



BOARD OF DIRECTORS

Shri C.S. Pani	-	Chairman
Shri R Sivasailam	-	Director
Shri K S Purohit	-	Director
Shri J. Narasimha Rao	-	Nominee – APIDC
Shri R. Kandaswami	-	Nominee – ICICI (Upto 31.10.2001)
Shri V. Padmakar	-	Managing Director
Shri K. Krishna Rao, B.Com., FCA & ACS	-	General Manager (Fin)& Company Secretary

AUDITORS

Lalith Prasad and Co.
Chartered Accountants
Flat No. 402, Golden Green Apts.
Erramanzil Colony
Hyderabad – 500 082

SHARE AND DEPOSITORY TRANSFER AGENTS

Sathguru Management Consultants Pvt.Ltd.
Plot No. 15, Hindi Nagar
Punjagutta
Hyderabad – 500 034

BANKERS

State Bank of India
Industrial Finance Branch
Somajiguda
Hyderabad

**REGISTERED OFFICE AND
FACTORY**

Malkapur Village
Hatnoor Mandal
Narsapur Taluk
Medak District
Andhra Pradesh

ADMINISTRATIVE OFFICE

1-10-177
Varun Towers
3rd Floor, Begumpet
Hyderabad – 500 016

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **FIFTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Saturday, the 29th Day of December, 2001 at 9.30 A.M at the Regd. Office of the Company at Malkapur Village, Hatnoor Mandal, Narsapur Taluk, Medak District, Andhra Pradesh to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri C S Pani who retires by rotation and being eligible, to offers himself for reappointment.
3. To appoint a Director in place of Shri J Narasimha Rao who retires by rotation and being eligible, to offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if, thought fit, to pass with or without any modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Companies Act, directives of SEBI, Stock Exchanges and other authorities as may be required from time to time, the Articles of Association of the Company be and is hereby altered in the following manner:

To insert the following Sub Articles as (s),(t),(u),(v) in Article 2 under the heading GENERAL of the Articles of Association:

(s) "Beneficial Owner" means a person or persons whose name is recorded as such with a depository.

(t) "Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to Act as a depository under the Securities and Exchange Board Act, 1992.

(u) "SEBI" means Securities and Exchange Board of India.

(v) "Security" means such security as may be specified by SEBI from time to time.

To insert the Article 12A in the Articles of Association:

12 A

Dematerialisation of Securities:

Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities and to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.

(I) Option for investors :

Every person subscribing to securities offered by the Company shall have the option to receive security certificates or hold the securities with a depository. Such a person who is the beneficial owner of the Securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.

If a person opts to hold security with a depository, the Company shall intimate such depository the details of allotment of security, and on receipt of the information, the depository should enter in its record the name of the allottee as the beneficial owner of the security.

(II) Securities In Depositories to be in fungible form:

All Securities held by a depository shall be dematerialized and be fungible form. Nothing contained in Sections 153, 153A, 153B, 187C, 372A of the Act shall apply to a depository in respect of the Securities held by it on behalf of the beneficial owner.

(III) Right of Depositories and Beneficial Owners:

- a. Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purpose effecting transfer of ownership of security on behalf of the beneficial owner.
- b. Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of securities held by it.
- c. Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

(IV) Service of Documents :

Notwithstanding anything contained in the Act or these Articles to the Contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.

(V) Transfer of Securities :

Nothing contained in Section 108 of the Act, or these Articles shall apply to a transfer of securities

effected by a transferor and transferee both of whom are entered as beneficial owners in the records of the company.

(VI) Allotment of Securities dealt with by a Depository:

Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof immediately on allotment of such securities.

(VII) Distinctive Numbers of Securities held in a Depository:

Nothing contained in the Act or these Articles regarding the necessity of having distinctive

numbers for securities issued by the company shall apply to securities held with a depository.

(VIII) Register and Index of beneficial owners:

The Register and Index of Beneficial Owners maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles.

