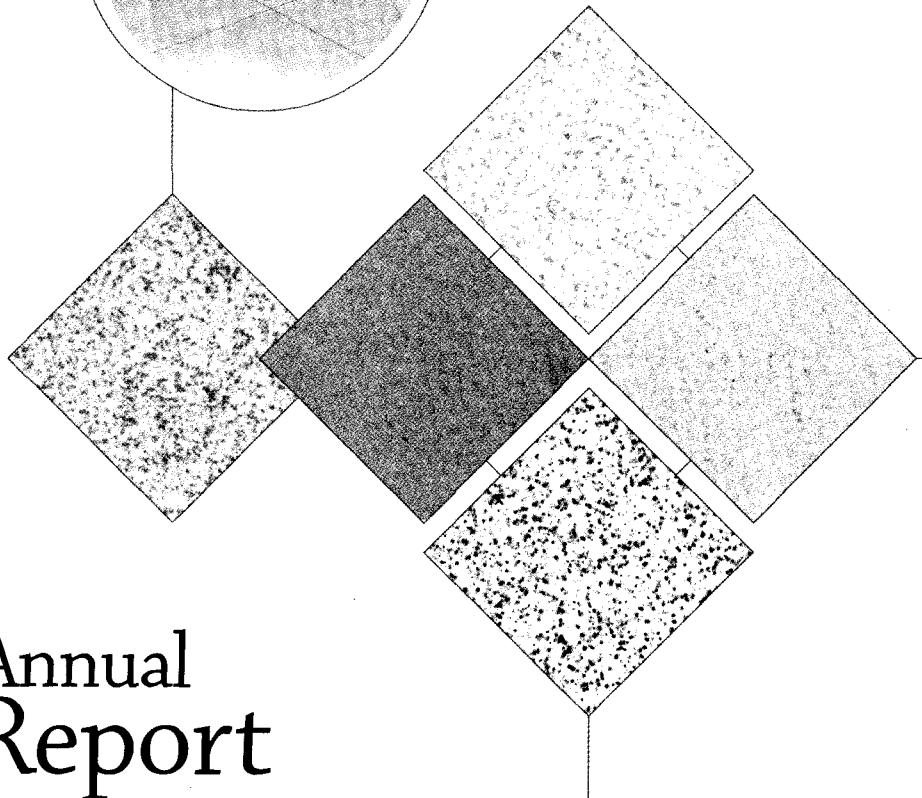


RESTILE™
CERAMICS LIMITED

We count Every Step
for a Brighter Future



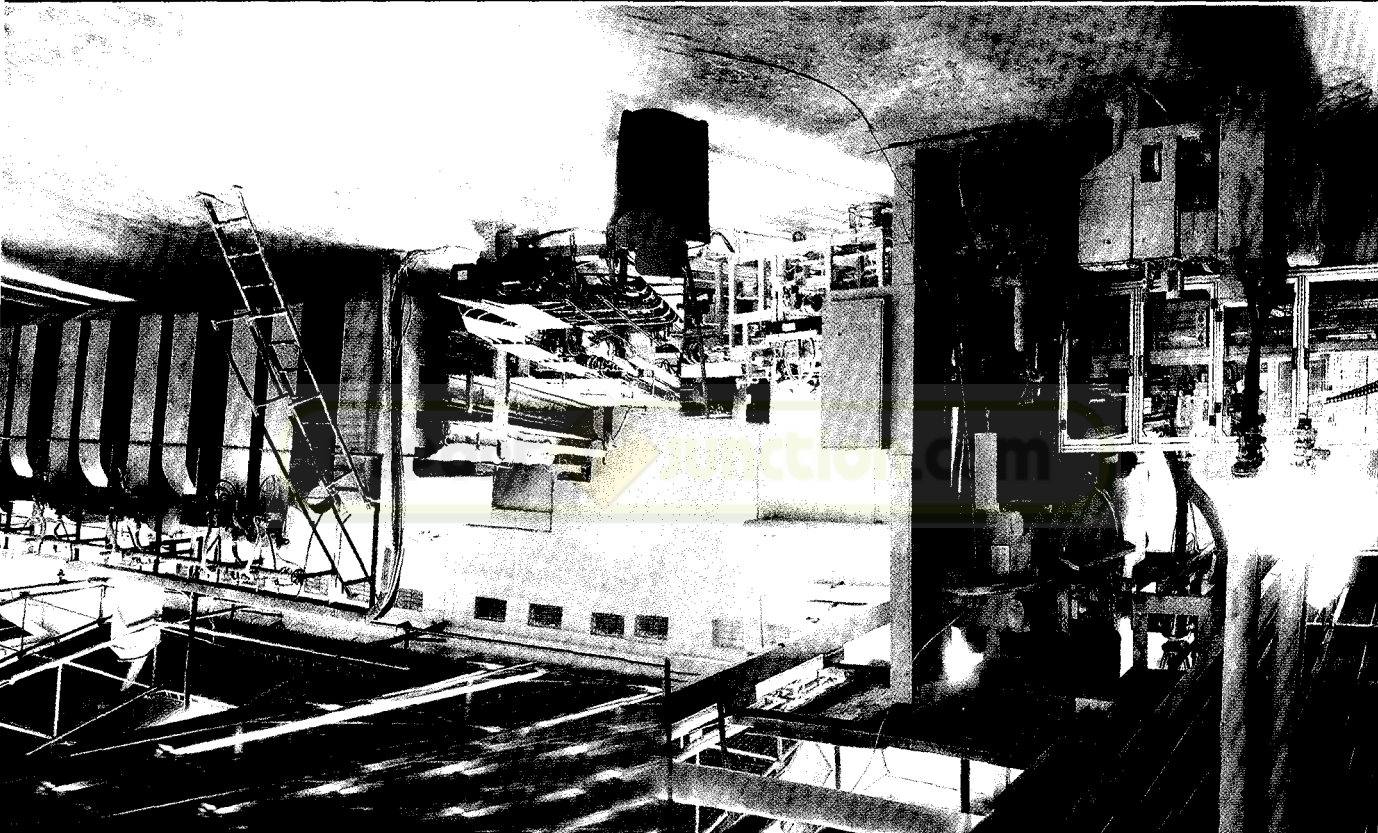
