

**RESTILE**<sup>®</sup>  
THE ORIGINAL FULBODY TILE

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**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, 5<sup>th</sup> 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 24<sup>th</sup> 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 31<sup>st</sup> March, 2011, the Profit and Loss Account and Cash flow statement for the year ended 31<sup>st</sup> 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 17<sup>th</sup> 2011 to September 24<sup>th</sup> 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 25<sup>th</sup> Annual Report on the business and operations of the company and the Audited Accounts for the year ended 31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>ELECTRICITY</b>		
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.

## REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2010-2011

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges the Company submits the report on the matters mentioned in the said Clause and practice followed by the Company:

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company attaches importance to good Corporate Governance and the code of governance as formulated by the Stock Exchange/SEBI and other authorities in the right earnest. It will be the endeavor of the Board of Directors that the Company is so governed as to maximize the benefits of all stakeholders (i.e., shareholders, employees, customers, society) and others. The Company has been implementing the clauses of Corporate Governance from time to time.

### COMPOSITION OF BOARD

As on 31<sup>st</sup> March 2011, the Board of the Company consists of both Executive and Non Executive Directors. It presently consists of Eight Directors out of which One Director is Non-Executive Chairman, One Managing Director and Six Non Executive Independent Directors, One among them is a Nominee Director. The non-executive directors possess rich and varied experience in different facets of corporate functioning. They play active role in the meetings of the Board. The Board formulates policy decisions so as to lead and control the Company.

### BOARD MEETINGS

During the year under review, Four(4) meetings of the Board of Directors were held. The time gap between any two Board Meetings has not exceeded four months. The Names and Categories of the Directors on the Board, their attendance at Board Meetings held during the Financial Year 2010-2011 and at the last Annual General Meeting, and also the number of Directorships and Committee positions held by them in other public limited companies as on March 31, 2011 are given below:

Name	Category	Number of Board Meetings attended	Whether attended AGM held on 25.09.2010	No. of Directorships in other Public Limited Companies	No. of committee Positions held in other Public limited Companies	
					Chairman	Member
Nalinkant Amratlal Rathod	Promoter Chairman & Non Executive Director	1	Yes	1	-	-
Tribhuvan Simh Rathod	Managing Director	4	Yes	1	-	-
K.Rajendra Prasad (APIDC-Nominee)	Nominee Director (APIDC)	2	No	3	-	-
N.S.Ramachandran	Independent Non Executive-Director	3	Yes	-	-	-
Seetaraman T.R	Independent Non Executive-Director	4	No	-	-	-
G. Padmanabhan	Independent Non Executive-Director	3	No	-	-	-
N.S. Mani	Independent Non Executive-Director	3	Yes	-	-	-
N. Gopala Krishnan	Independent Non Executive-Director	4	Yes	-	-	-

- (i) Four (4) Board Meetings were held during the year 2010-2011 and the gap between 2 meetings did not exceed 4 months. The dates on which, the Board Meetings held were 29<sup>th</sup> May 2010, 14<sup>th</sup> August 2010, 11<sup>th</sup> November 2010 and 29<sup>th</sup> January 2011.
- (ii) Apart from receiving the sitting fees, Non-Executive Directors do not have any other material pecuniary relationship or transactions with the Company, its promoters or its Management, which in the opinion of the Board may affect the independence judgment of the Director.
- (iii) Necessary information as specified in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for their consideration.

#### AUDIT COMMITTEE

The Board of Restile Ceramics Limited has Five members in the Audit Committee, consisting of Non-Executive and Independent Directors viz Shri. Ramachandran N S, Shri. Seetharaman T R, Shri. G.Padmanabhan, Shri N Gopaia Krishnan and Shri N S Mani. The Chairman of the Audit committee is Shri Ramachandran N S.

The Audit Committee met four times during the financial year 2010-2011 i.e on 29<sup>th</sup> May 2010, 14<sup>th</sup> August 2010, 11<sup>th</sup> November 2010 and 29<sup>th</sup> January 2011. The attendance record of the Audit Committee members is given below:-

Name of the Member	No. of Meetings held	Attended
Shri.T.R.Seetaraman	4	4
Shri N.S.Ramachandran	4	3
Shri.G.Padmanabhan	4	3
Shri N Gopala Krishnan	4	3
Shri N S Mani	4	3

The role of the audit committee in brief is to review financial statements, internal controls, accounting policies and internal audit. The quarterly financial results are placed before the audit committee for its review, suggestions and recommendations, before taking the same to the Board. The internal audit plans are drawn in consultation with the Managing Director, Chief Financial Officer, Heads of departments and the audit committee. The committee reviews the internal auditors report periodically. The committee also tracks the implementation of its guidelines/suggestions through review of action taken reports. A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the committee apart from details of material individual transactions with the related parties.

#### REMUNERATION COMMITTEE:

The Company had constituted a Remuneration committee in terms of Schedule XIII of the Companies Act, 1956 read with clause 49 of the listing agreement. The committee comprises of Sri N S Ramachandran, T R Seetharaman, G Padmanabhan all non executive Independant Directors. During the year there were no changes in the terms and conditions with regard to remuneration payable to Executive Directors and hence not conducted any meetings. The broad terms of reference of the remuneration committee are to approve/recommend to the Board the salary (including annual

increments) perquisites and commission including pension rights and any compensation payment to be paid to the Company's Managing / Whole – Time Directors.

Remuneration policy: The Company while deciding the remuneration package of the management takes into consideration the employment scenario, remuneration package of the industry, financial performance of the company and talents of the appointee. The Non Executive Independent directors are not paid any remuneration for attending Board/committee meetings.

### REMUNERATION OF DIRECTORS

The non-executive directors do not receive any remuneration from the Company and are paid Sitting Fee for attending the meetings of the Board and Committee Meetings. There is no pecuniary relationship or transactions between non-executive Directors and the Company.

The aggregate value of salary and perquisites for the year ended 31.03.2011 to Managing/Executive Director are as under:

Shri Tribhuvan Simh Rathod, Managing Director : Rs.30.09 Lacs

Notice period, severance fee and stock options to the above personnel : Nil

### SHARE TRANSFER AND INVESTORS' GRIEVANCES COMMITTEE

The Board had delegated the authority to approve transfer of shares to a Committee of Directors.

The Share Transfer and Investors' Grievances Committee consists of non executive independent directors Shri.N.S.Ramachandran, Shri.T.R.Seetaraman, and Shri G. Padmanabhan. The compliance officer Shri. M.S.Subba Rao.

The Chairman of the Share Transfer and Investors' Grievances Committee is Shri N S Ramachandran. The meetings of the Committee are held at frequent intervals to approve transfers, transmissions, issue of duplicate shares and resolving investors' grievances, etc. During the year the Committee met 21 times. During the year no investor grievance has been received. The company has replied through the DP agent in respect complaint received in the earlier year. The minutes of the Share Transfer and Investors' Grievances Committee meetings are placed before the Board for its noting on a regular basis.

### GENERAL BODY MEETINGS

The last three Annual General Meetings (AGM) were held at Registered Office the Company at Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P. as per the details given below:

Year	Date of AGM	Day	Time
2008	September 30,2008	Monday	11.30A M
2009	September 29, 2009	Tuesday	11.00A.M
2010	September 25, 2010	Saturday	11.30 A.M

There were no resolutions in the last AGM that were put through postal ballot.

