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WHY?

A question of answers

NITCO Tiles Limited • Annual Report 2006-07

Forward-looking statement

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



Where?

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NITCO TILES LIMITED

Regd. Office: 86A, Maker Chamber III, Nariman Point, Mumbai 400021

PROXY FORM

DP & Client ID no.:

No. of Shares:.....

Regd. Folio No.:

I / We.....of.....in the district of.....being a Member / Members of the above named company hereby appoint of in the district of.....or failing him / her of in the district of as my / our Proxy to vote for me / us on my/our behalf at the Annual General meeting of the Company to be held on Tuesday the 11th day of December, 2007 at 11.30 a.m. and at any adjournment thereof.

Signed this day of 2007.

Affix
Revenue
Stamp

Signature of Member

Notes:

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



NITCO TILES LIMITED

Regd. Office: 86A, Maker Chamber III, Nariman Point, Mumbai 400021

ATTENDANCE SLIP

DP & Client ID no.:

No. of Shares:.....

Regd. Folio No.:

Full Name of the Member:

Full Name of the Proxy :

I hereby record my presence at the Annual General Meeting of the Company being held on Tuesday the 11th day of December, 2007 at 11.30 a.m. at M.C.Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400001.

Signature of Member/ Authorized Representative

Signature of Proxy

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



NITCO TILES LIMITED

Regd. Office: 86A Maker Chambers III, Nariman Point, Mumbai 400 021.

NOTICE

Notice is hereby given that the 41st ANNUAL GENERAL MEETING of the Members of NITCO TILES LIMITED will be held on December 11, 2007 at 11.30 a.m. at M.C.Ghia Hall, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400001 to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of Directors and Auditors of the Company thereon;
2. To declare dividend on Equity Shares for the year ended March 31, 2007.
3. To appoint a Director in place of Mr. Prannath Talwar, who retires from office by rotation and being eligible, offers himself for re-appointment;
4. To re-appoint M/s. A. Husein Noumanali & Co. Chartered Accountants, the retiring Auditors, as a Statutory Auditor of the Company to hold the office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Gaurav Burman who was appointed as an additional Director of the Company pursuant to the Articles of Association of the Company and Section 260 of the Companies Act 1956, and who holds Office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing, proposing his candidature for the office of a Director, under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider and if thought fit, to pass the following Resolution as an ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections

198, 269, 309 and other applicable provisions if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended up to date and the guidelines for managerial remuneration issued by the Central Government from time to time, and subject to such approvals as may be necessary, the consent of the members be and is hereby accorded for the reappointment of Ms. Poonam Talwar as the Whole time Director of the Company for a further period of 5 years with effect from April 1, 2007 (with liberty to either party to terminate the appointment on three months' notice in writing to the other) at the remuneration and upon following terms and conditions as set out hereinafter and with further liberty to the Board (which term shall be deemed to include the Remuneration Committee if any constituted by the Board), from time to time, to alter the said terms and conditions in such manner as may be agreed to between the Board and Ms. Poonam Talwar in the best interest of the Company, but subject to the restrictions, if any contained in the Companies Act, 1956, and Schedule XIII to the Act as amended up to date or otherwise as may be permissible at law:

1. Ms. Poonam Talwar by virtue of the aforesaid resolution is re-appointed as Whole time Director of the Company for a period of five years from April 1, 2007 to March 31, 2012 on the terms and conditions contained herein.

2. During the currency of tenure of the Whole time Director, Ms. Poonam Talwar shall be eligible for remuneration by way of salary, perquisites not exceeding the limits specified herein below:

Salary: up to Rs. 1,00,000/- per month, to be decided by the Board, from time to time at its discretion, during the tenure of Ms. Poonam Talwar's tenure, subject to the provisions of the Companies Act, 1956.

Perquisites & Allowances

i) Housing I: The expenditure by the Company on hiring furnished accommodation for the Whole time Director will be subject to a ceiling of 40% of the salary.

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

Housing III: In case no accommodation is provided by the

Company the Wholetime Director shall be entitled for House Rent Allowances at the rate of 40% of the Salary.

ii) Medical Reimbursement: Expenses incurred for Ms. Poonam Talwar and her family subject to a ceiling of one month salary in a year or three months' salary over a period of three years.

iii) Leave Travel Concession: For Ms. Poonam Talwar and her family once in a year incurred in accordance with any rules specified by the Company.

iv) Club Fees: Fees of Club subject to a maximum of two Clubs. This will not include admission and life membership fees.

v) Personal Accident Insurance: Premium not to exceed Rs. 4,000/- per annum.