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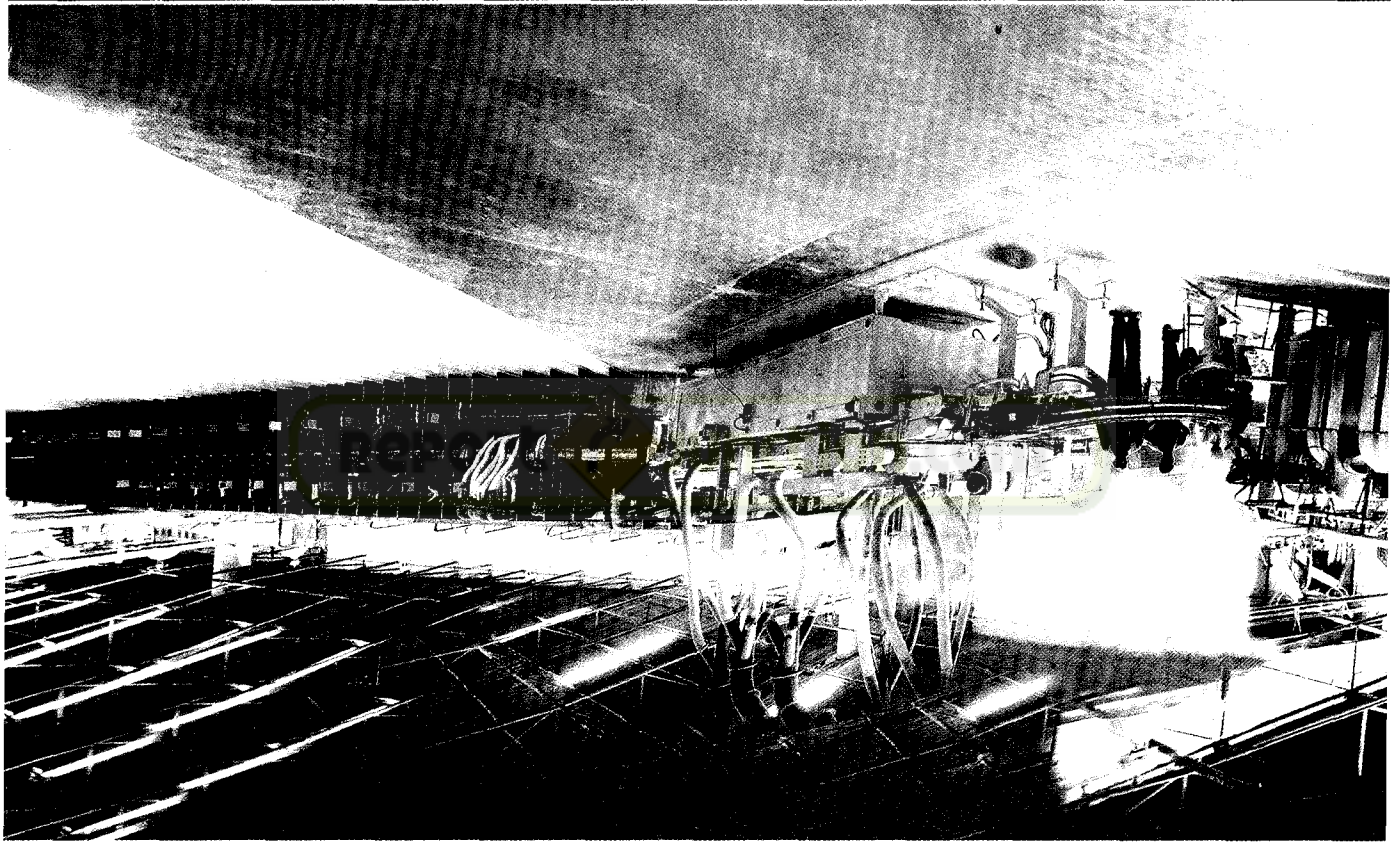
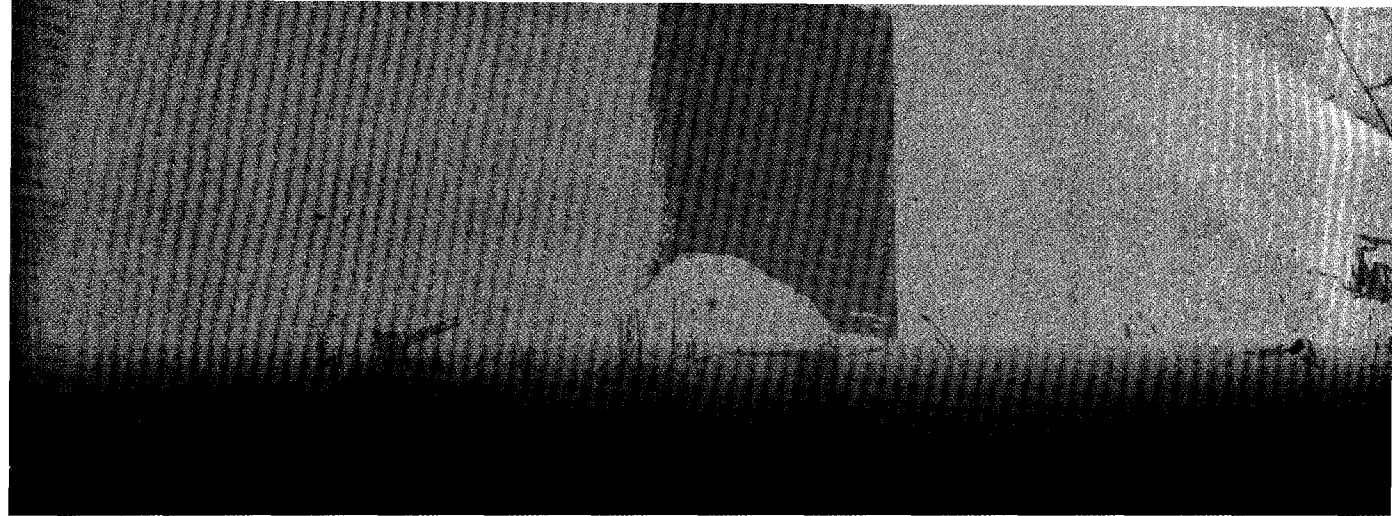


