



**RE STYLE**  
CERAMICS LIMITED

**SEVENTEENTH ANNUAL REPORT 2002 -03**

## BOARD OF DIRECTORS

Shri Nalinkant Amratlal Rathod	- Chairman (w.e.f. 27.01.2003)
Shri C.S. Pani	- Chairman (upto 27.01.2003)
Shri R. Sivasailam	- Director (upto 27.01.2003)
Shri K.S. Purohit	- Director (upto 27.01.2003)
Shri J. Narasimha Rao	- Director - Nominee APIDC
Shri V. Padmakar	- Managing Director
Shri GV Ramana Murthy	- Jt. Managing Director (w.e.f. 27.01.2003)

Shri K. Krishna Rao, B.Com., FCA., ACS - Sr. 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,  
3rd Floor, Begumpet,  
Hyderabad - 500 016.

## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **SEVENTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Saturday, the 30<sup>th</sup> Day of August, 2003 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 consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2003 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 J Narasimha Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors of the Company 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 Shri Nalinkant Amratlal Rathod, who was appointed as an Additional Director and Chairman of the Company with effect from 27<sup>th</sup> January, 2003 under Article 89 of the Articles of Association of the Company and who holds office upto to the date of this Annual General Meeting, in respect of whom, the Company has received a Notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Shri Nalinkant Amratlal Rathod to the office of Director and Chairman, be and is hereby appointed as a Director and Chairman of the Company.”

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

as an Ordinary Resolution:

“RESOLVED THAT pursuant to Sections 198, 267, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to any other approvals that may be required, the approval of the Company be and is hereby accorded to the appointment of Shri G V Ramana Murthy, as Joint Managing Director of the Company for a period of 5 years with effective from 01.02.2003 on the terms and conditions including remuneration and other perquisites as set out in the explanatory statement of this notice.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to determine and/or modify from time to time, the terms and conditions including salary and perquisites in respect of the aforesaid appointment subject to the conditions that such modification/s shall be within the limits prescribed under Schedule XIII to the Companies Act, 1956.”

“RESOLVED FURTHER THAT the aforesaid salary and perquisites will be payable to Shri G V Ramana Murthy irrespective of whether there is adequate profit in any year or not.”

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

“RESOLVED THAT pursuant to Sections 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to any other approvals that may be necessary, the approval of the Company be and is hereby accorded for the re-appointment of Shri V Padmakar, Managing Director for a period of 5 years commencing from 01.02.2004. ”



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

**Item No.4**

As per BIFR's Order dated 18.12.2002, Asia Pacific Equity Holdings Limited (APEHL) will become the strategic investor of the Company. APEHL is a Company incorporated in the British Virgin Islands (BVI) and 100% owned by Shri Nalinkant Amratlal Rathod. Shri Nalinkant Amratlal Rathod is a Chartered Accountant, having rich experience of about 30 years of service in reputed companies in India and abroad. Presently, he is a *Managing Director of Capital Managers Asia Pte. Ltd. (CMA)*, a Singapore Registered Company. CMA is in the Investment Banking, Financial Advisory and Private Equity Business. Shri Nalinkant Amratlal Rathod with his vast experience and knowledge of finance, trade and industry will be able to make valuable contribution to the Company's growth and prosperity. The Board of Directors has appointed Shri Nalinkant Amratlal Rathod as Additional Director and Chairman of the Company at its meeting held on 27<sup>th</sup> January, 2003.

A notice as required under Section 257 of the Companies Act, 1956 has been received from a member of the Company, proposing the candidature of Shri Nalinkant Amratlal Rathod as a Director and Chairman of the Company.

The Board recommends the above resolution for approval by the members.

None of the directors except Shri Nalinkant Amratlal Rathod is deemed to be interested in the resolution.

**Item No.5**

Asia Pacific Equity Holdings Limited had expressed that Shri G V Ramana Murthy be appointed as Joint Managing Director of the Company. Accordingly, as per Article 85 of the Articles of Association of the Company, the Board of Directors had appointed Shri G V Ramana Murthy as Joint Managing Director of the Company at its meeting held on 27<sup>th</sup> January, 2003 for a period of 5 years with effect from 01.02.2003.

Shri G V Ramana Murthy is a Graduate Engineer in Mechanical and has over 25 years of varied exposure in manufacturing operations and business, including several years of experience abroad and presently he is a Managing Director of Java Softech Pvt. Limited, Hyderabad. Shri G V Ramana Murthy with his vast experience and knowledge of trade, industry will be able to make valuable contribution to the Company's growth and prosperity.

The Board of Directors has appointed Shri G V Ramana Murthy as a Joint Managing Director of the Company on the following terms and conditions with effect from 01.02.2003 for a period of 5 years subject to approval of members:

Basic Salary	:	Rs. 63,400/- p.m.
HRA	:	Rs. 15,992/- p.m.