**RISK ASSESSMENT AND MINIMISATION PROCEDURE**

In order to ensure that Management controls risk through means of a properly defined framework, a report on Risk Assessment and Minimization Procedure as prepared by functional heads of the Company is being reviewed periodically by the Board of Directors. The Board of Directors of the Company is continuously briefed, by the Chairman and Managing Directors, with the developments and performance of the Company so as to enable them to monitor the same at regular intervals. Reports on risk assessment and minimization process and new initiatives proposed by the Company are also presented to them for suggestions and up gradation.

**DISCLOSURES****A. Related Party Transactions**

Details of materially significant related party transactions are listed in Point no 7 of Notes to the Annual Accounts annexed. There were no transactions during the year with related parties that were prejudicial to the interests of the Company.

**B. Compliances made by the Company**

The Company has continued to comply with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years; no penalties, strictures have been imposed on the Company by the Stock Exchanges, SEBI and other statutory authorities related to the above.

**C. Communication to Shareholders**

The quarterly and Annual Results are being published in the Business Standard and Andhra Bhoomi OR Financial Express and Andhra Prabha. Quarterly and Annual Financial Results of the Company are furnished to the Stock Exchange as per the requirements of the Listing Agreement. The Results and Official news releases are not displayed in the Company's website.

**D. Code of Conduct**

The Restile Code of Conduct as adopted by the Board of Directors, is applicable to the Directors, both executive and non-executive and Senior Management team comprising of members of Management one level below the Executive Directors, including all functional heads.

A declaration by Managing Director affirming the compliance of the Code of Conduct for Board Members and senior management executives is also annexed separately at the end of this report.

**E. Whistle Blower Policy**

The Company promotes a favourable environment for employees to have an open access to the Audit Committee, respective Functional Heads, Head- HRD, Managing Director as well as Executive Chairman so as to ensure ethical and fair conduct of the business of the Company and that no personnel has been denied access to the Audit Committee.

**F. General Shareholders Information**

The following information would be useful to Shareholders:

- a) The 25<sup>th</sup> Annual General Meeting of the Company will be held on 24<sup>th</sup> September 2011 at 11.30 A.M. at the Registered Office of the Company at Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P.
- b) The Financial Year of the Company was from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011.
- c) Date of Book Closure: September 17<sup>th</sup> 2011 to September 24<sup>th</sup> 2011 (inclusive of both days)

- d) The Shares of the Company are listed on the Stock Exchange, Mumbai (BSE). The Stock Code is 515085
- e) The Share and Depository Transfer Agent: Sathguru Management Consultants Pvt. Ltd., Plot No.15, Hindi Nagar, Panjagutta, Hyderabad – 500 034.
- f) Dematerialization 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 298E01022. The members are requested to dematerialize their physical holding in view of various advantages of holding the shares in dematerialized form. As on 31<sup>st</sup> March 2011, 97662085 shares are under dematerialization, representing 99.36% of the paid up capital
- g) Distribution of shareholding as on 31<sup>st</sup> March, 2011:

Holding of number of Shares or Debentures	Share/Debenture (Holders)		Shares/Debentures (Amount)	
	Number	%	Rs.	%
1 - 5000	23551	98.95	7617910	0.78
5001 - 10000	113	0.47	870340	0.09
10001 - 20000	61	0.26	859820	0.09
20001 - 30000	21	0.09	501640	0.05
30001 - 40000	8	0.03	284900	0.03
40001 - 50000	7	0.03	318040	0.03
50001 - 100000	10	0.04	729410	0.07
100001 - Above	31	0.13	971610330	98.86
<b>Total</b>	<b>23802</b>	<b>100.00</b>	<b>982792390</b>	<b>100.00</b>

- h) Market Price Movement: The details of monthly high and low market price of equity shares at the stock exchange, Mumbai are as given below:

Month	Highest (Rs.)	Lowest (Rs.)	Month	Highest (Rs.)	Lowest (Rs.)
April '10	13.93	8.28	October '10	12.69	9.62
May '10	15.35	10.10	November '10	12.58	9.32
June '10	12.39	10.00	December '10	11.93	9.31
July '10	14.87	10.87	January '11	10.55	9.50
August '10	13.72	10.00	February '11	9.03	7.10
September '10	12.95	9.28	March '11	11.55	7.80

**SHAREHOLDING PATTERN AS ON 31<sup>ST</sup> MARCH 2011**

Sl.No	Category	No. of shares	% of shareholding
1	Promoters	71115908	72.36
2	Mutual funds and UTI	19300	0.02
3	Banks, Financial Institution, Insurance companies	40	0.00
4	Private Corporate Bodies	1094758	1.12
5	Indian Public	6043808	6.15
6	NRIs/OCBs	20004186	20.35
7	Clearing Members	1239	0.00
	<b>Total</b>	<b>98279239</b>	<b>100.00</b>

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity: Not Applicable

Details of Shares of the Company held by the Directors as on March 31, 2011 are as below:

Name	Designation	No. of Shares
Nalinkant Amratlal Rathod	Non Executive Chairman	8126383
Tribhuvan Simh Rathod	Managing Director	Nil
N S Ramachandran	Non Executive Director	Nil
G Padmanabhan	Non Executive Director	Nil
T R Seetharaman	Non Executive Director	Nil
N S Mani	Non Executive Director	Nil
N Gopaia Krishnan	Non Executive Director	Nil
K Rajendra Prasad	Nominee Director	Nil

**SECRETARIAL AUDIT**

The Company gets the Secretarial Audit done by a Practicing Company Secretary for the purpose of reconciliation of the total admitted capital with both the depositories and the total issued and listed capital. The Secretarial Audit Report placed before the Board of Directors on a quarterly basis is also sent to the Stock Exchanges where the company's shares are listed.

**NOMINATION FACILITY**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the company as permitted under section 109A of the Companies Act, 1956 are requested to submit to the company the prescribed form 2B for this purpose.

**COMPANYS POLICY ON PREVENTION OF INSIDER TRADING**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the company had framed a Code of Conduct for prevention of Insider trading. The code is applicable to all such employees of the company who are expected to have access to the unpublished price sensitive information relating to the company and the same is being implemented as a self regulatory mechanism.

Our manufacturing unit is located at: Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P

Our address for Correspondence : Malkapur Village, Hatnoora Mandal, Narsapur Taluk Medak District 502296 and email to: contact@restile.com by quoting their DP Id or Folio Number.

**CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER TO THE BOARD**

We, Tribhuvan Simh Rathod, Managing Director and M.Subba Rao, Chief Financial Officer of Restile Ceramics Limited, certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
  - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) these statements present a true and fair view of the state of affairs of the company and of the results of operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including Accounting Standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept overall responsibility for establishing and monitoring the company's internal control system for financial reporting and evaluating its effectiveness. Internal audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal audit works with all levels of management and statutory auditors, and report significant issues to the Audit Committee of the Board. The auditors and audit committee are appraised of significant deficiencies and material weaknesses in the internal control system and any corrective action taken or proposed to rectify these deficiencies.
4. We indicate to the auditors and to the audit committee:
  - a) significant changes in internal control over financial reporting during the year;
  - b) significant changes in accounting policies during the year;
  - c) instances of significant fraud of which we have become aware of and which involve management or other employees who have significant role in the company's internal control system over financial reporting. However, there was no such instance.