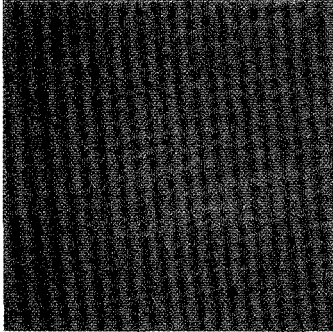
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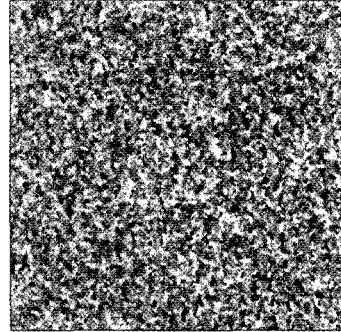
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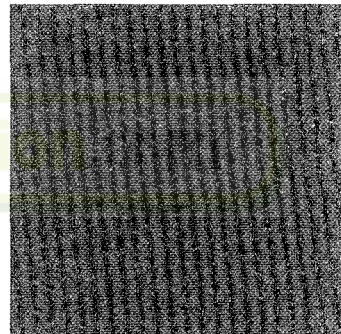
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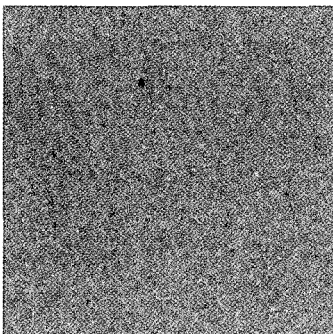
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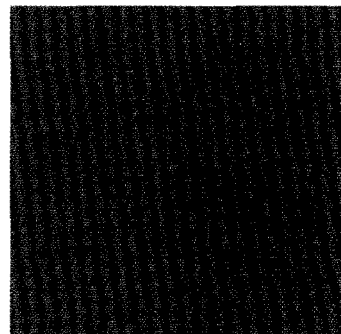
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M ROOM



