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**BOARD OF DIRECTORS**

Shri C.S. Pani	-	Chairman
Shri R Sivasailam	-	Director
Shri K S Purohit	-	Director
Shri J. Narasimha Rao	-	Nominee – APIDC
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.  
6-3-542/1, Panjagutta,  
Hyderabad – 500 082

**SHARE AND DEPOSITORY TRANSFER AGENTS**

Sathguru Management Consultants Pvt.Ltd.  
Plot No. 15, Hindi Nagar  
Panjagutta  
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  
3<sup>rd</sup> Floor, Begumpet  
Hyderabad – 500 016

## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **SIXTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Thursday, the 26th Day of September, 2002 at 10.30 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 receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2002 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 K S Purohit, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri R Sivasailam, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

### 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 Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2002 to 26.09.2002 (inclusive of both days).

C. Members are requested to notify any change in their address to the Company's Share and Depository Transfer Agents.

D. 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

E. Members are requested to convert their holdings into Demat. The Company's Id with CDSL and NSDL is INE298E01014. The Company's Share and Depository Transfer Agents are Sathguru Management Consultants Pvt. Ltd., 15, Hindi Nagar, Panjagutta, Hyderabad-500 034.

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

Hyderabad  
July 29, 2002

**K. KRISHNA RAO**  
GENERAL MANAGER (FIN.) &  
COMPANY SECRETARY

## DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting their Sixteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

### 1. FINANCIAL RESULTS :

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

	(Rs. in lakhs)	
	2001-2002	2000-2001
Sales and Other Income	1578.35	2007.49
Gross Profit	160.24	211.55
Interest and Financial Charges	74.13	241.64
Depreciation	98.39	95.00
Net Profit/(Loss) for the year	(12.28)	(125.09)

### 2. OPERATIONS :

During the year under review, the Company has produced 4,03,545 sq.mtrs. as against the last year's production of 4,63,864 sq.mtrs. The Company has achieved Sales volume and value of 3,80,737 sq.mtrs. and Rs. 1572.61 lakhs as against 4,62,704 sq.mtrs. and Rs. 1979.44 lakhs during the preceding year. The decrease is on account of an illegal strike by the Workers' Union during March, 2002, which forced your Company to declare a Lock-out.

### 3. DRAFT REHABILITATION SCHEME - BIFR :

The Operating Agency(OA), ICICI had forwarded to BIFR, the Draft Rehabilitation Scheme(DRS), comprising Soft Loan and fully convertible debentures for a total amount of Rs. 11.09 Crores during January, 2002. During the last week of June, 2002, BIFR called for certain information from the OA and the OA had furnished the same to BIFR.

The Company is awaiting BIFR's approval of the Draft Rehabilitation Scheme.

### 4. EXPANSION :

Installation and commissioning of higher capacity Hydraulic Press, Horizontal Drier, Roller Kiln, Fettling Equipment etc., were completed during the year and commercial production commenced on 27.02.2002. With the provision of the above facilities, the Installed Capacity for production has increased to 14,00,000sq.mtrs p.a of tiles from the existing level of 5,40,000sq.mtrs p.a. Besides, it would facilitate the Company to produce larger sizes and varieties of tiles upto 60cm x 60cm for which there is a growing market preference.

To further strengthen the top and bottom lines and consolidate the brand image, your Company is proposing to procure and install balancing equipment during the later part of the year.

### 5. FUTURE OUTLOOK :

With the additional capacities, your Company is able to produce the market preferred larger size tiles upto 60 cm x 60cm and focus more on the high value added products like Industrial and Polished Tiles. The Company has a well equipped Research & Development department and the thrust and focus of efforts in the department is directed towards cost reduction, improved productivity and new range of products. Once the OTS is in place, the total accumulated losses of the Company would be wiped out with the interest waivers from the FIs and consequently, the net worth of the Company would be restored, the burden of interest on term loans would be reduced substantially and the bottom line could show a healthy position in the coming years.