Tribhuvan Simh Rathod  
Managing Director  
August 13, 2011  
Chennai

M. Subba Rao  
Chief Financial Officer

**CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT**

To  
The Shareholders

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the code of conduct adopted by the Company and have submitted declarations in this behalf for the year ended 31st March, 2011

Chennai  
August 13, 2011

Tribhuvan Simh Rathod  
Managing Director

**MANAGING DIRECTOR' CERTIFICATE ON CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

1. I, Tribhuvan Simh Rathod, Managing Director of the Company, hereby certify that:
  - a. I have reviewed financial statements (including the cash flow statement) for the year 2010-2011 prepared by the Management and that to the best of my knowledge and belief.
    - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
    - ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
  - b. To the best of my knowledge and belief, no transactions have been entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
  - c. I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of the internal control systems of the company and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
  - d. I have indicated to the auditors and the Audit Committee.
    - i) significant changes in internal control during the year
    - ii) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
    - iii) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Chennai  
August 13, 2011

Tribhuvan Simh Rathod  
Managing Director

**AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

**To the Members of  
Restile Ceramics Limited**

1. We have examined the compliance with the conditions of Corporate Governance by Restile Ceramics Limited (the Company) for the year ended March 31, 2011 as stipulated in clause 49 of the listing agreement of the said company with the stock exchange in India, with the relevant records and documents maintained by the Company and furnished to us and the report on Corporate Governance as approved by the Board of Directors.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to procedures and implementation thereof, adopted by the Company for ensuring the said compliance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. Based on the aforesaid examination and according to the information and explanations given to us, we certify that the Company has complied with the said conditions of Corporate Governance as stipulated in the above mentioned listing agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M.S. Krishnaswami & Rajan  
Chartered Accountants  
Registration No: 01554S

August 13, 2011  
Chennai

M.S. Murali  
Partner  
Membership No.26453

**AUDITORS' REPORT TO THE MEMBERS OF RESTILE CERAMICS LIMITED**

1. We have audited the attached Balance Sheet of RESTILE CERAMICS LIMITED as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement together with the Notes to the Accounts (financial statements) for the year ended on that date, annexed thereto, signed by us under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing and assurance standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - a. we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
  - b. in our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books.
  - c. the financial statements dealt with by this report are in agreement with the books of account.
  - d. in our opinion, the aforesaid financial statements comply in all material respects with the applicable Accounting Standards referred to in section 211(3C) of the Companies Act, 1956 (the Act) *except that there has been no recognition of impairment estimated in value of Buildings (Rs.522.17 lakhs) and in the value of Plant and Machinery (Rs.119.87 lakhs) as required under Accounting Standard (AS) 28 - impairment of Assets.*
  - e. in our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read with Note 9.1 of the Notes to the Accounts (regarding pendency of reconciliation of balances of certain creditors and debtors) and subject to *non- recognition of estimated impairment in value of Buildings (Rs.522.17 lakhs) and in the value of Plant and Machinery (Rs.119.87 lakhs) as required under Accounting Standard (AS) 28 - impairment of Assets. and its consequential impact on the loss carried forward*, give the information required by the Act, in the manner so required and also give a true and fair view, in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss account, of the loss for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date
- 5.0 On the basis of written representations received from the directors as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on March 31, 2011 from being appointed as a director in terms of section 274 (1) (g) of the Act.

For M.S. Krishnaswami & Rajan  
Chartered Accountants  
Registration No. 01554S

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report that:

1. (i) the company is maintaining records showing particulars including quantitative details and situation of fixed assets. *The same, however, needs to be updated.*  
(ii) the fixed assets are being physically verified under a phased programme of verification, which, in our opinion, is reasonable having regard to the nature and value of its assets, and no material discrepancies have been noticed on such verification carried out during the year in terms of the phased programme.  
(iii) the company has not disposed off substantial part of its fixed assets during the year.
2. (i) inventories have been physically verified during the year by the management at the year end.  
(ii) the procedures of the said physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(iii) the company is maintaining records of its inventories and discrepancies noticed on physical verification at the end of the year have been dealt with by adopting the stocks as verified.
3. the company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Act
4. there is an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of services. *In respect of the internal control system for sale of goods, the same needs to be strengthened.* On the basis of our examination of the books and records of the company, we have come across/ have been informed, of steps taken to correct major weaknesses in the aforesaid internal control system.
5. to the best of our knowledge there are no contracts or arrangements referred to in section 301 of the Act which need to be entered in the register maintained under the said section.
6. the company has not accepted any deposits from the public to which the provisions of section 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 apply.
7. internal audit has been carried out by an independent Chartered Accountant. We are informed, that the Internal Audit function is in the process of being strengthened and will, in the ensuing year, include operations audit as well.
8. the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for the products dealt with by the company.
9. (i) the company has been regular in depositing undisputed statutory dues towards investor education and protection fund, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. *Delays were, however, noticed in depositing undisputed provident fund, employees' state insurance, income tax, sales tax, service tax, with the appropriate authorities during the year. The arrears of such dues outstanding as at the end of the year for a period of more than six months from the date they became payable are - Tax collected/deducted at source-Rs.2.22 lakhs; Property tax-Rs 2.38 lakhs and sales tax Rs.29.12 lakhs.* We are informed that the arrears in payment of sales tax was primarily due to pendency of assessment proceedings in one state which would finalise the amount payable and that the delays in other cases were caused by unavoidable circumstances.

- (ii) there are no dues of income tax / wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute. Sales Tax dues not deposited on account of disputes and pending with Andhra Pradesh Appellate Deputy Commissioner (Commercial Taxes) are as under:

Year		Sales Tax Demanded	Amount Paid	Balance Due
2007-08	APCST	4,708,949	1,500,000	3,208,949
2006-07	APCST	3,337,749	417,219	2,920,530
2006-07, 2007-08 & 2008-09	APVAT	3,955,954	494,494	3,461,460

10. the company has accumulated losses as at March 31, 2011 and has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
11. the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders during the year.
12. the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. the provisions of any special statute applicable to a chit fund, nidhi, mutual benefit fund / societies are not applicable to the company.
14. the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4 (xiv) of the CARO are not applicable to the company.
15. no guarantees have been given during the year by the company, for loans taken by others from banks or financial institutions.
16. the term loans availed by the company were prima facie, applied for the purpose for which they were obtained.
17. on an overall examination of the financial statements of the company, funds raised on short-term basis have, prima facie, not been used for long-term investment.
18. the company has not made any preferential allotment of shares during the year to any party.
19. the company has not issued any debentures during the year and hence the question of creating a charge in respect thereof does not arise. *The creation of charge in respect of Deep Discount Bonds issued in an earlier year is in progress.*
20. the company has not raised any money by public issues during the year.
21. No fraud of material significance on or by the company has been noticed or reported during the year.

