



RESTILE

CERAMICS LIMITED

EIGHTEENTH ANNUAL REPORT 2003-04

BOARD OF DIRECTORS

Shri Nalinkant Amratlal Rathod	- Chairman
Shri J. Narasimha Rao	- Director - Nominee APIDC
Shri P.V. Lakshmi pathy	- Director (w.e.f 30.08.2003)
Shri V. Padmakar	- Managing Director
Shri G V Ramana Murthy	- Joint Managing Director
Shri K. Krishna Rao, B.Com., FCA, ACS	- Sr. General Manager (Fin)& Company Secretary

AUDITORS

Lalith Prasad & 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

ADMINISTRATIVE OFFICE

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

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **EIGHTEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Saturday, the 25th Day of September, 2004 at 11.30 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, 2004 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 :

To consider and, if thought fit, to pass the following resolutions with or without modifications:

ITEM No. 4 - ORDINARY RESOLUTION

"RESOLVED THAT Shri P.V. Lakshmi pathy, who was appointed as an Additional Director of the Company with effect from

30th August, 2003 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 P.V. Lakshmi pathy to the office of Director, be and is hereby appointed as a Director of the Company."

ITEM No.5 - SPECIAL RESOLUTION

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities and Contracts Regulation Act, 1956, the Listing Agreement with the Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) guidelines, 2003 or any amendment or any modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary and such conditions and modifications as may be prescribed or imposed by any Authority, while granting such approvals, permissions or sanctions, consent be and is hereby accorded to delist the equity shares of the Company from The Hyderabad Stock Exchange Limited and The Stock Exchange, Ahmedabad."

"RESOLVED FURTHER THAT the Board of Directors or any person(s) authorized by the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution."

RESTILE
CERAMICS LIMITED

NOTES :

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**

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

B. Members/proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in for attending the meeting. Copies of the Annual Reports will not be provided at the meeting.

Hyderabad
June 26, 2004

C. The Register of Members and Share Transfer Books of the Company will remain closed from 16.09.2004 to 25.09.2004 (inclusive of both days).

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

E. Your Company's Securities are listed at (i) The Hyderabad Stock Exchange Ltd., (ii) The Stock Exchange, Mumbai and (iii) The Stock Exchange, Ahmedabad.

F. Members are requested to convert their holdings into Demat. The Company's Id with CDSL and NSDL is INE298E01022.

**ANNEXURE TO NOTICE
 EXPLANATORY STATEMENT PURSUANT
 TO SECTION 173(2) OF THE COMPANIES
 ACT, 1956**
Item No. 4

Shri P.V. Lakshmipathy is a Management Consultant, having rich experience in reputed companies in India and abroad. Presently he is a Trainer and Learning Catalyst for many National and International Organisations. Shri P.V. Lakshmipathy with his vast experience will be able to make valuable contribution to the Company's growth and prosperity. The Board of Directors has appointed Shri P.V. Lakshmipathy as Additional Director of the Company at its meeting held on 30th August, 2003.

A notice as required under Section 257 of the Companies Act, 1956 had been received from a member of the Company, proposing the candidature of Shri Shri P.V. Lakshmipathy as a Director of the Company.

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

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

Item No. 5

The equity shares of the Company are presently listed on (a) The Stock Exchange, Mumbai (BSE) (b) The Hyderabad Stock Exchange Limited (HSE) and (c) The Stock Exchange, Ahmedabad (ASE).

The Company's equity shares have been mandated by SEBI for compulsory trading in demat form by all the investors. The availability of extensive networking trading terminals of BSE in this compulsory demat trading scenario, facilities the shareholders and other investors

across the country to trade and deal in the company's equity shares without availing the trading facility of the local stock exchanges. Consequently, the trading volumes in the Company's shares on HSE and ASE have become insignificant. Continued listing on these two exchanges neither serves the interest of the members / investors nor the Company. The delisting of the Company's shares from HSE and ASE, would result in reduction in the Administrative compliances and savings of costs on account of Listing Fees, etc.

Accordingly, The Board of Directors at its meeting held on 26.06.2004 recommended for the approval of the members the proposal to voluntarily delist the Company's shares from HSE and ASE. The Company's shares will however continued to be listed on the BSE.

In accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines – 2003, consent of the members by way of special resolution is required for voluntarily delisting of the company's shares from the above Stock Exchanges. Pursuant to the de-listing of the equity shares of the Company, there would be no change in the capital structure and shareholding pattern of the Company.

None of the Directors of the Company are interested in the resolution.

The Board recommends this Resolution for approval of the Members.

By Order of the Board
for RESTILE CERAMICS LIMITED

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

Hyderabad
 June 26, 2004

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting their Eighteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

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

	(Rs. in Lakhs)	
	2003-04	2002-03
Sales and Other Income	1629.46	1296.93
Gross Profit	194.31	149.50
Interest and Financial Charges	87.23	26.39
Depreciation	95.31	137.01
Net Profit/(Loss) for the year	11.77	(13.90)
Profit / Loss carried to		
Balance Sheet	11.77	(13.90)

OPERATIONS :

During the year under review, your Company has achieved a turnover of Rs. 1614.50 Lakhs as against a Turnover of Rs. 1241.61 lakhs in previous year. The Company made a net profit of Rs. 11.77 Lakhs.