### 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, product diversification and the Productivity and Yields 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 K.S. Purohit and Shri R. Sivasailam retires by rotation and being eligible, offer themselves for re-appointment.

#### 9. DIRECTORS RESPONSIBILITY STATEMENT:

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

- i. In the preparation of annual accounts, the applicable accounting standards have been followed;
- ii. 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, 2002 and of the loss of the Company for the period ;
- iii. 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. C.S. Pani        | - | Member   |

#### 12. DEMATERIALISATION OF SHARES :

As the members are aware, your Company's shares are tradable compulsorily in electronic form under ISIN No. INE 298E01014 and your Company has established connectivity with both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The members are requested to dematerialize their physical holding in view of various advantages of holding the shares in dematerialized form.

#### 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 five, with one Whole Time Director and four Independent including one 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. AUDITORS' REPORT:

Item no.7 of the notes on accounts is self explanatory.

#### 15. 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 is NIL.

#### 16. 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 given in Annexure I and the same forms an integral part of this report.

#### 17. INDUSTRIAL RELATIONS :

After the finalisation of monetary benefits to the Workers, the Workers Union went on an illegal strike and as a result, the Management had declared Lock-out with effect from 06.03.2002. Finally, the new Agreement with the Workers Union had been signed before the Regional Joint Commissioner of Labour on 26.06.2002 and the production has restarted effective the 1st July, 2002.

#### 18. ACKNOWLEDGEMENTS :

Your 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  
July 29, 2002

**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.)	
	2001-2002	2000-2001
a) Capital	--	--
b) Recurring	12,50,401	11,40,160
c) Total	12,50,401	11,40,160
d) Total R & D expenditure as a % of total turnover	0.79%	0.58%

**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. 2.92 lakhs during 2001-2002.
2. The total foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses is Rs. 67.43 lakhs during 2001-2002.

## CORPORATE GOVERNANCE REPORT

We at Restile Ceramics Limited are committed to the concept and philosophy of corporate governance as a means of effective internal control, fair and transparent decision making process and fullest support of the Board and Management for enhancing customer satisfaction and shareholder value.

Securities and Exchange Board of India has codified the code of Corporate Governance, which has been implemented by amending the listing agreement entered into by the Company with the Stock Exchanges.

Given below is a brief report on the practice followed at Restile Ceramics Limited towards achievement of good Corporate Governance :

### Composition of Board

The Board comprises Five Directors, of which one is Managing Director. The non-executive directors bring with them rich and varied experience in different facets of corporate functioning. They play active role in the meetings of the Board. The Chairman of the Board is a non-executive director. The Board formulates policy decisions so as to lead and control the Company. The composition of the Board is in conformity with the requirements of the listing agreement.

### Tenure

As per the statute, two-thirds of the total strength of the Board of Directors should be subjected to retirement by rotation. Further, one-third of the directors liable to retire by rotation are required to retire every year. This is being implemented.

### Board Meetings

During the year under review, five meetings of the Board of Directors were held.

The Names and Categories of the Directors on the Board, their attendance at Board Meetings held during the Financial Year 2001-02 and at the last Annual General Meeting, as also the number of Directorships and Committee positions held by them in other public limited companies as on March 31, 2002 are given below :

Name	Category	Number of Board Meetings attended during 2001-02	Whether attended AGM held on 29.12.2001	No. of Directorships in other public limited companies	No. of Committee Positions held in other public limited companies	
					Chairman	Member
Shri C. Saranga Pani	Independent, Non-Executive	5	Yes	6	-	4
Shri R. Sivasailam	Independent Non-Executive	3	No	-	-	-
Shri K.S. Purohit	Independent Non-Executive	5	Yes	4	1	1
Shri J.Narasimha Rao (APIDC- Nominee)	Independent Non-Executive	4	Yes	-	-	-
Shri V.Padmakar	Promoter, Non-Independent, Executive	4	Yes	-	-	-