

RESTILE[®]
THE ORIGINAL FULBODY TILE

**TWENTY FIFTH ANNUAL REPORT
2010-2011**

TWENTY FIFTH ANNUAL REPORT

BOARD OF DIRECTORS

Shri Nalinkant Amratlal Rathod	-	Chairman
Shri Tribhuvan Simh Rathod	-	Managing Director
Shri K.Rajendra Prasad	-	Independent Director - Nominee APIDC
Shri Seetharaman TR	-	Independent Director
Shri Ramachandran N.S	-	Independent Director
Shri G.Padmanabhan	-	Independent Director
Shri N Gopala Krishnan	-	Independent Director
Shri N S Mani	-	Independent Director

REGISTERED OFFICE & FACTORY LOCATION

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

ADMINISTRATIVE OFFICE

Door No.1-10-177, 5th Floor
Varun Towers
Begumpet
Hyderabad – 500 016

AUDITORS

M.S.Krishnaswami & Rajan
Chartered Accountants
22, Sambasivam Street,
T Nagar, Chennai-600017

BANKERS

State Bank of India
Industrial Finance Branch
Somajiguda
Hyderabad - 500 082

HDFC Bank Limited
Begumpet Branch,
Begumpet, Hyderabad – 500 003

HDFC Bank Limited,
Lakdikapool Branch,
Lakdikapool, Hyderabad – 500 004

State Bank of India,
Sanga Reddy Branch,
Sanga Reddy, Medak – 502 001

SHARE AND DEPOSITORY TRANSFER AGENTS

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

NOTICE

Notice is hereby given that the **TWENTY FIFTH ANNUAL GENERAL MEETING** of the Members of the Company will be held on **Saturday, the 24th day of September, 2011** at 11.30 A.M. at the **Malkapur Village, Hatnoora Mandal, Narsapur Taluk, Medak District-502 296** to transact the following businesses:

ORDINARY BUSINESS

1. To Consider and Adopt the Audited Balance Sheet as at 31st March, 2011, the Profit and Loss Account and Cash flow statement for the year ended 31st March, 2011, together with the Reports of the Director's and the Auditors' thereon.
2. To appoint a Director in the place of Shri G. Padmanabhan who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Shri. Nalinkant Amratlal Rathod who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors of the Company and fix their remuneration.

In this connection, to consider and if thought fit, to pass the following as an Ordinary Resolution

"RESOLVED THAT M/s.M.S.Krishnaswami & Rajan (Registration NO.01554S) Chartered Accountants be and is hereby appointed as Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting on a remuneration of Rs.3.50 Lakhs (Rupees Three Lakhs fifty thousand only) in addition to reimbursement of out of pocket expenses incurred.

By Order of the Board
NALINKANT AMRATLAL RATHOD
CHAIRMAN

Place : Chennai
Date : August 13, 2011

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The proxy in order to be effective must be received by the company at its registered office not less than 48 hours before the commencement of the meeting.
3. 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from September 17th 2011 to September 24th 2011 (inclusive of both days).

5. Members are requested to notify any change in their addresses to the Company's Share and Depository Transfer Agents.
6. Members holding shares in physical form 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, Behind Sai Baba Temple, Panjagutta, Hyderabad - 500 034.
7. Members desiring any information as regards accounts are requested to write to the Company at least seven days before the date of the meeting to enable the management to keep the information ready at the meeting.
8. The shares of the Company are listed with Mumbai Stock Exchange. The Listing Fee for the year 2011-2012 has been paid to Stock Exchange.
9. Shareholders holding shares in physical form are invited to contribute to the cause of Green Initiative by registering their e-mail ID, by submitting the E- COMMUNICATION REGISTRATION FORM inserted in the Annual Report.

By Order of the Board
NALINKANT AMRATLAL RATHOD
 CHAIRMAN

Place : Chennai
 Date : August 13, 2011

DIRECTORS' REPORT

Dear Stakeholders

Your Directors are pleased to present herewith the 25th Annual Report on the business and operations of the company and the Audited Accounts for the year ended 31st March'2011.