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

Provision of car for use on company's business and telephone at residence will not be considered as perquisites. Personal long distance call on telephone and use of car for private purpose shall be billed by the Company to the Wholetime Director. In calculation of the said ceiling, perquisites as defined in Part B of Clause 2 shall not be included.

Provident Fund, Superannuation Fund / Annuity Fund

1) Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.

2) Gratuity payable at a rate not exceeding half a month's salary for each year of Completed service.

3) Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling or perquisites.

Minimum Remuneration: Notwithstanding anything contained hereinabove, where in any financial year during the currency of tenure of Ms. Poonam Talwar as Wholetime Director of the Company, in the event the Company has no profits or its profits are inadequate, the Company may pay remuneration to Ms. Poonam Talwar by way of salary, perquisites and any other allowances not exceeding the ceiling limit of Rs. 18,00,000/- per annum or Rs. 1,50,000/- per month.

RESOLVED FURTHER THAT if necessary, the Company do make an application in the prescribed form within the prescribed period to the Central Government as per the provisions of Section 269 and other applicable provisions, if any, of the Act for obtaining its approval to the payment of

remuneration as provided above in the event it exceeds the limits provided in Part I and/or II of Schedule XIII to the Act and any of the Directors of the Company be and is hereby severally authorized to execute and sign such forms, writings, give such notice, as may be necessary in this regard.

7. To consider and, if thought fit, to pass with or without modification the following resolution as Ordinary resolution:

RESOLVED THAT in supersession of the resolution passed at the Extra ordinary General meeting of the Company held on November 22, 2005, pursuant to provisions of Section 293 (1) (d) of the Companies Act, 1956 and applicable statutory provisions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow, monies from time to time in excess of aggregate of paid up capital and free reserves (i.e. reserves no set apart for any specific purpose) at any time for the purpose of the Company (apart from temporary loans from banks in the ordinary course of business), provided that the outstanding amount of borrowings at any point of time shall not exceed of Rs. 600/- Crores, (exclusive of interest).

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

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

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all agreements, deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the committee of Directors or the Managing Director or officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

8. To consider and if thought fit, to pass the following Resolution as an ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to Section 293(1)(a), applicable

provisions of the Companies Act, 1956 and subject to the applicable statutory provisions/approval, to the Board of Directors of the Company for creating mortgages, charges, pledge and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company, as may be necessary on all or any of the assets / properties of the Company both present and future, in such manner as the Board may deem fit, in favor of one or more Indian or foreign financial institutions, banks, investment institutions, mutual funds, trusts, trustees, debenture/bond holders, debtors, suppliers, bodies corporate, companies, venture capitalists and any other persons, including their subsidiaries / associates, (hereinafter referred to as the "Lenders"), to secure all kind of present and future borrowing, loans, facilities, debts, debentures / bonds, arrangement and any other instrument whether in rupee or foreign currency together with interest thereon, further interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other dues payable by the Company to the Lenders.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or any other officer of the Company and generally to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid Resolution."

9. **To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:**

"RESOLVED that pursuant to Section 163 of the Companies Act, 1956 (the Act), the Company hereby approves that the Registers and Indexes of Members, the Registers and Indexes of Debenture holders, if any, and copies of Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act or any one or more of them be kept at the office of the Company's Registrar and Transfer Agents viz. Intime Spectrum Registry Ltd. C-13, Pannalal Silk Mills Ltd. LBS Marg, Bhandup (W), Mumbai – 400078."

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to decide time to time and to do all such acts, deeds, matters and actions as maybe necessary, proper and expedient to give effect to this resolution.

10. **To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956, relevant provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements with Stock Exchanges, Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and other rules and regulations, prescribed by SEBI or any other relevant authority, from time to time, to the extent applicable and subject to such other approvals, consents, permissions and sanctions of any authorities as may be required, and subject to any such conditions or modifications as may be prescribed or imposed by such authorities while granting such approvals, consents, permissions and sanctions, and which may be agreed to and accepted by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board (hereinafter referred to as 'the Board', which term shall be deemed to include any committee thereof including Compensation Committee), to create, offer, issue, allot, grant and vest at any time or from time to time, directly or through trust, to "Eligible Employees" (which expression shall, unless repugnant to the context, mean and include the permanent employees of the Company) such number of options, under one or more 'Employees Stock Option Scheme(s)' (ESOS or Scheme), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the laws or guidelines issued by the relevant authorities, provided that the aggregate number of such options granted shall not exceed 5,00,000 (five lacs) and each such option shall give the holder the right but not the obligation to subscribe for one fully paid up equity share of Rs. 10 each (the equity shares) of the Company in accordance with the scheme.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issue, bonus issue, merger or other reorganization of the capital structure of the Company from time to time, the Company may issue additional equity shares/options to the Eligible Employees if such additional equity shares/options are issued by the Company to the Eligible Employees for the purpose of making a fair and reasonable adjustment to the options granted earlier, in which event the above ceiling of 5,00,000 equity shares/options of the Company shall be deemed to be increased to the extent of such additional equity shares/options issued;

