

# Chairman's Statement

It is with pleasure I welcome you to the 20<sup>th</sup> Annual General Meeting of Royal Ceramics Lanka PLC and present to you the annual report and financial statements for the financial year 2009/10.

The end of a three decade war in Sri Lanka has ushered in a period of peace, political and macroeconomic stability and high expectations of a prosperous future. The country grew 3.5% last year, a commendable performance given the effects of the global recession and the escalation in conflict that ended in May 2009. Post-war, Sri Lanka's priorities are to accelerate economic growth, reducing its budget deficit and inflation, with the country's GDP projected to grow by 6%

billion compared to Rs. 3.74 billion last year, while profitability before tax also grew from Rs. 538 million to Rs. 1 billion in the year under review.

This exceptional performance was led by several strategic initiatives that we adopted in addition to a favourable macroeconomic climate in the country. The group expanded into high value ceramics and porcelain products, and increased its distribution and dealer network. This allowed us to reach a wider customer base and give them more choice in product offerings. The decline in interest rates and energy costs also helped us reduce our financial costs and the cost of production significantly.

As the country prospers and new markets open up, Royal Ceramics is also poised for a period of growth. The Group performed exceedingly well in the year under review, posting the highest turnover and profitability in the history despite a year of global challenges.

in 2010. Investor confidence has returned as can be seen in the booming stock market and the upturn in the tourism industry, with high inflows of foreign investment also expected into the newly liberated areas of the North and East.

As the country prospers and new markets open up, Royal Ceramics is also poised for a period of growth. The Group performed exceedingly well in the year under review, posting the highest turnover and profitability in the history despite a year of global challenges. Group turnover was up to Rs. 4.45

A more detailed review of the Group's performance is available later in this report. It will suffice for me to say here that the Group has earned a reputation for being a high quality manufacturer of tile and sanitaryware products, which is reflected in our earnings this year. We have invested a great deal in building this brand and as such, have grown beyond our competition. I expect that this trend will continue in the year ahead as we expand our production capacity further, increase our exports and enter new markets in the North and East. With the effects of the global recession easing somewhat in 2010/11 and the local construction

industry booming, we expect global demand to pick up in the coming year, further strengthening our market position.

I take this opportunity to express my appreciation to the Board of Directors, Managing Director, the management team and all staff of the group for their commitment and dedication. I would also like to thank former Director, the late Mr. M.T.L Fernando, for his invaluable guidance in taking this company forward, and welcome the three new Directors to the Board – Mr. Mangala Goonetilleke, Mr. G.A.R.D. Prasanna and Mr. Rajan Asirwatham .

To our shareholders, it is your continued loyalty to this company that has helped us achieve these heights. I thank you for your support and I am confident that we will achieve greater heights in the year ahead.



**A M Weerasinghe**  
Chairman

17 May 2010