FINANCIAL RESULTS

The performance of the Company during the period under review is summarized below:-

PARTICULARS	(RS.IN LAKHS)	
	2010-2011	2009-2010
Gross Sales	3163.14	4727.67
Other Income	44.28	22.30
EBITDA	(898.85)	(77.26)
Interest and Financial charges	91.49	93.77
Depreciation	563.38	545.22
Profit/(Loss) before taxes	(1553.72)	(716.26)
Amortization	119.30	119.28
Profit / (Loss) before tax	(1673.02)	(835.54)
Provision for taxes	(1.20)	(337.26)
Profit / (Loss) carried to Balance Sheet	(1671.82)	(498.28)

The Operational performance of the Company is discussed in detail under Management Analysis and Discussion Report

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public within the meaning of section 58A of the Companies Act, 1956.

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

Particulars pursuant to the provisions of section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988 are given in the Annexure to this Directors report.

DIRECTORS:

In accordance with the requirements of the Companies Act 1956, read with the Articles of Association of the company, Shri G. Padmanabhan and Shri. Nalinkant Amratlal Rathod, Directors are liable to retirement of rotation and being eligible offer themselves for re-appointment.

AUDITORS AND AUDIT REPORT

The Statutory Auditors of the company M/s M.S Krishnaswami & Rajan, Chartered Accountants, Chennai, retire at the ensuing Annual General Meeting and are eligible for re -appointment.

Your company has received intimation to the effect that, proposed re-appointment, if made would be with in the prescribed limit under Section 224(1B) of the Companies Act 1956 and also in compliance with the requirements of the Listing Agreement regarding Peer Review. They have also confirmed their willingness to accept office, if re-appointed. The Board and Audit Committee recommend the re-appointment of M/s M.S Krishnaswami & Rajan, Chartered Accountants, Chennai, as Statutory Auditors to hold office till conclusion of Next Annual General Meeting.

The Company has well established system of Internal Audit which carries out audit on Risk Management frame work which covers the entire gamut of financial, marketing, plant operations and other service functions

Regarding the comments of Auditors in their report, the Directors wish to state :

- (i) the company had during the finalization of rehabilitation scheme by BIFR in 2002, effected a capital reduction aggregating Rs 754.44 lakhs and since that date the same has been held as a reserve primarily to finalise the erosion in network for adjustment. The company would be approaching BIFR for its approval to utilize this reserve for identified impairment in fixed asset.

Consequently it has been thought fit not to recognize this impairment in fixed asset aggregating Rs 642.04 lakhs in the Profit and Loss Account and instead approach BIFR to utilize the reserves as explained above.

The application to BIFR for this purpose would be filed shortly.

- (ii) Steps are being initiated to update the fixed asset register now that the evaluation of impairment is complete. Similarly steps to improve internal control on sales has already been taken.

- (iii) The arrears of tax collected/deducted at source has since been paid. Regarding sales tax, the assessment proceedings in respect thereof is in progress and the arrears would be cleared upon finalization of the assessment proceedings.

- (iv) The creation of charge in respect of the Deep Discount Bonds will be completed expeditiously

CORPORATE GOVERNANCE

Pursuant to the provisions of the Listing Agreement and the Companies Act, 1956, Report on Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of Corporate Governance are furnished in this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Pursuant to the provisions of the Listing Agreement a detailed Report on Management Discussion and Analysis are furnished in this Annual Report.

INFORMATION FOR SHAREHOLDERS

Additional information pertaining to shareholders like Equity History, Shareholding Pattern, Price Movement in Stock Exchange, Corporate communication etc, is provided in this Annual 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.

DIRECTOR'S RESPONSIBILITY STATEMENT

In accordance with sub-section (2AA) of section 217 of the Companies Act, 1956, the Directors of the Company state:

- a. That in the preparation of the accounts for the financial year ended 31st March 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- b. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- c. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d. That the Directors have prepared the accounts for the financial year ended 31st March 2011 on a 'going concern basis'.