RESOLVED FURTHER THAT the equity shares may be allotted in accordance with the ESOS either directly and / or through a trust which may be set up and/or in any other permissible

manner and that the ESOS may also envisage for providing any financial assistance to the trust to enable the said trust to acquire, purchase or subscribe to the equity shares as per the ESOS;

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the Eligible Employees under the Schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees;

RESOLVED FURTHER THAT subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution and scheme shall in all respect rank *pari passu* inter-se with the then existing equity shares of the Company;

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot shares pursuant to the ESOS and take necessary steps for listing of the equity shares allotted under the Scheme on the Stock Exchanges where the equity shares of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchanges concerned, the guidelines and other applicable laws and regulations;

RESOLVED FURTHER THAT for the purpose of granting and vesting option, giving effect to any creation, offer, issue or allotment of equity shares as aforesaid, or for the purpose of setting up any ESOS Trust, the Board be and is hereby authorized, on behalf of the Company, to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, proper or desirable for such purpose, and with power on behalf of the Company, to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) as it may, and scheme in its absolute discretion deem fit, without being required to seek any further consent or approval of the members;

RESOLVED FURTHER THAT the Board / Compensation committee shall determine the eligibility criteria for the permanent employees to be eligible for options under the scheme based on an evaluation of the employees / directors on various parameters, such as length of service, grade, performance, technical knowledge, leadership qualities, merit contribution, conduct, future potential etc. and such other factor as may be deemed appropriate by it.

RESOLVED FURTHER THAT the Board be and is hereby authorized to formulate Employee Stock Option Scheme, to vary, modify or alter any of the terms and conditions of the said Schemes including those terms as are mentioned herein,

as it may in its absolute discretion deem fit, including those for the grant of options, issue of Equity shares on exercise of options, exercise price for the purpose of the grant, vesting period, exercise period, issue of equity shares subject to provisions of the Companies Act, 1956, SEBI Guidelines and any other applicable laws."

RESOLVED FURTHER That Board be and is hereby authorized to delegate all or any of the powers conferred on it by or under this Resolution to any Committee of Directors of the Company or to any Director or Directors or any officer(s) or employees of the company or any other person as it may consider appropriate in order to give effect to this resolution.

11. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the applicable provisions of Foreign Exchange Management Act, 1999 (which along with the regulations framed there under is herein referred to as, "FEMA"), the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, the Companies Act, 1956 and all other applicable statutory and regulatory requirements (including any statutory modification or re-enactment thereof for the time being in force) and subject to all applicable approvals, permission and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions which may be agreed to by the Board of Directors of the Company, the consent of the Company be and is hereby accorded for increase of investment by foreign institutional investors, including their sub-accounts, in the shares of the Company, whether by direct investment or by purchase or otherwise by acquiring from the market under portfolio investment scheme under FEMA, up to the limit of 60% from the present 49% of the paid-up equity share capital of the Company".

"RESOLVED FURTHER that the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

By Order of the Board of Directors
For NITCO TILES LIMITED

B G BORKAR

CFO & Company Secretary

October 24, 2007. Mumbai

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The instrument appointing proxy should, however, be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. The Explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of special business as set out above is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the December 5, 2007 to Tuesday, the December 11, 2007 (both days inclusive).
4. Member / proxy holders shall hand over the attendance slips, duly filled in all respect, at the entrance for attending the meeting.
5. Members desirous of obtaining any information as regards accounts and operations of the Company are requested to write to the Company at-least one week before the meeting, so that the information could be made available at the meeting.
6. Members are requested to notify any change in their address and bank account details to the Depository Participant where they maintain their Demat account.
7. Members are advised to get their shares demated by sending Dematerialization Request Form (DRF) alongwith Share Certificates through their Depository Participant (DP) to Company's Registrar Intime Spectrum Registry Ltd.
8. Particulars of Directors seeking appointment / reappointment: relevant particulars of Mr. Pran Nath Talwar, Ms. Poonam Talwar and Mr. Gaurav Burman are given in the report on Corporate Governance.

