year	105,000	36,614,092	-	2,647,244	-	98,400	-	-	105,000	39,355,736
Unallocated Assets									27,866,814	8,255,516
f) Depreciation / Amortization	206,312,492	201,973,542	2,572,573	2,481,042	48,231,715	48,360,383	-	-	257,116,780	252,814,967
Unallocated depreciation									41,363,248	39,905,107

Note : There are no inter segment transactions in the previous year as well as in current year.

## II) PRIMARY SEGMENTS - GEOGRAPHICAL

	For the year ended March 31, 2013 ₹	For the year ended March 31, 2012 ₹
The Company's operating facilities are located in India		
Domestic Revenues	840,828,355	1,700,737,068
Export Revenues	62,067,111	153,923,599
<b>TOTAL</b>	<b>902,895,466</b>	<b>1,854,660,667</b>



# EURO CERAMICS LIMITED

**Regd. Off.:** Euro House, CTS No. 1406 A25/6A, Chincholi Bunder Road, Behind Inorbit Mall, Malad (West), Mumbai 400064

## FORM OF PROXY

Folio No. .... DP ID No. .... Client ID No. .... No. of Shares .....

I/We.....

of.....

being a Member / Members of EURO CERAMICS LIMITED hereby appoint .....

..... of .....or

failing him..... of .....as my/our /proxy to vote for me/us, on my /our behalf of at the 11TH ANNUAL GENERAL MEETING of the Company, to be held on Thursday the 22<sup>nd</sup> day of August, 2013 at 11.30 a.m. at Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai 400095 and at any adjournment thereof.

Signed: \_\_\_\_\_ day of \_\_\_\_\_ 2013

Affix  
Revenue  
Stamp



# EURO CERAMICS LIMITED

**Regd. Off.:** Euro House, CTS No. 1406 A25/6A, Chincholi Bunder Road, Behind Inorbit Mall, Malad (West), Mumbai 400064

## ATTENDANCE SLIP

(To be completed and presented at the Entrance)

### 11TH ANNUAL GENERAL MEETING 22ND AUGUST, 2013

I hereby record my presence at the 11<sup>th</sup> Annual General Meeting of the Company held at Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai 400095, on Thursday 22<sup>nd</sup> August, 2013 at 11.30 a.m.

Folio No. .... DP ID No. .... Client ID No. ....

Name .....

Member / Proxy .....

Signature .....

### NOTES:

- The form should be signed across the stamp as per specimen signature registered with the Company.
- The Companies Act, 1956, lays down that the instrument appointing a proxy shall be deposited at the Registered Office of the Company not less than FORTY-EIGHTY HOURS before the time fixed for holding the meeting.
- A proxy need not be a member.

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