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 taken this opportunity to thank the shareholders for their continued confidence reposed in the Management of the Company.

By Order of the Board

Chennai
August 13, 2011

NALINKANT AMRTLAL RATHOD
Chairman

ANNEXURE TO THE DIRECTORS REPORT

Information under Section 217(1)(e) of the Companies Act 1956 read with read with the Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988 and forming part of Directors Report.

A. CONSERVATION OF ENERGY:

POWER:

The Company is continuously putting efforts to conserve energy consumption, during the year; the dependence on DG Power has been minimized.

FUEL:

During the year, the processing cycle time was brought down leading to saving in LPG consumption. In order to further optimize the fuel consumption, Company has installed a second fuel storage system, suitable for storing both LPG and Propane.

FORM A (As per Rule 2)

Form for Disclosure of Particulars with Respect to Conservation of Energy

	2010-2011	2009-2010
ELECTRICITY		
a) Purchase Units (KWH)	5989289	4192102
Total Amount (Rs.in Lakhs)	240.07	168.24
Average Rate per unit (Rs./Kwh)	4.00	4.01
b) Own Generation		
1) Through Diesel Generator Units (Kwh)	110973	198954
Units per Liter of Diesel Oil (Kwh)	3.02	2
Average cost per Unit (Rs/Kwh)	13.25	11.84
2) LPG		
Quantity (Tonnes)	2771.00	1717.09
Total cost (Rs.)	111642688	70766678
Average rate(Rs./Tonne)	40290	41213

CONSUMPTION PER UNIT (Sq.Mtr) OF PRODUCTION

	2010-2011	2009-2010
Electricity (Kwh)	7.75	8.18
LPG (Tonnes)	0.0036	0.0034

FORM B (As per Rule 2)**B. Disclosure of Particulars with Respect to Technology Absorption, Research and Development****NEW DEVELOPMENT**

NEW RAW MATERIALS: Continuous trials have been made and new/alternate raw materials have been introduced to improve the green strength and maturity of the body leading to higher production yield and lower cost.

During the year 2010-2011 special emphasis and thrust has been given in the areas of cost reduction, quality improvement & new product development.

1. Cost Reduction: As a part of cost reduction drive the R&D has done the following activities.
 - a) Introduction of new chemicals to reduce Green & Dry tiles losses.
 - b) Introduction of special grades Raw Materials and New sources of better quality materials to improve the brightness & clarity of the body.

2. Quality improvement:
 - a) Improved sorting methods and system to get higher yields and better quality.
 - b) Introduction of ISO 9000 Quality Management System is under progress to reduce the losses and improve the working system.

All the above efforts have led to improved efficiencies, enhanced product range and production of consistent quality products.

To carry out the R&D activity to reduce energy consumption and to lower cost of production.

C. Foreign Exchange Earnings and Outgo

(Rs in lakhs)

Foreign Exchange Earnings	:	142.36
Foreign Exchange out go	:	156.86

By Order of the Board

PLACE: Chennai
DATE: August 13, 2011

NALINKANT AMRATLAL RATHOD
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

During the year 2010-2011 there has been improvement in market demand due to growth in realty sector and also boom in general construction activity in retail segments .

There are improvement in economic conditions domestically and there is optimism that Infrastructure and construction sectors would grow at steady pace, considering Government's thrust in the Budget to make Huge Public Investments in Infrastructure sector.

RESTILE CERAMICS LTD, being a pioneer in vitrified tile and in the business of flooring tiles since 1986 holds excellent reputation in the Industry as high quality producer. The company employs the best practices and highest quality standards in the industry. While it works constantly on quality up-gradation, the company is known for introducing innovative product range on frequent intervals.

Restile is the only brand in Indian market to make 100% of its production as full body vitrified tile. The fierce competition is affecting the quality standards of the industry in general, but at RESTILE quality comes first, the stand vindicated by the repeat purchases from country's corporate customers.