For M.S. Krishnaswami & Rajan  
Chartered Accountants  
Registration No. 01554S

August 13, 2011  
Chennai

M.S.Murali-Partner  
Membership No.26453

**BALANCE SHEET**

	Sch. No.	Amount in Rs.	As at 31.03.2011 Amount in Rs.	As at 31.03.2010 Amount in Rs.
<b>SOURCES OF FUNDS</b>				
<b>Shareholders Funds</b>				
a. Capital	1	982,792,390.00		982,792,390.00
b. Reserves and Surplus	2	80,056,777.00		80,056,777.00
			1,062,849,167.00	1,062,849,167.00
<b>Loan Funds</b>				
Secured Loans	3		228,810,547.03	218,814,923.15
Deferred Tax Liability (Refer Note 5)			-	-
<b>TOTAL</b>			<b>1,291,659,714.03</b>	<b>1,281,664,090.15</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	4	1,171,483,340.14		1,168,816,573.07
Less : Depreciation		330,763,165.28		274,425,298.66
Net Block			840,720,174.86	894,391,274.41
<b>Investments</b>	5		-	-
<b>Current Assets,</b>				
<b>Loans and Advances</b>				
a. Inventories	6	140,331,710.38		110,622,075.00
b. Sundry Debtors	7	34,538,328.55		119,411,077.83
c. Cash and Bank balances	8	2,685,284.34		6,781,008.87
d. Loans and Advances	9	17,678,188.95		28,623,288.46
		195,233,512.22		265,437,450.16
<b>Current Liabilities and Provisions</b>				
Current Liabilities	10	156,713,841.26		138,348,867.04
Provisions		8,613,523.00		5,597,499.00
		165,327,364.26		143,946,366.04
<b>Net Current Assets</b>			29,906,147.96	121,491,084.12
<b>Miscellaneous Expenses</b> (to the extent not written off or adjusted)	11		5,024,947.75	16,954,892.00
Profit and Loss account			416,008,443.46	248,826,839.62
<b>TOTAL</b>			<b>1,291,659,714.03</b>	<b>1,281,664,090.15</b>
Notes to Accounts	17			

Significant Accounting Policies and Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board

for **M.S.KRISHNASWAMI & RAJAN**

Chartered Accountants

Firm Regn No :01554S

**M.S.Murali**

Partner

Membership No:26453

**M Subbarao**

Chief Financial Officer

**Tribhuvan Simh Rathod**

Managing Director

**Seetharaman T R**

Director

Chennai

August,13,2011

**PROFIT AND LOSS ACCOUNT**

	Sch. No.	As at 31.03.2011		As at 31.03.2010	
		Amount in Rs.	Amount in Rs.	Amount in Rs.	Amount in Rs.
<b>INCOME</b>					
Sale of Ceramic Tiles		316,313,553.28		468,913,327.30	
Less: Excise Duty		29,168,557.56		30,183,798.00	
Net Sales			287,144,995.72		438,729,529.30
Other Income	12		4,428,234.01		2,230,031.06
			<b>291,573,229.73</b>		<b>440,959,560.36</b>
<b>EXPENDITURE</b>					
Materials and					
Manufacturing Expenses	13		242,093,510.65		318,466,741.08
Administration Expenses	14		90,948,290.81		97,640,909.74
Selling and Distribution Expenses	15		48,415,932.15		32,578,326.19
Interest and Financial Charges	16		9,148,966.75		9,377,242.44
Depreciation			56,337,866.62		54,522,364.66
Amortisation of Issue and Other Expenses (Refer Note 11)			11,929,944.25		11,928,343.00
			<b>458,874,511.23</b>		<b>524,513,927.11</b>
<b>Net (Loss) / Profit before Provision for taxes</b>			<b>(167,301,281.50)</b>		<b>(83,554,366.75)</b>
Prior Year			119,677.66		
Current			-		
Deferred tax (liability) / asset (Refer Note 5)			-		33,726,193.00
<b>Profit / (Loss) After Tax</b>			<b>(167,181,603.84)</b>		<b>(49,828,173.75)</b>
Balance Loss brought forward from previous years			(248,826,839.62)		198,998,665.87
<b>Profit/(Loss) Carried to Balance Sheet</b>			<b>(416,008,443.46)</b>		<b>(248,826,839.62)</b>
<b>Basic Earnings per Share</b>	Rs.		(1.70)		(0.51)
Notes to Accounts	17				

Significant Accounting Policies and Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board

**for M.S.KRISHNASWAMI & RAJAN**

Chartered Accountants

Firm Regn No :01554S

**M.S.Murail**

Partner

Membership No:26453

**M Subbarao**

Chief Financial Officer

**Tribhuvan Simh Rathod**

Managing Director

**Seetharaman T R**

Director

Chennai

August,13,2011

**CASH FLOW STATEMENT FOR THE PERIOD 01.04.2010 to 31.03.2011**

	2010-11	2009-10
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before Tax and Extraordinary items	(167,301,281.50)	(83,554,366.75)
Adjustment for:		
Depreciation	56,337,866.62	54,522,364.66
Interest	9,148,966.75	9,377,242.44
Amortisation of issue and other expenses	11,929,944.25	11,928,343.00
Provision for diminution in value of investments	-	99,000.00
Provision for doubtful debts	(5,202,554.97)	(2,064,445.03)
Operating profit before working capital changes	(95,087,058.85)	(9,691,861.68)
Adjustment for:		
Trade and other receivables	90,075,304.25	(38,655,659.35)
Inventories	(29,709,635.38)	54,432,319.05
Trade payables	19,459,447.99	(15,469,172.35)
Loans and Advances	10,945,099.51	60,527,696.24
Cash generated from operations	(4,316,842.48)	51,143,321.91
Interest paid	(9,148,966.75)	(10,465,031.96)
Direct Taxes	119,677.66	(964,416.00)
Cash flow before extra-ordinary items	(13,346,131.57)	39,713,873.95
Extraordinary items	-	-
<b>Net Cash Flow from Operating Activities</b>	<b>(13,346,131.57)</b>	<b>39,713,873.95</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	(6,391,669.07)	(50,369,149.15)
Sale of Fixed Assets	3,724,902.00	-
<b>Net Cash used in Investing Activities</b>	<b>(2,666,767.07)</b>	<b>(50,369,149.15)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from long term borrowings	-	-
Repayment of Long term Unsecured Loans	(224,256.00)	(2,242,018.31)
<b>Net Cash used in Financing Activities</b>	<b>(224,256.00)</b>	<b>(2,242,018.31)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(16,237,154.64)</b>	<b>(12,897,293.51)</b>
Cash and Cash equivalents as at 01.04.2010(Opening Balance)	41,721,828.38	28,824,534.87
Cash and Cash equivalents as at 31.03.2011 (Closing Balance)	57,958,983.02	41,721,828.38
	<b>16,237,154.64</b>	<b>12,897,293.51</b>

Significant Accounting Policies and Schedules referred to above form an integral part of the Cash Flow Statement.

As per our report of even date attached

For and on behalf of the Board

for **M.S.KRISHNASWAMI & RAJAN**

Chartered Accountants

Firm Regn No :01554S

**M.S.Murall**

Partner

Membership No:26453

Chennai

August,13,2011

**M Subbarao**

Chief Financial Officer

**Tribhuvan Simh Rathod**

Managing Director

**Seetharaman T R**

Director

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

	(Amount In Rs.)	
	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 1</b>		
<b>CAPITAL</b>		
Authorised :		
10,00,00,000 Equity Shares of Rs. 10 each	1,000,000,000.00	1,000,000,000.00
Issued ,Subscribed and Fully paid up:		
9,82,79,239 (2010 9,82,79,239)		
Equity Shares of Rs. 10 each	<u>982,792,390.00</u>	<u>982,792,390.00</u>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
1. Central Subsidy from Govt of India	1,275,000.00	1,275,000.00
2. Capital Reduction Reserve (Reduction in Equity Share Capital as per BIFR Order dated 18.12.2002 during the Financial year 2002-03.)	75,443,880.00	75,443,880.00
3. Capital Reserve (Cessation of liability under One time Settlement)	3,337,897.00	3,337,897.00
	<u>80,056,777.00</u>	<u>80,056,777.00</u>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
A. Term Loans		
ICICI Bank Ltd		
(Secured by all movable and immovable assets of the company other than the current assets hypothecated to working capital bankers and 3rd floor premises in Varun Towers, Begumpet).		
B. HDFC Car Loan (Secured by way of hypothecation of related Vehicle)	172,599.69	396,855.69
C. Deep Discount Bonds (Refer Note 13) (Secured by all movable and immovable assets of the company other than the current assets hypothecated to working capital bankers and 3rd floor premises in Varun Towers, Begumpet. The charge is under creation).	173,082,741.00	173,082,741.00
D. Cash Credit from State Bank of India - (Secured by all hypothecation of stocks, stores, spares and consumables, receivables and equitable mortgage of 3rd floor premises in Varun Towers, Begumpet).	55,555,206.34	45,335,326.46
	<u>228,810,547.03</u>	<u>218,814,923.15</u>