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

Item No. 5

Mr. Gaurav Burman has been co-opted as an additional Director of the Company at the Board meeting held on October 24, 2007. The Company has received a Notice in writing together with a deposit of Rs.500/- from a member of the company proposing candidature of Mr. Burman for the office of director liable to retire by rotation as required under section 257 of the Companies Act, 1956.

His profile and other relevant details have been mentioned in the "Report on Corporate governance".

Considering the wide range of experience of Mr. Gaurav Burman, in equity and finance field, his appointment on the Board will be beneficial to the Company.

Your directors recommend the resolution for your approval

None of the directors of the company other than Mr. Burman is interested in this resolution.

Item No. 6

Ms. Poonam Talwar joined the Company in the year 2002 as wholetime director to look after the mosaic tiles business of the Company. Under her leadership the turnover of mosaic tiles increased from Rs. 2.96 Crores for the year ended March, 2002

to Rs. 16.21 Crores for the year ended March, 2007.

The Remuneration committee in their meeting held on March 2, 2007 recommended the reappointment and the Board of Directors in their meeting held on March 2, 2007 approved the reappointment of Ms. Poonam Talwar as wholetime director with effect from April 1, 2007 for the further period of 5 years.

Ms. Poonam Talwar, aged 42 years with qualification of B.Com and LL.B. has an experience of 5 years in the field of tiles business.

Her remuneration is commensurate to the industry standards and considering her experience, competence and the strides made by the Company under her leadership, the terms of her reappointment as detailed in the resolution are considered fair, just and reasonable.

The resolution with explanatory statement may be treated as an abstract of the terms and condition governing the appointment of the said whole time Director and memorandum of interest of Directors therein, pursuant to Section 302 of the Companies Act, 1956.

Yours directors recommend the Resolution mentioned in this item of the notice to the members for their approval.

None of the Directors except Ms. Poonam Talwar, Mr. Vivek Talwar and Mr. P.N. Talwar, who are related to Ms. Poonam Talwar, are interested in the resolution.

Item No. 7

Under section 293 (1) (d) of the Companies Act, 1956, The Board of Directors cannot, except with the consent of the company in General meeting, borrow monies apart from temporary loan obtained from the company's banker in the ordinary course of business in excess of the aggregate of the paid up capital and free reserves, that is to say, reserves not set apart for any specific purpose. The company at its Extra Ordinary General Meeting held on November 22, 2005 had empowered the Board of Directors of the Company to borrow and raise money not exceeding Rs. 300 Crores. Since then the Company's business has increased considerably. As the Company has substantially expanded its business plan, it is necessary to increase the borrowing limit. It is proposed to increase borrowing limit to Rs. 600 crores from the existing limit of Rs.300 crores. It is desirable, as a matter of abundant caution also, to provide a sufficient margin for such loans/borrowing by one or another means as detailed in the resolution, to be covered under borrowing powers of the Board. The consent of the Company is required under the provision of section 293 (1) (d) of the Companies Act, 1956 to authorize the Board of Directors to borrow monies in excess of paid up capital and free reserve, and to specify total amount up to which the amount may be borrowed by the Board of Directors.

The Board recommends the resolutions for approval of the Members.

None of the directors are interested in the resolution

Item No. 8

Resolution at this item relates to authorizing the Board of Directors of the Company to mortgage, charge, pledge, hypothecate the movable / immovable properties of the Company as described in detail in the said resolution.

The Company in the future may require further funds and facilities from various sources to meet expenditure on its projects, to augment its working capital needs, to repay/prepay high cost debts or for other purposes in the course of business.

The borrowings by the Company in general, is required to be secured by various ways and in such form, manner and ranking as may be agreed with lenders from time to time.

As per the provision of Section 293(1) (a) of the Companies Act, 1956, the Company cannot sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company without prior consent of Members at a General Meeting.

The Board, therefore, recommends the resolutions for approval of the Members.

None of the Directors of the Company is concerned or interested

in the resolution.

Item No. 9

As per the provisions of Section 163 of the Companies Act, 1956, approval of the shareholders by way of a special resolution is required for the Company to have its Register of Members, Index of Members, the Register and Index of Debenture holders, copies of annual returns prepared under section 159, together with the copies of certificates and documents required to be annexed thereto, to be kept at a place other than the Company's Registered Office, but within the same city, town or village where the Registered Office of the Company is situated.

The Company proposes to keep its register of Members & Index of member, the Register and Index of Debenture holders, copies of annual returns prepared under section 159, together with the copies of certificates and documents required to be annexed thereto at the office of the Company's Registrar and Transfer Agents viz. Intime Spectrum Registry Ltd. C-13, Pannalal Silk Mills Ltd. LBS Marg, Bhandup (W), Mumbai – 400078.