By Order of the Board
for **RESTILE CERAMICS LIMITED**

K. KRISHNA RAO

GENERAL MANAGER (FIN.) &
COMPANY SECRETARY

Hyderabad
October 31, 2001

NOTES :

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- B. The related explanatory statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No. 5 is annexed hereto.
- C. The Register of Members and Share Transfer Books of the Company will remain closed from 24.12.2001 to 29.12.2001 (inclusive of both days).
- D. Members are requested to notify any change in their address to the Company's Share Transfer and Depository Agents.
- E. Your Company's Securities are listed at the following Stock Exchanges and the Company is regular in paying the Annual Listing Fee to the following Stock Exchanges :

Sl. No.	NAME OF THE STOCK EXCHANGE	ADDRESS
01.	The Hyderabad Stock Exchange Ltd.	3-6-275, Himayatnagar Hyderabad - 500 029
02.	The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001
03.	The Stock Exchange, Ahmedabad	Kamdhenu Complex Near Polytechnic, Panjarapole Ahmedabad - 380 015

- F. Members are requested to convert their holdings into Demat. The Company's ID with CDSL is ISIN - INE 298E 01014. The Company's Share and Depository Transfer Agents are Sathguru Management Consultants Pvt. Ltd., 15, Hindi Nagar, Punjagutta, Hyderabad-500 034.

ANNEXURE TO NOTICE

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

Item No. 5 :

Consequent upon the directives issued by Securities and Exchange Board of India (SEBI), that the equity shares of your Company have brought under compulsory dematerialisation (DEMAT) with effect from 02.01.2002. It is therefore, proposed that your Company's Articles of Association be suitably altered as set out in the resolution to reflect the provisions introduced by the Depositories Act, 1996 and to facilitate the smooth operation of Demat.

The Company recommends for alteration of Articles of Association of the Company by inclusion of new Sub-Article

2 under the heading **GENERAL** and Article 12A for adoption.

None of the Directors concerned or interested in the resolution.

By Order of the Board
For **RESTILE CERAMICS LIMITED**

K. KRISHNA RAO

GENERAL MANAGER (FIN.) &
COMPANY SECRETARY

Hyderabad
October 31, 2001

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting their Fifteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2001.

1. FINANCIAL RESULTS :

During the period under review, the Company's performance has been as under :

	(Rs. In lakhs)	
	2000-2001	1999-2000
Sales and Other Income	2007.49	1874.85
Gross Profit	211.55	301.69
Interest and Financial Charges	241.64	171.70
Depreciation	95.00	94.80
Net Profit/(Loss) for the year	(125.09)	35.19

2. OPERATIONS :

During the year under review, the production has gone up from 4,19,382 sq.mtrs. to 4,63,864 sq.mtrs, recording an achievement of 86% capacity utilization as against 78 % in the previous year. Consequently, the Sales volume and values have gone up from previous 4,38,163 sq.mtrs. to 4,62,704 sq.mtrs. and from Rs.1844.96 lakhs to Rs.1979.44 lakhs respectively. However, due to the general increase in input costs and continued downward pressure on the selling prices on account of severe competition, the Gross Profit before interest and depreciation has decreased from Rs.301.69 lakhs to Rs.211.55 lakhs.

3. DRAFT REHABILITATION SCHEME - BIFR :

Due to the delay in the arrangement of funds for meeting the OTS, as per the directions of BIFR, the revised Draft Rehabilitation Scheme is under preparation by ICICI, the Operative Agency.

4. EXPANSION:

In order to meet the changing market preferences, your Company has imported equipment like Hydraulic Press, Horizontal Drier, Roller Kiln etc., to facilitate the production of larger sizes and varieties of tiles upto 60cm x 60cm. Further equipments are proposed to be imported and installed during the later part of the year.

5. FUTURE OUTLOOK :

The international scenario indicates 20% growth in vitrified ceramic tiles. A similar growth is expected in the national scenario as the conventional tiles are being replaced with vitrified ceramic tiles. With the continuous Research and Development efforts, your Company is able to stabilize the production and marketing of industrial and larger sized tiles. Conscious and unstinted efforts in cost reduction, improved product mix with implementation of the expansion, and with Rehabilitation Scheme in place, your Company hopes to achieve improvement in its performance and profitability during the current year.

6. RESEARCH & DEVELOPMENT :

In addition to the development of larger sizes, the Research and Development department is engaged on a continuing basis, towards Process Improvement, Cost Reduction, Energy and Fuel Conservation and the Productivity improvement.

7. PUBLIC DEPOSITS :

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules framed thereunder.