**PERQUISITES**

The Joint Managing Director shall also be eligible to the following perquisites, which shall not be included in the computation of the ceiling on remuneration as specified above:

- (a) Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs. 10,000/- per annum.

- (b) Company's contribution towards Provident Fund as per the rules of the Company.
- (c) Gratuity as per the rules of the Company.
- (d) Company's contribution towards Superannuation Fund as per the rules of the Company.
- (e) Encashment of Earned Leave at the end of the tenure.
- (f) Car for the use of Company's business and telephone at residence shall not be considered as perquisites.

This may also be treated as an abstract of the terms of the contract, issued to the members pursuant to the provisions of Section 302 of the Companies Act, 1956.

The Board recommends the above resolution for approval by the members.

None of the directors except Shri G V Ramana Murthy is deemed to be interested in the resolution.

#### Item No. 6

Shri V Padmakar has been associated with the Company since inception and is continuously endeavouring for the improvement of overall performance of the Company. He is also completely incharge of the day to day operations of the Company and is instrumental in steering the Company through all the period. Shri V Padmakar had been re-appointed at the 12<sup>th</sup> Annual General Meeting of the Company for a period of 5 years ending on 31.01.2004. The Board of Directors has reappointed Shri V Padmakar as Managing Director for a further period of 5 years commencing from 01.02.2004. Keeping in view of the onerous responsibility shouldered by him and prevalent remuneration levels of managerial personnel, the Board of Directors at its meeting held on 27<sup>th</sup> January, 2003 has revised remuneration and

perquisites payable to Shri V Padmakar with effect from 01.02.2003 on following terms and conditions subject to approval of members:

Basic Salary : Rs. 1,00,000/- p.m.

#### PERQUISITES

The Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration as specified above :

- (a) Personal Accident Insurance of an amount, the annual premium of which does not exceed Rs. 10,000/- per annum.
- (b) Company's contribution towards Provident Fund as per the rules of the Company.
- (c) Gratuity as per the rules of the Company.
- (d) Company's contribution towards Superannuation Fund as per the rules of the Company.
- (e) Encashment of Earned Leave at the end of the tenure.
- (f) Car for the use of Company's business and telephone at residence shall not be considered as perquisites.

This may also be treated as an abstract of the terms of the contract, issued to the members pursuant to the provisions of Section 302 of the Companies Act, 1956.

The Board recommends the above resolution for approval by the members.

None of the directors except Shri V Padmakar is deemed to be interested in the resolution.

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

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

Hyderabad  
June 20, 2003

## DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting their Seventeenth Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2003.

### 1. FINANCIAL RESULTS :

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

	(Rs. in Lakhs)	
	2002-03	2001-02
Sales and Other Income	<b>1296.93</b>	1578.34
Gross Profit	<b>149.50</b>	160.24
Interest and Financial Charges	<b>26.39</b>	74.13
Depreciation	<b>137.01</b>	98.39
Net Profit/(Loss) for the year	<b>(13.90)</b>	(12.28)
Profit / (Loss) carried to Balance Sheet	<b>(13.90)</b>	(12.28)

### 2. OPERATIONS :

As reported in the last Annual Report that the illegal strike of the Workers Union and consequential lock-out was continued upto 30<sup>th</sup> June, 2002. The Wage Agreement for the period from 01.01.2002 to 31.12.2004 was signed on 26.06.2002 under Rule 12 (3) of ID Act. Accordingly, the operations of the Company was resumed effective 1<sup>st</sup> July, 2002 and the results reflected pertains to nine months only.

During the year under review, the Company has produced 2,94,705 sq.mtrs. as against the last year's production of 4,03,545 sq.mtrs. The Company has achieved sales volume and value of 2,93,295 sq.mtrs., and Rs. 1241.61 lakhs excluding other income respectively as against 3,80,737sq.mtrs., and Rs. 1572.61 lakhs during the preceding year. The decrease is on account of an illegal strike by the Workmen for the entire first

quarter of 2002-2003 which resulted in a Lock-out.

### 3. FINANCIAL RESTRUCTURING - BIFR ORDER DATED 18.12.2002 :

The Company had received BIFR Order dated 18.12.2002. The debt burden of Financial Institutions is reduced to Rs. 1109.70 lakhs from Rs. 2940.65 lakhs. The crystallized principal amount of Rs. 1109.70 lakhs shall be converted into Rs. 600.00 lakhs as Term Loans and the balance amount of Rs. 509.70 lakhs shall be by way of Fully Convertible Debentures (FCDs) and shall be repaid over a period of five years. The FCDs shall be converted into equity and be bought back by Asia Pacific Equity Holdings Limited (APEHL), a Company incorporated in the British Virgin Islands, within a period of four years.

