

RESTILE CERAMICS LIMITED

**TWENTY SIXTH ANNUAL REPORT
2011-2012**

TWENTY SIXTH 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 Gopaia 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
10, 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

REGISTER AND SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Ltd,
“Subramanian Building”,
1, Club House Road,
Chennai 600 002.

NOTICE TO MEMBERS

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of the Company will be held at Malkapur Village, Hatnoora Mandal, Narsapur Taluk, Medak District-502 296 on Friday, the 21st day of September, 2012 at 11.30 a.m. to transact the following business;

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as at 31st March, 2012, the Statement of Profit and Loss for the year ended 31st March, 2012, together with the Auditors' Report for the year ended 31.3.2012
2. To appoint a Director in the place of Shri. N S Ramachandran who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in the place of Shri. T. R. Seetharaman who retires by rotation and is eligible for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the Conclusion of the next Annual General Meeting and fix their remuneration.

By Order of the Board of Directors

Tribhuvan Simh Rathod
Managing Director

Place: Chennai
Date: May 29, 2012

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The proxy form in order to be effective should however be duly stamped, signed and deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. 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.
3. The Register of Members and Share Transfer Books will remain closed from September 15, 2012 to September 21, 2012 (inclusive of both days).
4. Members are requested to notify any change in their addresses to the Company's Share and Depository Transfer Agents. 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 JNE298E01022. The Company's Registrar and Share Transfer Agents are M/S.CAMEO CORPORATE SERVICES LIMITED, "SubramanianBuilding"1, Club House Road, Chennai 600002.
5. 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.

6. 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.
7. Brief Resume of the Directors seeking reappointment and other details as stipulated under Clause 49 of the Listing Agreement, are provided as part of the Report on Corporate Governance.
8. Shareholders holding shares 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 of Directors

Tribhuvan Simh Rathod
Managing Director

Place: Chennai
Date: May 29, 2012

DIRECTORS' REPORT

To the Members:

The Directors have pleasure in presenting the 26th Annual Report of the Company together with Audited Statement of Accounts for the year ended March 31, 2012.

FINANCIAL RESULTS

PARTICULARS	(RS.IN LAKHS)	
	2011-2012	2010-2011
Gross Sales	2404.31	3163.14
Other Income	90.04	44.28
EBITDA	(616.93)	(898.84)
interest and Financial charges	106.44	91.49
Depreciation	573.95	563.38
Profit/(Loss) before taxes	(1297.32)	(1553.71)
Amortization	50.25	119.30
Profit / (Loss) before tax	(1347.57)	(1673.01)
Provision for taxes	-	1.20
Profit / (Loss) carried to Balance Sheet	(1347.57)	(1671.81)

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.

Energy conservation, Technology Absorption and Foreign Exchange Earnings 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 provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. N S Ramachandran and Mr. T R Seetharaman, Directors, retire by rotation and being eligible have offered themselves for reappointment.

Directors' Responsibility Statement :

Pursuant to Section 217(2AA) 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 2012, 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 loss 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 2012 on a 'going concern basis'.

Auditors and Audit Report

The Statutory Auditors M/s M.S Krishnaswami & Rajan, Chartered Accountants, Chennai, retire at the forthcoming Annual General Meeting and are eligible for reappointment.

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, (FRN.01554S) as Statutory Auditors to hold office till conclusion of Next Annual General Meeting.

The Members are requested to re-appoint M.S Krishnaswami & Rajan, Chartered Accountants, Chennai (FRN.01544S) as Statutory Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

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 finalize the erosion in net worth for adjustment. The company would be approaching BIFR for its approval to utilize this reserve for identified impairment in fixed assets. Consequently it has been thought fit not to recognize this impairment in fixed assets aggregating Rs 642.04 lakhs in the Statement of Profit and Loss 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 audit function is also being initiated.
- (iii) Regarding arrears of Statutory dues including provident fund, Sales Tax etc aggregating Rs.34.98 Lakhs, a major portion has since been paid and balance will remitted in due course.
- (iv) The creation of charge in respect of the Deep Discount Bonds will be completed expeditiously

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.

Corporate Governance:

Pursuant to the provisions of the Listing Agreement with the Stock Exchange the report on Management Discussion and Analysis, Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of Corporate Governance form part of the 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 employees during the financial year was cordial. However subsequent to the end of the year, due to compulsory power shut down in Andhra Pradesh the company has announced lay off. Subsequent to the lay off workers have resorted to indiscipline and were stopping all dispatches from the Company. This had lead the management of the Company to declare lockout. However, discussions are continued to restart the company.