8. DIRECTORS :

Shri C.S. Pani and Shri J. Narasimha Rao retires by rotation and being eligible, offer themselves for reappointment.

9. DIRECTORS RESPONSIBILITY STATEMENT :

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

- In the preparation of annual accounts, the applicable accounting standards have been followed;
- Accounting policies were applied consistently and the judgments and estimates made, are reasonable and prudent so as to give a true and fair view of the affairs of the Company as at March 31, 2001, and of the loss of the Company for the period ;
- Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken ;

iv. The annual accounts have been prepared on a going concern basis.

10. AUDITORS:

M/s. Lalith Prasad and Co., Chartered Accountants, Hyderabad, Statutory Auditors of the Company holding office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and are eligible for reappointment.

11. AUDIT COMMITTEE :

Pursuant to the provisions of newly inserted Section 292A of the Companies Act, 1956, your Company constituted the Audit Committee of the Board of Directors, with the following Directors all of them being non executive directors:

1. Mr. J. Narasimha Rao - Chairman
2. Mr. R. Sivasailam - Member
3. Mr. R. Kandaswami - Member (upto 31.10.01)
4. Mr.C S Pani - Member

12. DEMATERIALISATION OF SHARES :

Company's Equity Shares are under compulsory Demat Trading with effect from January 02, 2002. The members are requested to convert their holdings into Electronic form. The Company has signed necessary Agreements with the Depositories, namely, National Security Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable the shareholders to convert their holdings into dematerialized form through any depository participant.

13. CORPORATE GOVERNANCE:

The compliance to the Corporate Governance code mandated by SEBI under clause 49 of the Listing Agreement is required to be achieved by the end of Financial Year 2002-2003. Your Board has already initiated certain steps towards the compliance of the same, which in brief are as follows :

- i) The Company has already set up an Audit Committee.
- ii) The Board's strength is six, with one Whole Time Director and five Independent & Nominee Directors.

iii) No Director of the Company is a member of more than Ten Committees or acts as a Chairman of more than five Committees of all Companies in which he is a Director.

iv) Information required to be placed before the Board is periodically submitted to the Committee for review.

The Board is in the process of taking necessary further steps to achieve full compliance as regards Corporate Governance by the end of March, 2003.

14. PARTICULARS OF EMPLOYEES :

The information as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 (as amended) is NIL.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

A statement giving details of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 is annexed hereto and the same forms an integral part of this report.

16. INDUSTRIAL RELATIONS :

The Industrial Relations in your Company have been cordial during the year.

17. ACKNOWLEDGEMENTS :

The Directors have pleasure in recording their appreciation of the assistance extended to the Company by various officials of the Central and State Governments and also by Members of the participating Financial Institutions and Commercial Banks.

The Directors wish to place on record their appreciation of the unstinted cooperation extended and valuable contribution made by the employees at all levels.

On behalf of the Board
for **RESTILE CERAMICS LIMITED**

Hyderabad
October 31, 2001

C. S. PANI
CHAIRMAN



ANNEXURE – I TO DIRECTORS' REPORT

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER SECTION 217 (1)(e) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

The Company is continuously taking necessary steps for energy conservation.

The technology adopted is well advanced and energy efficient.

B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

1. Specific areas in which Research and Development carried out by the Company.

- Vendor development for import substitution.
- Technology upgradation.
- Development of alternative raw materials.

2. Benefits derived as a result of the above Research & Development.

- Cost reduction.
- Quality improvement.
- Decrease in imports.

3. Future plan of action

- Specific thrust on Research & Development activities.

4. Expenditure on Research & Development.

(Figures in Rs.)

	2000-2001	1999-2000
a) Capital	--	--
b) Recurring	11,40,160	10,54,901
c) Total	11,40,160	10,54,901
d) Total R & D expenditure as a % of total turnover	0.58%	0.57%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Continued efforts are made for absorption and adaptation of a technology and improvement in the technology.

2. Benefits derived as a result of the above efforts.

3. Imported Technology

- | | |
|---|---------|
| a) Technology imported | Process |
| b) Year of import | 1989-90 |
| c) Has technology been fully absorbed ? | YES |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. The Company has earned foreign exchange to the extent of Rs.9.46 lakhs during 2000-2001.

The total foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses is Rs. 43.21 lakhs during 2000-2001.