Schedule - 4

FIXED ASSETS

SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT

	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	As at 1.4.10	Additions During the Year	Adj During the Year	As at 31.3.11	Upto 1.4.10	For The Year	Upto 31.3.11	As at 31.3.10	As at 31.3.11
1. Land	6,510,527.00			6,510,527.00				6,510,527.00	6,510,527.00
2. Buildings									
(i) Factory	117,100,666.12	2,342,477.50	-	119,443,143.62	14,501,417.49	3,989,401.00	18,490,818.49	100,952,325.13	102,599,248.63
(ii) Non Factory	4,910,347.00	-	-	4,910,347.00	925,734.66	80,038.66	1,005,773.32	3,904,573.68	3,984,612.34
3. Plant and Machinery									
Imported	799,160,626.54	22,421,936.61	3,724,902.00	817,857,661.15	197,378,306.47	43,122,883.21	240,501,189.68	577,356,471.47	601,782,320.07
Indigenous	143,031,926.75	24,089,166.72	-	167,121,093.47	47,841,450.66	6,858,563.24	54,700,013.90	112,421,079.57	95,190,476.09
4. Electrical Installations	17,171,039.19	-	-	17,171,039.19	5,579,384.36	815,624.36	6,395,008.72	10,776,030.47	11,591,654.83
5. Furniture and Fittings	6,826,823.69	-	-	6,826,823.69	2,668,604.94	432,137.94	3,100,742.88	3,726,080.81	4,158,218.75
6. Office Equipments	4,839,737.60	17,030.57	-	4,856,768.17	2,462,387.90	230,665.46	2,693,053.36	2,163,714.81	2,377,349.70
7. Computers	2,519,537.50	-	-	2,519,537.50	941,672.45	408,417.03	1,350,089.48	1,169,448.02	1,577,865.05
8. Vehicles	4,211,955.00	-	-	4,211,955.00	1,685,877.73	400,135.72	2,086,013.45	2,125,941.55	2,526,077.27
9. Others	440,462.00	-	-	440,462.00	440,462.00	-	440,462.00	-	-
Total Fixed Assets	1,106,723,648.39	48,870,611.40	3,724,902.00	1,151,869,357.79	274,425,298.66	56,337,866.62	330,763,165.28	821,106,192.51	832,298,349.73
Capital Work in progress	62,092,924.68	5,411,838.00	47,890,780.33	19,613,982.35	-	-	-	19,613,982.35	62,092,924.68
Grand Total	1,168,816,573.07	54,282,449.40	51,615,682.33	1,171,483,340.14	274,425,298.66	56,337,866.62	330,763,165.28	840,720,174.86	894,391,274.41

## SCHEDULES FORMING PART OF BALANCE SHEET &amp; PROFIT AND LOSS ACCOUNT

	(Amount In Rs.)	
	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 5</b>		
<b>INVESTMENT</b>		
Long Term, Unquoted, Fully paid up 9,900 Equity Shares of Rs 10 each in Subsidiary company - Restile Marketing Private Limited (Refer Note 9.4)	99,000.00	99,000.00
Less: Provision for Diminution in Value	99,000.00	99,000.00
	<u>-</u>	<u>-</u>
<b>SCHEDULE - 6</b>		
<b>INVENTORIES</b>		
Raw Materials	13,876,664.68	6,553,613.00
Stores spares and Consumables	17,409,164.70	19,329,434.00
Work-in-Process	3,939,864.00	24,598,709.00
Finished Goods	105,106,017.00	60,140,319.00
	<u>140,331,710.38</u>	<u>110,622,075.00</u>
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and considered Good)		
Debts outstanding for a period exceeding six months	10,552,996.53	20,885,916.06
Doubtful Debts outstanding for a period exceeding six months- not considered good	-	5,202,554.97
Other Debts	23,985,332.02	98,525,161.77
	<u>34,538,328.55</u>	<u>124,613,632.80</u>
Less: Provision for Doubtful Debts	-	5,202,554.97
	<u>34,538,328.55</u>	<u>119,411,077.83</u>
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	23,725.00	803,924.16
Balance with Scheduled Banks in		
- Current Account	504,328.34	956,879.60
- Fixed Deposit Account (including held by Banks as Margin Money against L/Cs and Guarantees)	2,157,231.00	5,020,205.11
	<u>2,685,284.34</u>	<u>6,781,008.87</u>

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

	(Amount In Rs.)	
	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered Good, recoverable in Cash or in kind or for value to be received)		
Advance to Suppliers	1,892,980.19	7,662,222.59
Other Advances	1,482,482.76	276,554.01
Deposits		
- with Govt Departments	8,752,317.00	14,332,848.52
- with Others	3,747,000.00	4,940,424.00
Income Tax Refund Receivable	1,803,409.00	1,411,239.34
	<u>17,678,188.95</u>	<u>28,623,288.46</u>
<b>SCHEDULE - 10</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors for Capital, Trade and Expenses		
- Due to Micro, Small and Medium Enterprises (Refer Note 10)		
Due to Others	98,520,651.94	70,734,700.15
Due From Customers	14,170,979.00	23,540,556.21
Security Deposit from Dealers	10,153,493.81	10,761,013.78
Other Liabilities	33,868,716.51	33,312,596.90
	<u>156,713,841.26</u>	<u>138,348,867.04</u>
<b>PROVISIONS</b>		
Provision for Employee Benefits and Tax (Refer Note 3.4)	8,613,523.00	5,597,499.00
	<u>8,613,523.00</u>	<u>5,597,499.00</u>

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT**

(Amount in Rs.)

	As at 31.03.2011	As at 31.03.2010
<b>SCHEDULE - 11</b>		
<b>Miscellaneous Expenses</b>		
<b>(Not Written off or adjusted)</b>		
Opening Balance		
Capital Issue Expenses	5,080,046.00	7,426,473.00
Brand Building Expenses	1,313,756.00	2,627,512.00
Product Development Costs	10,561,090.00	18,829,250.00
	<b>16,954,892.00</b>	<b>28,883,235.00</b>
Additions	-	-
Amortisation		
Capital Issue Expenses	2,346,427.00	2,346,427.00
Brand Building Expenses	1,313,756.00	1,313,756.00
Product Development Costs	8,269,761.25	8,268,160.00
	<b>11,929,944.25</b>	<b>11,928,343.00</b>
Closing Balance		
Capital Issue Expenses	2,733,619.00	5,080,046.00
Brand Building Expenses	-	1,313,756.00
Product Development Costs	2,291,328.75	10,561,090.00
	<b>5,024,947.75</b>	<b>16,954,892.00</b>
<b>SCHEDULE - 12</b>		
	Year ended 31.03.2011	Year ended 31.03.2010
<b>OTHER INCOME</b>		
Interest Earned	1,408,496.65	130,807.40
Exchange Fluctuation	104,686.02	241,477.78
Insurance claims	-	129,858.00
Other Receipts	39601.57	1,727,887.88
Unclaimed balances written back (Refer Note 9.1)	2,875,449.77	-
	<b>4,428,234.01</b>	<b>2,230,031.06</b>

## SCHEDULES FORMING PART OF BALANCE SHEET &amp; PROFIT AND LOSS ACCOUNT

(Amount In Rs.)