Pursuant to BIFR Order, APEHL has to infuse Rs.100.00 lakhs in the Company in the form of Equity Share Capital for payment towards upfront amount to institutions. APEHL has to infuse further funds of Rs.200.00 lakhs into the Company in order to complete the capital expenditure program being undertaken.

The BIFR Order also stipulates for the reduction of the existing equity capital of Rs.944.30 lakhs to Rs.189.86 lakhs i.e., to 20% of its existing equity share capital under the provisions of Section 100 to 102 of the Companies Act, 1956. BIFR had directed allotment of the new Equity Shares to APEHL or its nominees, under section 81(1A) of the Companies Act, 1956.

### 4. EXPANSION:

To keep pace with the shift in market preferences and to strengthen the market share, your Company undertook modifications to the expanded capacity to facilitate the production of larger sized tiles with improved effects. The commissioning of the new equipment is in progress and it is expected that these products would augment the operations effective July, 2003. With the above facilities in place, your Company is expected to achieve quantum leap in operations with improved product range and value addition.

### 5. FUTURE OUTLOOK :

Your Company is geared up to produce the market

preferred larger size tiles upto 60 cm x 60cm, with improved effects and higher value addition Tiles. The Company is striving continuously in Research & Development efforts, for cost reduction and achievement of improved scales of economy. With the financial restructuring, manageable interest costs, increase in the range and varieties of products, your Company is expected to turn around quickly and strengthen the financials.

#### 6. RESEARCH & DEVELOPMENT :

The continuous endeavour in the body composition, indigenisation of most of the spares, continuous energy saving methods being adopted helps the Company towards Process Improvement, Cost Reduction, Energy and Fuel Conservation 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 there under.

#### 8. DIRECTORS :

Shri J Narasimha Rao, retire by rotation and being eligible, offer himself for reappointment.

By virtue of the provisions of Article 89 of Articles of Association of the Company and Section 260 of the Companies Act, 1956, Shri Nalinkant Amratlal Rathod, Additional Director & Chairman of the Company will vacate office at the ensuing 17<sup>th</sup> Annual General Meeting and have filed his consent to act as Director of the Company, if appointed. The Board of Directors of your Company at its meeting held on 20.06.2003, recommended for the approval of the Members, the appointment of Shri Nalinkant Amratlal Rathod as Director & Chairman of your Company, liable to retire by rotation.

By virtue of the provisions of Article 85 of Articles of Association of the Company, Shri G V Ramana Murthy, Joint Managing Director of the Company will vacate office at the ensuing 17<sup>th</sup> Annual General Meeting and have filed his consent to act as Director of the Company, if appointed. The Board of Directors of your Company at its meeting held on 20.06.2003, recommended for the approval of the Members, the appointment of Shri G V Ramana Murthy as a Joint Managing Director for a further

period of 5 years with effect from 01.02.2003.

The Board of Directors of your Company at its meeting held on 20.06.2003, recommended for the approval of the members, the re-appointment of Shri V Padmakar as a Managing Director for a further period of 5 years commencing from 01.02.2004.

Shri Chakravarthy Sarangapani, Shri R Sivasailam and Shri K S Purohit have submitted their resignations for the office of the Directors of the Company on 27.01.2003. The Board of Directors of the Company places on record its highest appreciation of the unstinted services rendered by Shri C S Pani, Shri R Sivasailam and Shri K S Purohit during the tenure of office as Directors.

#### 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, 2003 and of the profit 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. CORPORATE GOVERNANCE:

Pursuant to the provisions of Listing Agreement, the Company has adopted Corporate Governance provisions effective from the Financial Year 2001-02. Accordingly, your Company has complied with the mandatory requirements of the said Corporate Governance Provisions. Corporate Governance Report is furnished separately forming part of this Annual Report.

#### 12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

The Management Discussion and Analysis Report as per requirements under Clause VI (A) of the Corporate Governance provisions prescribed under Clause 49 of the Listing Agreement is furnished in the enclosure forming part of this report.

#### 13. 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. Shri J. Narasimha Rao - Chairman
2. Shri R. Sivasailam - Member (ceased w.e.f 27.01.2003)
3. Shri C S Pani - Member (ceased w.e.f 27.01.2003)

#### 14. DEMATERIALISATION OF SHARES :

The Company's shares are traded compulsorily in dematerialised form. In this connection, the Company has already entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the Company's ID is INE 298E01014. The members are requested to dematerialize their physical holding in view of various advantages of holding the shares in dematerialized form.

#### 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 and the same forms an integral part of this report.

#### 17. INDUSTRIAL RELATIONS:

The Workers Union was seriously admonished for the illegal strike and have been suitably reprimanded by the Authorities while signing agreement under Rule 12(3) of ID Act. For the remaining period, the industrial relations remained stable and cordial.

#### 18. 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 NALINKANT AMRATLAL RATHOD  
 June 20, 2003 CHAIRMAN