FUTURE OUTLOOK

Your Company is getting geared up to extend its product mix by producing different sizes and finishes of Tiles. This in turn will help to improve the value addition and to strengthen the bottom line. The Company is striving continuously in its Research & Development efforts, for cost reduction and improvement of product quality and product range. With the financial restructuring, improved business processes, increase in the range and varieties of products, your Company has turned around and is poised for quantum leap in the operations.

RESEARCH & DEVELOPMENT

Your Company is continuously focussing its efforts towards cost reduction, improvement of quality, yields and alternate vendor development, which in turn helps to strengthen the generic brand image of the products.

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.

DIRECTORS

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

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Shri P V Lakshmipathy, will vacate office at the ensuing 18th Annual General Meeting of the Company. The Board of Directors of your Company at its meeting held on 26.06.2004, recommended for the approval of the Members, the appointment of Shri P V Lakshmipathy as Director of your Company, subject to retirement by rotation.

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, 2004 and of the profit 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.

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.

CORPORATE GOVERNANCE

Pursuant to the provisions of the Listing Agreement, a Management Discussion and Analysis Report and a report on Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of Corporate Governance are furnished as Annexures forming part of this Directors Report.

PARTICULARS OF EMPLOYEES AND INDUSTRIAL RELATIONS

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

The industrial relations with its employees continue to be cordial. Development of Human Resources is taken at all levels and necessary training is imparted towards improving the productivity, quality, cost control, safety and environment protection.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of this report is given as Annexure to this report.

ACKNOWLEDGEMENTS

Your Directors place on record their deep appreciation of the continued co-operation and support extended by financial institutions, bankers, suppliers, dealers, C & F Agents, customers, employees and various State and Central Government Agencies. The Directors also take this opportunity to thank the shareholders for their continued confidence reposed in the Management of the Company.

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

NALINKANT A RATHOD
 CHAIRMAN

Hyderabad
 26.06.2004

ANNEXURE TO THE DIRECTORS' REPORT**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**Specific areas in which Research and Development carried out by the Company**

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

Benefits derived as a result of the above Research & Development

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

Future plan of action

Efforts to continue to increase the production level and to concentrate on quality products.

Expenditure on Research & Development

During the year, Company has spent nominal amount on R & D.

Foreign Exchange Earning and Outgo

- The information of Foreign Exchange earnings and Outgo are contained in the Notes to Accounts in item Nos. 5 (e) and (f) of Schedule 16.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMING
PART OF THE DIRECTORS' REPORT****INDUSTRY STRUCTURE AND DEVELOPMENTS**

World over the vitrified ceramic tiles have an annual growth rate of about 20%. The Government is giving greater thrust to the Building Industry and Banks are also offering Housing Loans at very competitive rates. Apart from the above, there is a great shift of market preferences from the conventional mosaics, glazed tiles, marble and granites to vitrified ceramic tiles in view of superior quality and special technical features of durability, resistance, aesthetic looks and longevity. Consequently, Vitrified Tiles proved to be a success and there is a continuous growth of demand in the market.

DISCUSSION ON FINANCIAL/OPERATIONAL PERFORMANCE

For the year under report, your Company has made a net profit of Rs.11.77 Lakhs. In view of the modifications undertaken to the expansion works and also due to the unforeseen initial teething problems, the Company could not achieve any turnover from the expansion and hence, the depreciation on the assets pertaining to expansion was not provided for during the year under review.

Your Company is gearing up to produce the market preferred range of products which are high value added products. The continuous emphasis on the Research & Development efforts are resulting for the cost reduction and achievement of new scales of economy. With the financial restructuring and introduction of new varieties of Vitrified Tiles, your Company is expected to achieve a quantum leap in operations.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The day to day operations of the Company being looked after by the Managing Director and the Joint Managing Director. The Company has the following Committees to over view the operations:

1. Audit Committee of Board of Directors
2. Share Transfer and Investors' Grievance Committee of Board of Directors
3. Management Committee
4. Executive Committee

The Company has an adequate internal control systems, procedures, checks designed to provide reasonable assurance on achievement of the objectives relating to efficiency and effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Management Committee and the Executive Committee monitor the operations and the progress of the project on a continuous basis and suggest the ways and means for strengthening the operations of the Company. The Internal Auditors have expressed their satisfaction on the overall internal control systems in force.

OPPORTUNITIES AND THE OUTLOOK

The vitrified ceramic tile industry foresees potential growth in view of the thrust given by the government for the building activity. The industry is experiencing increase in consumption on account of continuous development of design and effects in vitrified tiles, thereby offering superior alternatives to the depleting and costlier qualities of marble and granites.

In order to improve quality, yield and the effectiveness of the machines, your Company is taking up certain capital correction and refurbishment works with the infusion of additional funds.