	Year ended 31.03.2011	Year ended 31.03.2010
<b>SCHEDULE - 13</b>		
<b>MATERIAL AND MANUFACTURING EXPENSES</b>		
Raw Materials Consumed	94,347,797.91	97,401,703.51
Less: Value of Materials Capitalised (Refer Note 12.4)	-	(17,137,113.00)
	<u>94,347,797.91</u>	<u>80,264,590.51</u>
Purchase- Trading Goods	14,094,728.00	-
(Increase)/Decrease in Stocks		
<b>Opening Stocks :</b>		
Finished Goods	60,140,319.00	99,485,042.00
Work-in-process	24,598,709.00	25,118,197.00
	<u>84,739,028.00</u>	<u>124,603,239.00</u>
<b>Closing Stocks :</b>		
Finished Goods	105,106,017.00	60,140,319.00
Work-in-process	3,939,864.00	24,598,709.00
	<u>109,045,881.00</u>	<u>84,739,028.00</u>
Excise duty on finished Goods	(1,885,754.56)	2,428,612.00
	<u>(1,885,754.56)</u>	<u>2,428,612.00</u>
	<u>(26,192,607.56)</u>	<u>42,292,823.00</u>
ation of Stores, Spares and Consumables	6,477,540.14	14,876,950.33
rd Fuel	146,022,713.35	82,833,828.45
Materials	7,343,338.81	11,044,648.79
ng charges (Refer Note 9.3)	-	87,153,900.00
	<u>242,093,510.65</u>	<u>318,466,741.08</u>

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT**

		Year ended 31.03.2011	Year ended 31.03.2010
<b>(Amount In Rs.)</b>			
<b>SCHEDULE - 14</b>			
<b>ADMINISTRATION EXPENSES</b>			
Salaries and Allowances to Employees			
Salaries , Wages and Bonus	72,222,923.72		
Less: Amount recouped (Refer Note 9.3)	<u>15,058,289.00</u>	57,164,634.72	60,154,912.63
Contribution to Provident Fund and other Funds		3,199,150.00	2,985,855.83
Workmen and Staff Welfare Expenses		2,727,997.34	2,953,877.14
Rents		2,564,185.58	3,843,252.00
Rates and Taxes		4,490,007.76	2,263,116.06
Insurance		230,072.18	756,474.00
Directors Sitting Fees		201,500.00	77,500.00
Legal and Professional Charges		2,825,605.83	9,947,688.92
Auditors Remuneration ( Refer Note 3.3)		350,000.00	350,000.00
Communication		2,277,213.85	1,942,052.72
Electricity Charges		141,808.44	411,487.00
Security Charges		1,298,322.00	1,223,035.00
Vehicle Expenses		2,398,847.78	3,199,170.69
Repairs and Maintenance			
- Plant and Machinery		4,361,616.69	695,284.99
- Building		631,173.46	219,366.90
- Others		1,450,051.10	2,077,518.25
Travelling Expenses - Directors and Others		2,329,155.29	1,671,230.81
Other Expenses		2,306,948.79	2,770,086.80
Provision for diminution in value of Investments		-	99,000.00
		<u><b>90,948,290.81</b></u>	<u><b>97,640,909.74</b></u>
<b>SCHEDULE - 15</b>			
<b>SELLING AND DISTRIBUTION EXPENSES</b>			
Travelling Expenses - Others		4,602,850.42	5,709,078.14
Advertisement and Sales Promotion		18,574,767.90	4,502,409.54
Bad/Doubtful Debts/Advances Written off ( Refer Note 9.10)	12,332,989.99		2,904,607.40
Less: Provision for doubtful debts written back	<u>5,202,554.97</u>		<u>(2,064,445.03)</u>
		7,130,435.02	840,162.37
Commissions and Discounts		5,888,967.84	10,270,453.34
Freight, Clearing and Forwarding Charges		12,218,910.97	11,256,222.80
		<u><b>48,415,932.15</b></u>	<u><b>32,578,326.19</b></u>
<b>SCHEDULE - 16</b>			
<b>INTEREST AND FINANCIAL CHARGES</b>			
Bank Charges		1,588,726.75	2,076,154.91
interest on term loan		-	235,147.48
Interest - Others		423,796.00	748,385.05
Interest on Working Capital		7,136,444.00	6,317,555.00
		<u><b>9,148,966.75</b></u>	<u><b>9,377,242.44</b></u>

## Notes to the Accounts for the year ended March 31, 2011

	Unit of Measurement	2011		2010		
1	Information regarding goods manufactured, imports and Foreign currency transactions					
1.1	<b>Installed capacity -</b> (as certified by the Managing director)	Sq mt.	2,700,000		2,700,000	
1.2	<b>Production</b> Unglazed Fully Vitrified Ceramic Floor Tiles	Sq mt.	772,699		1,063,662	
1.3	<b>Finished / trading goods and work-in-progress</b>					
	Opening stock Unglazed Fully Vitrified Ceramic Floor Tiles	Sq mt	139,629		284,686	
	Sales (Includes samples, replacements and quantity taken for own use) Unglazed Fully Vitrified Ceramic Floor Tiles	Sq mt	734,917		1,208,719	
	Closing stock Unglazed Fully Vitrified Ceramic Floor Tiles	Sq mt	177,411		139,629	
1.4	Consumption of raw materials	UOM	(Quantity)	Value (Rs in lakhs)	(Quantity)	Value (Rs in lakhs)
	Ball Clay/Fledspar etc..	Tonnes	19,030	468.92	38,112	689.85
	Zirconium Sillicate/Colours	Tonnes	103	123.79	233	104.05
	Others			350.77		180.12
	Total		19,133	943.48	38,345	974.02
	Of the above					
	- Imported items					
	- Indigenous items		100%	943.48	100%	974.02
					2011 (Rs. in lakhs)	2010 (Rs. in lakhs)
1.5	Imports (CIF)					
	Capital items				-	180.02
	Spares				-	29.67
	Consumables				154.72	55.17
					154.72	264.86
1.6	Expenditure in foreign currency					
	Travel				2.14	1.27
					2.14	1.27
1.7	Earnings in foreign currency					
	Export - FOB value				142.36	51.38
					142.36	51.38

1.8	There were no remittances of dividend in foreign currencies to non-resident shareholders	2011 (Rs. in lakhs)	2010 (Rs. in lakhs)
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## 2 Information regarding managerial remuneration

### 2.1 Remuneration to

(a)	Managing Director		
	Salary	28.80	17.16
	Contribution to provident and other funds	0.09	2.06
	Perquisites	1.20	0.60
	Total (a)	<u>30.09</u>	<u>19.82</u>
(b)	Executive Director*		
	Salary		3.81
	Contribution to provident and other funds		0.46
	Perquisites		-
	Total (b)	<u>-</u>	<u>4.27</u>
	Total (a) + (b)	<u>30.09</u>	<u>24.09</u>

\*For part of the year

Remuneration to the Executive Director is up to July 11, 2009.