Your Directors recommend the Resolution for the approval of the Members.

None of the Directors are interested in the Resolution.

Item No. 10

Human resource today is the key resource for the success, growth, and continuous development of the Company. In order to reward the employees' contribution in success, to motivate them for continuous development and to enable them to participate in growth and financial success of the Company, with common objectives of maximizing the shareholder value, it is proposed to introduce an Employee Stock Option Scheme (ESOS) in accordance with the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, prescribed by SEBI as amended from time to time.

The Scheme will be under the superintendence of and be administered by the Company's Compensation Committee, which is a Committee of the Board of Directors consisting of majority of independent directors.

The various disclosures as required by SEBI Guidelines are as under:

A. The total number of options to be granted

The total number of options that may, in the aggregate, be issued, under the scheme is 5,00,000. Each such option shall give the holder the right but not the obligation to subscribe for one fully paid equity shares of Rs. 10/- each.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date

SEBI guidelines require that in case of any corporate action(s)

such as rights issue, bonus issue, merger or other reorganization of the capital structure of the Company from time to time, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if additional equity shares are issued by the Company to the Eligible Employees for making such fair and reasonable adjustment, the ceiling of 5,00,000 equity shares of the Company shall be deemed to be increased to the extent of such additional equity shares issued.

B. Identification of classes of employees entitled to participate in the Scheme:

Persons who are "Employee" of the Nitco Tiles Limited, including directors, as defined in the SEBI Guidelines (including any statutory modifications or re enactment of the act or the guidelines, for the time being in force), and as may be decided by the Board / compensation committee, from time to time.

Under the prevailing regulations, an employee who is a promoter or belongs to the promoter group will not be eligible to participate in the scheme.

The Board/ Compensation committee shall determine the eligibility criteria for the eligible employee under the scheme on the evaluation of the Employees / Directors on various parameters, such as length of service, grade, performance, technical knowledge, leadership qualities, merit contribution, conduct, future potential etc. and such other factors as may be deemed appropriate by it. Such "Eligible Employee" as may be decided by the Board / Compensation committee from time to time, shall be entitled to be granted and vested stock options under ESOS Scheme(s).

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecate, mortgaged or otherwise alienated in any other manner.

C. Requirement of vesting, period of vesting

Vesting of options may commence after such period from the date of grant, and may extend up to such period from the date of grant as may be determined by the compensation committee, in its discretion, and which will include performance appraisal of the employee. However no option shall vest before the expiry of one year from the date of grant.

D. Maximum period within which the option shall be vested

The maximum period within which the options shall be vested, shall not be more than five years from the date of grant.

E. Exercise price or pricing formula:

Options would be granted at a price of Rs. 200/- per option / per share. This shall be called exercise price. Eligible employees shall be liable to pay full exercise price at the time of exercising the options.

Fringe Benefit Tax

In terms of the provisions of Section 115 WKA of the Income Tax

Act, 1961, as amended by the Finance act, 2007 and as may be amended from time to time, the Company may recover the fringe benefit tax payable by it from the Eligible Employees in relation to the value of fringe benefit provided in terms of the said Act and the other Rules made there under, in respect of any grant or vesting or exercise of stock options on or after April 1, 2007.

F. Exercise period and the process of exercise

The exercise period may commence from the date of vesting, and will expire not later than such period from the date of grant of options, or such other period as may be decided by the compensation committee, from time to time. The maximum exercise period shall not be more than five years from the date of vesting of respective options.

The options will be exercisable by the employees by a written application to the Company to exercise the options, in such manner, and on execution of such documents, as may be prescribed by the compensation committee.

The option will lapse if not exercised within the specified exercise period.

G. Appraisal process for determining the eligibility of employees to participate in the Scheme:

The appraisal process for determining the eligibility of the employee will be specified by the compensation committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, future potential contribution by the employee, and/or such other criteria that may be determined by the compensation committee at its sole discretion.

H. Maximum number of Options to be issued per employee and in aggregate:

The number of options that may be granted to employees under the Scheme shall be determined by the Compensation Committee from time to time as permitted by applicable laws and rules.

I. The method the company will use to value its option

The method which the Company shall use to value its options shall be such value of the equity shares on the date of grant as may be determined by the Board / Compensation committee in accordance with the SEBI Guidelines.

The Company will confirm to the accounting policies in clause 13.1 of the SEBI guidelines and/or such other guidelines as may be applicable, from time to time.

If the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized, if it had used the fair value of the options, shall be disclosed in the Directors' report and also the impact of this difference on profits and on earning per share (EPS) of the Company shall also be disclosed in