Restile was launched as manufacturer's for Fully Vitrified Unglazed and Polished Monolithic floor tiles in smooth, rough as well as Mirror Polished finishes and commenced commercial production during 1991 with an installed capacity of 2,700,000 Sq.mtrs. per annum .

The company is continuously striving to source new materials to enable cost reduction as well bring in improvement in quality aspects .

DISCUSSION IN FINANCIAL/OPERATIONAL PERFORMANCE

Production during the year was 734917 Sq.mtrs., higher by 43% than the production during previous year on account of higher capacity utilization.

NET SALES:

Net Sales clocked for the year were Rs 2871.44 Lacs.

OTHER INCOME:

The other income for the year stands at Rs 44.28 Lacs.

TOTAL EXPENDITURE:

Increase in expenditure in the year 2010-2011 was on account of higher production and increase in the input costs and due to write of no realizable debtors and stock.

MANUFACTURING EXPENSES:

Manufacturing expenses were Rs 2420.93 Lacs during the year as compared to Rs 3184.66 Lacs in the year

ADMINISTRATIVE AND SELLING EXPENSES:

There has been an increase of Rs 914.58 Lacs on account of general rise in prices, increase in level of business activity, increase in manpower costs and write off of non realizable debts.

INTEREST AND FINANCIAL CHARGES:

An amount of Rs 91.48 Lacs was incurred in the year 2010-11 against Rs 93.77 Lacs in the previous year. The decrease was on account of prudential utilization of the working capital facilities.

NET PROFIT :

Company recorded a net loss of Rs1673.01 Lacs during the year on account of increase in input costs, decrease in average selling prices.

INTERNAL CONTROL SYSTEMS :

The Company has adequate internal control systems and management continuously reviews and improves the internal control systems as per the changed requirement. The Company has independent Internal Auditors, who conduct periodical audit and submit their report to the Audit Committee. The Company's operations are overviewed by Audit Committee of Board of Directors.

OPPORTUNITIES

Restile has increased the manufacturing capacity by installing state of the art and cost effective production equipment . The Construction and housing boom to provide bolstering demand for ceramic tiles and the untapped rural market supported by a strong growth witnessed by Indian agriculture provides for good potential for the domestic ceramics manufacturers. The Government's determination to kick start the economy by increasing budget outlay on development of infrastructure sector, which in turn revives the purchasing power of the citizens and revival of construction sector , would help in restoration of normal growth of Ceramic Tile Industry.

THREATS:

Since the vitrified market enjoys consistent growth and assured returns, few companies in the organized and unorganized sector are expected to come up with the latest technology, which may result in pressure on the realizations. However the uniqueness of our product will help us in garnering the Project and industrial tiles sector which will help us in overcoming the competition from unorganized sectors.

RISKS AND CONCERNS:

The Company is consuming LPG which is a petroleum product for firing the tiles. The prices of petroleum products depend upon international market and subject to volatility. Some of the competitors who have the facilities of natural gas, tax incentives etc. are dominating the market. There may be a threat from some of the larger capacity players, who have varied range of products, effects and colors to dominate market presence.

OUTLOOK

In the present competitive market also the Company enjoys a brand image for its products. The Company also expects to stabilize its production and reach optimum capacity utilization during the year 2011-2012 by concentrating on Industrial tiles which has better realisation . Continuing R&D activity in the areas of new product development, quality improvement, optimization of product mix and cost reduction will benefit the Company in improved market share and profitability.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

The Company has its own system to control all its branches and divisions to ensure proper and adequate control; facility, transparency and accuracy. The employer-employee relationship has been cordial. The Company considers the quality of its human resources as its important asset it endeavors to attract and recruit best possible talent and to retain and groom it to meet its needs.

CAUTIONARY STATEMENT

Statements in the management discussion and analysis describing the Company's objectives, projections, estimates, expectations may be considered to be forward looking statements and actual results could differ materially from those expressed or implied. Factors which could make a significant difference to the Company's operations include demand supply conditions, market prices, input component costs and availability, changes in government regulations and tax laws besides other factors such as litigation, over which the Company may not have any control.