CHAIRMAN'S SPEECH

Ladies and Gentlemen,

I have recently taken hold of the reins of your Company's operational management with the express purpose of leading it back to its deserved position as the market leader.

Your Company was the pioneer to popularize vitrified ceramic tiles in the country as a unique substitute for natural stone products. Since 1991 your Company has created niche market for itself with its strong brands Granamite, Mirrorstone and Impacta that are totally different and technically superior products.

Restile's good performance and its role as a catalyst in popularizing vitrified tiles attracted new players into this market. Changing market dynamics, competition and the entry of cheap imports from overseas, caused the company to drift in its performance, thus leading to Company's network erosion. This prompted me to step in to support and revive the Company. Your Company is now determined to reverse this trend.

I would like to share some of the initiatives already being put in place to make your Company to once again regain its premier position.

After a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) steps were initiated to strengthen and revitalize the Company to achieve its objective to be the trendsetter and market leader.

Optimum capacity utilization will be achieved by:

- Balancing of equipment capacities
- Refurbishment of old machinery
- Introduction of value added product mix
- Improvement of the product range and sizes
- Investment in energy saving equipment / measures.

Revitalization of Operations :

- Focus on Research & Development
- Add value to the brand equity
- Product range and sizes to cater to consumer/market performances
- Infusion of the need based funds for doubling the capacity in the near future
- With the refurbishment of the machinery, product quality and maximum output will be achieved.

New strategies will be adopted and a carefully chosen team of professionals with proven track records, are being inducted in to the senior management team to assist the company achieve its goals.

Strengthening and revitalizing the marketing team and expanding dealers network.

With innovation as our core strength and as pioneers of full body vitrified tiles, we are more than confident that we can overcome all the "marketing challenges" before us, as well as add value to our products, our people and particularly our **shareholders**.