## 3. Other Financial Information

3.1	Capital commitments (net of advances) not provided for	Nil	102.26	
3.2	Contingent liabilities			
a)	Guarantees	43.61	43.61	
b)	Letters of Credit	59.47	128.37	
c)	Claims (net) against the company not acknowledged as debts - Sales tax - Others	85.61	72.94	
d)	Refer Note 12.1	Nil	1.64	
3.3	Auditors' remuneration			
	Included under Administration expenses			
	For financial audit	3.00	1.50	
	For taxation matters	0.50	0.50	
	For others	-	1.50	
	Reimbursement of Expenses (Service Tax)	0.31	0.31	
3.4	Disclosures on provisions	Opening	Addition/(Deduction)/ (payment)	Closing
(i)	For gratuity	48.35	13.32	61.67
(ii)	For encashable leave salary	7.62	3.35	10.97
(iii)	For Short term Compensated Absences	-	13.49	13.49
		<u>55.97</u>	<u>30.16</u>	<u>86.13</u>

4	Earnings per share	2011 (Rs. in lakhs)	2010 (Rs. in lakhs)
	Basic earnings per share		
	Profit after taxation as per Profit and Loss account (in Rs. Lakhs)	(1671.82)	(498.28)
	Weighted average number of equity shares outstanding	982,79,239	982,79,239
	Basic earnings per share (Face value Re. 10) (in Rs.)	(1.70)	(0.51)
5	Composition of net deferred tax liability		
	<u>Deferred tax liabilities</u>		
	- Depreciation	499.63	284.93
	- Other timing differences	-	-
		499.63	284.93
	<u>Deferred tax assets</u>		
	- Unabsorbed depreciation	499.63	284.93
		499.63	284.93
	In the light of the Company having an history of recent losses, accrual of deferred tax asset is restricted to timing differences, the reversal of which will result in sufficient income as laid down in para 18 of Accounting Standard 22 "Accounting for Taxes on Income".		
6	Segment information		
	The company is principally engaged in a single business segment viz., Vitrified tiles and operates in one geographical segment as per Accounting Standard 17 on 'Segment Reporting'.		
7	Related party disclosure		
	a) Related Parties where control exists: Restile Marketing (P) Ltd.,		
	b) Associate Companies  Elister IT Solutions India (P) Limited  Sologuard Medical Devices (P) Limited  Athreya Finance Pvt Ltd  Bell Granito Ceramica Limited (w.e.f. 1.4.10)		
	c) Key Management Personnel, their relatives and their enterprises where transactions have taken place.  Mr. Nalin A. Rathod Mr. Tribhuvan Rathod Mr R.S.Raghavan* * For part of the year		
	(d) Material Transactions with related parties		
	(i) Purchase of Consumables, stores etc and Fixed Assets		
	(a) Consumables Stores and Spares from Associate Companies	Nil	79.65
	(b) Fixed Asset from Associate Companies	Nil	168.45
	(c) Bell Granito Ceramica Ltd	140.95	NA

	2011 (Rs. in lakhs)	2010 (Rs. in lakhs)
(ii) Other Expenditure		
a) Salary to Key management Personnel(referclause 2.1)		
Mr Tribhuvan Rathod	30.09	19.82
Mr R.S.Raghavan*	Nil	4.27
b) Sitting fees to Key Mangement Personnel		
Mr Nalinkanth Rathod	0.08	0.10
c) OfficeMaintenance and other expenses of Associate Company	Nil	2.39
d) Provision for Diminution in value of Investments	Nil	0.99
e) Soft ware maintenance charges to Elister IT solutions (p) ltd	4.99	Nil
* For Part of the year		
(iii) Sales		
Associate Company		
- Bell Granito Ceramica Ltd		
- sale of spares	51.61	NA
- sale of consumables	120.37	NA
(iv) Advance / Current account - Net increase / (decrease)		
Associate Companies		
Elister IT Solutions India (P) Limited	Nil	4.99
Bell Granito Ceramica Ltd	(312.93)	NA
(v) Amount due by the company		
a) Associate Companies		
Atherya finance Pvt Ltd - Deep Discount Bond outstanding	1730.83	1730.83
b) Key Management Personnel		
Mr Tribhuvan Rathod	1.24	5.91
Mr Nalin Rathod	0.08	3.60

## 8 Employee benefits

## a) Defined benefit plans - As per Actuarial valuation on March 31, 2011

	Gratuity			Compensated		
	2011	2010	2009	absences-Leave	Encashment	
	2011	2010	2009	2011	2010	2009
<b>A</b> Expense recognised in the statement of Profit and Loss Account for the year ended March 31, 2011						
1 Current service cost	13.79	10.38	9.23	11.73	9.52	21.83
2 Interest cost	3.86	2.93	2.54	0.61	2.06	1.46
3 Past service cost(Vested benefits)	1.94	-	-	-	-	-
4 Net actuarial (gain) / loss recognised during the year	(6.28)	(1.45)	3.76	(8.85)	(28.79)	(5.45)
5 Total expense	13.32	11.87	11.78	3.49	(17.22)	23.29
<b>B</b> Actual return on plan assets						
1 Expected return on plan assets	-	-	-	-	-	-
2 Actuarial gain/ (loss) on plan assets	-	(1.45)	3.76	-	(28.79)	(5.45)
3 Actual return on plan assets	-	-	-	-	-	-
<b>C</b> Net Asset/ (Liability) recognised in the Balance Sheet						
1 Present value of the obligation	61.67	48.35	41.65	11.10	7.62	30.10
2 Fair value of plan assets	-	-	-	-	-	-
3 Funded status [ surplus/ (deficit)]	-	-	-	(11.10)	-	-
4 Net Asset/ (Liability) recognised in the Balance Sheet	(61.67)	(48.35)	(41.65)	(11.10)	(7.62)	(30.10)
<b>D</b> Change in Present value of the Obligation during the year						
1 Present value of obligation as at beginning of the year	48.35	41.65	32.64	7.62	30.10	21.62
2 Current service cost	13.79	10.38	9.23	11.73	9.52	21.83
3 Interest cost	3.86	2.93	2.54	0.61	2.06	1.46
4 Benefits paid	-	(5.16)	(6.53)	-	(5.26)	(9.37)
5 Past service cost(vested benefits)	1.94	-	-	-	-	-
6 Actuarial (gain) / loss on obligation	(6.28)	(1.45)	3.76	(8.85)	(28.79)	(5.45)
7 Present value of obligation as at end of the year	61.67	48.35	41.65	11.10	7.62	30.10
<b>E</b> Change in Assets during the year						
1 Fair value of plan assets as at beginning of the year	-	-	-	-	-	-
2 Expected return on plan assets	-	-	-	-	-	-
3 Contributions	-	5.16	6.53	-	5.26	9.37
4 Benefits paid	-	(5.16)	(6.53)	-	(5.26)	(9.37)
5 Actuarial gain / (loss) on plan assets	-	(1.45)	3.76	-	(28.79)	(5.45)
6 Fair value of plan assets as at end of the year	-	-	-	-	-	-
<b>F</b> Experience adjustments in						
1 Plan liabilities - loss / (gain)	-	1.29	4.24	-	0.28	0.75
2 Plan assets - (loss) / gain	-	(2.74)	(0.49)	-	(29.08)	(6.20)
3 Experience gain/(loss) on obligation	(6.28)	-	-	(8.85)	-	-
<b>G</b> Major categories of plan assets as a percentage of total plan				Unfunded		Unfunded

H	Actuarial Assumptions	2011	2010	2009	2011	2010	2009
1	Discount rate	8.00%	8.00%	7.50%	8.00%	8.00%	7.50%
2	Salary escalation	8.00%	8.00%	7.00%	8.00%	8.00%	7.00%
3	The estimates of future salary increases by the actuary have reckoned inflation, seniority, promotion and other relevant factors.						