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.

For and on behalf of the Board of Directors

Nalinkant Amratlal Rathod
Chairman

PLACE: Chennai
DATE: May 29, 2012.

ANNEXURE TO THE DIRECTORS REPORT

Information under 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 and forming part of Directors Report.

A. Energy Conservation :**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

ELECTRICITY	2011-2012	2010-2011
Purchase Units (KWH)	3998569	5989289
Total Amount (Rs.in Lakhs)	189.90	240.07
Average Rate per unit (Rs./Kwh)	4.74	4.00
LPG		
Quantity (Tonnes)	1400.00	2771.00
Total cost (Rs.Lakhs)	688.50	1116.43
Average rate (Rs.Lakhs/Tonne)	0.49	0.40
CONSUMPTION PER UNIT (Sq.Mtr) OF PRODUCTION		
Electricity (Kwh)	8.97	7.75
LPG (Tonnes)	0.0031	0.0036

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 2011-2012 special emphasis and thrust has been given in the areas of cost reduction, quality improvement & new product development.

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.
- c) Introduction of Special Bonding agent.

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:	2011-12 (Rs in lakhs)	2010-11 (Rs.Lakhs)
Foreign Exchange Earnings :	70.97	142.36
Foreign Exchange out go :	103.47	156.86

By Order of the Board of Directors

PLACE: Chennai
DATE: May 29, 2012

Nalinkant Amratlal Rathod
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Year 2011-2012 showed improvement in market demand due to growth in realty sector and also boom in general construction activity in retail segments. There is improvement in economic conditions domestically and there is optimism that infrastructure and construction sectors would grow at steady pace.

Restile Ceramics Ltd, pioneer in vitrified tiles and in the business of flooring tiles since 1986 holds excellent reputation in the industry as high quality producer, employs the best practices and highest quality standards in the industry and works constantly on quality up-gradation. The company is known for introducing innovative product range in 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 manufacturers 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL PERFORMANCE:-

RESULTS OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2012

Sales:

Net Sales clocked for the year were Rs 2180.64 Lacs as against Rs.2,871.45 Lacs for the previous year and other income for the year stands at Rs 90.04 Lacs as against Rs.44.28 Lacs for the previous year.

Production:

Production during the year was 4.46 Lakhs Sq. mtrs, lower by 39.32% than the production during previous year.

Expenditure:

There has been decrease in expenditure in the year 2011-2012 compared to previous year. Out of Total Expenditure Cost of Materials consumed were Rs.414.84 Lacs compared to Rs.943.48 Lacs in the previous year. Purchases account for Rs.45.68 Lacs in the current year compared to Rs.140.95 in the previous year. Movement in Inventories account for Rs.406.48 Lacs decrease in current year as against Rs.261.93 Lacs increase in previous Year. Employee Benefits, Depreciation, other Expenses and exceptional Items account for Rs.2,644.81 Lacs as against Rs.3,674.75 Lacs in the previous year. There is also recognition of Rs.41.21 Lacs towards Bad and Doubtful debts written off.

Interest and Financial charges:

An amount of Rs.106.44 Lacs was incurred towards Interest and Financial Charges in the year 2011-12 against Rs.91.49 Lacs in the previous year.

Net Loss:-

The Company recorded a net loss of Rs.1,347.57 Lacs during the year on account of decrease in production and decrease in average selling prices.

Internal Control Systems and their adequacy:

Internal controls and its effectiveness are being reviewed through the internal audit process. The company has adequate internal controls and Management reviews periodically to the changed requirements. Moreover, Independent Internal Auditor conducts Periodical Audit and submits the Audit Report to the Audit Committee. Audit committee consisting of Independent Directors review the operations in terms of internal controls and their adequacy to the changing requirements.

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.

Threats:

Since the vitrified market enjoys consistent growth and assured returns, 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 help in overcoming the competition.

Risks and Concerns:

The company specific risks remain by and large the same as enumerated last year. 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 2012-2013 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:

During the financial year 2011-12, the employee and employer relationship has been fairly cordial. The company considers the quality human power as an important asset and it endeavors to recruit best possible talent and to groom it to meet its needs.

However subsequent to the year 2011-12, due to compulsory power shut down in Andhra Pradesh the company had announced lay off as the industry is a continuous manufacturing process industry. subsequent to the lay off workers have resorted to indiscipline and were stopping the dispatches from the Company of whatever the materials had already been produced. This had lead the management of the Company to declare lockout. Subsequently, discussions are on to restart the company.