Before I conclude, I must mention that the Company is thankful to every shareholder, for the confidence you have reposed in us. Our efforts to emerge a winner once again will be possible only with your continued support.

Thank you,

Nalin A Rathod

Chairman & Managing Director

BOARD OF DIRECTORS

Shri Nalinkant Amratlal Rathod	- Chairman & Managing Director
Shri G.V.Ramana Murthy	- Joint Managing Director & C.E.O.
Shri J. Narasimha Rao	- Director - Nominee APIDC (Upto 31.01.2005)
Shri K.Rajendra Prasad	- Director - Nominee APIDC (w.e.f.05.02.2005)
Shri P.V.Lakshmipathy	- Director
Shri V.Padmakar	- Director (M.D. upto 20.05.05 & Director w.e.f. 21.05.05)
Shri G.Padmanabhan	- Director (w.e.f. 05.02.05)

Shri K. Krishna Rao, B.Com., FCA, ACS - Sr. General Manager (Fin) & Company Secretary

AUDITORS

M/s.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-500 082

ADMINISTRATIVE OFFICE (PRESENT)

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

REGISTERED OFFICE AND FACTORY

Malkapur Village
 Hatnoora Mandal
 Narsapur Taluk
 Medak District-502 296
 Andhra Pradesh

ADMINISTRATIVE OFFICE (PROPOSED)

301 & 302, Aditya Trade Centre
 Aditya Enclave Road
 Ameerpet,
 Hyderabad-500 038

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **NINETEENTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Saturday, the 24th Day of September, 2005 at 11.30 A.M at the Regd. Office of the Company at Malkapur Village, Hatnoora Mandal, Narsapur Taluk, Medak District-502 296, Andhra Pradesh to transact the following businesses :

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and the audited Profit and Loss Account for the year ended 31st March, 2005 together with Director's Report and Auditor's Report thereon.
2. To appoint a Director in place of Shri Nalinkant Amratlal Rathod who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s.Lalith Prasad & Co., Chartered Accountants, Hyderabad the retiring Auditors as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board 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 G.Padmanabhan, who was appointed as an Additional Director of the Company with effect from 5th Day of February, 2005 and who holds office upto 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 G.Padmanabhan to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".

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 Section(s) 269, 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the members in the general meeting and approval of the Central Government, if required, Shri Nalinkant Amratlal Rathod, Chairman of the Company be and is hereby appointed as Chairman and Managing Director of the Company for a period of 5 years commencing from 21st May, 2005 with a monthly remuneration of Re.1/- per month."

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. 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.
- C. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2005 to 24th September, 2005 (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. Members are requested to convert their holdings into Demat. The Company's Id with CDS(I)L and NSDL is INE298E01022. 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
27th June, 2005

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

ANNEXURE TO NOTICE

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

Item No.4

Shri G.Padmanabhan was co-opted as Additional Director on the Board of the Company pursuant to Section 260 of the Companies Act, 1956. Shri G.Padmanabhan holds office of Director up to the date of ensuing Annual General Meeting. The Company has received Notice from a member along with required deposit, proposing the candidature of Shri G.Padmanabhan for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

None of the directors except Shri G.Padmanabhan is concerned or interested in the resolution.

The profile of the Director is given under the head "Brief profiles of the Directors seeking appointment/re-appointment at the AGM."

Item No.5

Shri Nalinkant Amratlal Rathod is a Chairman of the Company since 27th January, 2003. The Board of Directors at their meeting held on 21st May, 2005 has appointed Shri Nalinkant Amratlal Rathod as 'Chairman & Managing Director' of the Company for a period of five years, with a monthly remuneration of Rupee One. In view of the huge financial commitments from Shri Nalinkant Amratlal Rathod towards expansion and for the improvement of the operations, he is required to spend more time to closely monitor the progress of the operations of the Company.

Your Directors recommend the resolution for your approval.

None of the directors except Shri Nalinkant Amratlal Rathod is concerned or interested in the resolution.

The profile of the Director is given under the head "Brief profiles of the Directors seeking appointment/re-appointment at the AGM."

BRIEF PROFILE OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE AGM

Shri Nalinkant Amratlal Rathod is a Chartered Accountant, having rich experience of about 34 years of service in reputed companies in India and abroad. Presently he is the 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.

Shri G.Padmanabhan is a Chartered Accountant and having rich experience of about 33 years of service in various public and private sectors in India and abroad. He was appointed as a Director - Finance in 'Dutch Multinational Construction Company' specialized in Infrastructure Projects. Since, 1999 he has been engaged in Audit and Systems Consultancy for Indonesian conglomerates for their operations and Investments in Indonesia/Australia. His vast experience will be able to make valuable contribution to the Company's growth and prosperity.

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

Hyderabad
27th June, 2005

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

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS :

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

	(Rs. in Lakhs)	
	2004-2005	2003-2004
Sales and Other Income	1305.89	1629.46
Gross Profit / (Loss)	(0.09)	194.31
Interest and Financial Charges	101.56	87.23
Depreciation	110.40	95.31
Net Profit / (Loss) for the year	(212.04)	11.77
Profit / Loss carried to Balance Sheet	(212.04)	11.77

OPERATIONS :

During the year under review, your Company has achieved a turnover of Rs.1305.89 Lakhs and incurred a Net Loss of Rs.212.04 Lakhs.

The performance of your Company has been hampered due to the following factors:

- Limited capacity with imbalances between various facilities
- Limited range of products & sizes
- Small batches of production cycles and consequent low yields

Especially during the year under review, the long drawn commissioning of the second Kiln resulted in heavy cost overrun and delayed starting of commercial production. This took away considerable machine availability adversely affecting the production volume.

Consequently, there was tremendous pressure on the working capital and operations were hampered due to in a timely manner non-availability of critical inputs. Spiraling price of fuel and colours added to the agony of the Company.

The marketing suffered with the entry of new players with big volumes, wide range of products and threat from cheap imports. Customer preferences changed to bigger slabs and marble effects.

FUTURE OUTLOOK :

In order to overcome the operational problems enumerated above the Company has initiated steps to stabilize production and introduce the market preferred larger size and marble effect tiles.

The 15 years old machinery warranted refurbishment/replacement and involved huge out lay of funds infused by the promoters.

To give a fresh orientation towards dynamic and proactive business environment, the company has inducted experienced professionals into some of the critical positions.

To enhance value addition and improve bottom line, your Company is gearing up to extend the product range by introducing new finishes and shades of tiles in different sizes through continuous R&D efforts and market research.

To balance and optimize the present equipment capacities (facilities) your Company has placed orders for import of machinery which are expected to be operative and benefit operations in the last quarter of 2005-06.

With the completion of the ongoing refurbishment works and balancing of equipment capacities, your Company is poised for quantum leap in its operations.

COST REDUCTION AND CONTROL :

While your Company is striving continuously in its R&D efforts focusing on quality and delivery to further the brand image of its products, it is equally focused on cost reduction and control efforts by improving yields, and consumption norms, identifying and developing alternate sources for major inputs.

RESEARCH AND DEVELOPMENT :

Your Company is continuously focusing its efforts towards cost reduction, improvement of quality, yields and alternate vendor development, which intun 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 :

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Nalinkant Amratlal Rathod, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The Board in its meeting held on 5th February, 2005 co-opted Shri G Padmanabhan as Additional Director and Shri K.Rajendra Prasad as nominee of Andhra Pradesh Industrial Development Corporation (APIDC) in the place of Shri J. Narasimha Rao.

Shri Nalinkant Amratlal Rathod was appointed by the Board as the Chairman and Managing Director. Shri V.Padmakar who was the Managing Director opted to continue as a Director.

The brief profiles of the Directors seeking appointment/re-appointment at the ensuing Annual General Meeting are presented in the Annual Report.

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 31st March, 2005 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.

AUDITORS:

M/s. Lalith Prasad and Co., Chartered Accountants, Hyderabad, Statutory Auditors of the Company hold 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, Report on Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of Corporate Governance are furnished in this Annual Report and a Report on Management Discussion and Analysis prepared and annexed to the Director's 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.