- b) During the year the company has recognised the following amounts in the Profit and Loss Account in Schedule : 14 Salaries and wages includes compensated absences Rs.13.49 lakhs (2010: Rs.(6.24) Lakhs) and gratuity Rs. 14 lakhs (2010: Rs.15.39 lakhs)  
Contribution to provident, and other funds includes Provident fund and family pension Rs. 20.77 lakhs (2010: Rs.23.07 lakhs), and contribution to employee state insurance plan Rs.8.32 lakhs (2010: Rs.6.49 lakhs)
- c) The company has adopted Revised Accounting Standard 15 and comparatives have been provided for the Three Years for which data is available.

- 9.1 (a) The company had, in the earlier year, embarked on an exercise to review debit/credit balances of customers /suppliers / others as appearing in the books of account and reconcile them with parties. This Review has revealed
- Old debts not legally enforceable in view of time that has lapsed and debts from customers no longer in business
  - Debts not realisable in view of counter claims for discounts/quality issues etc
  - Credit balances no longer payable due to one time settlement of dues and the period that has lapsed.
- Accordingly necessary accounting action to write off/write back their balances have been effected in the financial statements.

- (b) The balance due to/from certain Creditors/Customers and other parties is being circularised and reconciliation will be attempted in such cases in the ensuing year. Upon completion of this exercise, corrective accounting action will be initiated wherever necessary.

- 9.2 The following prior period expenditure have been reckoned under the respective heads in the financial statements. In the earlier year these expenses were reckoned under the head other expenses in schedule 14. The nature of such items are as under

SI No	Nature of Expenditure	2010-11	2009-10
i)	Salaries & Wages	17.17	-
ii)	Selling & distribution Expenses	1.65	-
iii)	Commission	19.25	-
iv)	Interest others	2.42	-
v)	Consumables & Spares	-	12.24
vi)	Repairs and Maintenance	-	0.21
vii)	Professional fees	-	16.95
Viii)	Freight	-	1.46
ix)	Power & Fuel	-	(2.57)
xi)	Materials	-	(7.75)
xii)	Others -net of unclaimed bal written back	-	(10.95)
	Total	40.49	30.86

- 9.3 Contract manufacturing operations at Vadodara ceased with effect from March 2010. During the current year, the arrangement provides for manufacture and sale of goods by Bell Granito Ceramica Ltd under the company's brand. Salaries, Wages, Bonus, gratuity in Schedule 14 is net of recoupment of expenses in respect of the above arrangement.
- 9.4 The company's subsidiary Restile Marketing Private limited is in the process of being wound up under section 560 of the companies Act 1956, (the Act). Accordingly, consolidation of accounts and details u/s 212 of the Act, are not being furnished.
- 10 (i) Amounts due to Small Scale Industrial undertakings are not ascertainable. (ii) The Company has not received any information from "Suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any relating to the amounts unpaid as at the end of the year together with interest paid/ payable under the said Act have not been furnished.
- 11 The Company has amortised the following expenditure during the year: Capital Issue expenses Rs 23.46 lakhs (2010: Rs. 23.46 lakhs), Product Development expenses Rs. 82.70 Lakhs (2010- Rs. 82.68 Lakhs) and Brand building expenses Rs. 13.14 Lakhs (2010- Rs. 13.14 Lakhs). Rates & taxes include exceptional item of Rs 39.10 lakhs representing sales tax provided in respect of prior periods based on demand received.
- 12.1 A case has been filed against the Company in 1997 regarding alleged sale and lease back of certain fixed assets belonging to the company. The Company has disputed the veracity of the sale and lease back arrangement particularly since there was no evidence of appropriate approvals on behalf of the Company. The case is pending adjudication before the High Court and consequently, the said assets continue in possession of and properly reflected in the Company's books of account.
- 12.2 Fixed assets include cost of vehicle Rs. 16.44 Lakhs. (2010 Rs. 16.44) standing in the name of erstwhile Joint Managing Director.
- 12.3 Other Liabilities include temporary overdraft from Bank Rs. 50.89 lakhs (2010 Rs. 22.11 lakhs)
- 12.4 During the earlier year, in Schedule 13, (i) Consumption of Raw Materials is net of Rs. 171.37 Lacs capitalised, representing expenditure incurred during trial run up to March 1, 2009 and sale of materials Rs. 238.52 Lacs. (ii) Consumption of stores, spares and consumables is net of sale of Rs. 118.88 Lacs and (iii) Packing material is net of sale of Rs. 6.88 Lacs
- 13 Secured Loan: 537527 Deep Discount Bonds of Rs. 1000 each were issued to Athreya Finance private Limited on March 30, 2009 at a discounted price of Rs. 344. The said bonds mature on March 31, 2019 but both parties have options to redeem/ encash the same at an earlier date at predetermined interest rate or at a price to be agreed upon at the time of conversion. Subsequent to the end of the year the terms of these bonds have been renegotiated with the incremental price becoming payable from March 31, 2013 instead of April 1, 2010 as initially agreed upon. Since the bonds are redeemable at the issue price upto March 31, 2012, no discount is to be recognised in the financial statements upto that date.
- 14 Since the previous year includes contract manufacturing operations at Vadodara upto 1st March 2010, the figures of the previous year are not directly comparable with those of the current year

## STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

### 1. Accounting convention

Financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India and under historical cost convention.

### 2. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements, disclosure of contingent liabilities and reported amounts of revenues and expenses for the year. Estimates are based on historical experience, where applicable and other assumptions that management believes are reasonable under the circumstances. Actual results could vary from these estimates and any such differences are dealt with in the period in which the results are known/ materialize.

**3. Fixed assets and depreciation**

Cost of all assets, where the cost exceeds Rs. 10,000 and the estimated useful life is two years or more, is capitalised. Cost of fixed assets is net of eligible credits under Cenvat / Vat Scheme. Expenditure directly related and incidental to construction are capitalised up to the date of attainment of commercial production. Interest and other related costs, including amortised cost of borrowings attributable only to qualifying assets are capitalised as part of the cost of the respective assets. Expenses incurred on major refurbishment extending the life of Plant and Machinery has been capitalized to the respective Asset.

Assets are depreciated on straight line basis, over their estimated useful lives or lives derived from the rates prescribed in Schedule XIV to the Companies Act, 1956, whichever is lower and in the manner described in Schedule XIV to the Companies Act, 1956.

Assets subject to impairment, on the asset's revised carrying amount, over its remaining useful life.

**4. Investments**

Long term investments are stated at cost less provision for diminution other than temporary, if any.

**5. Inventories**

Inventories are valued at lower of cost and net realisable value; cost being ascertained on the following basis:

Stores, spares, consumable tools, and raw materials: on weighted average cost basis. Work-in-progress, finished goods: under absorption costing method with the cost of incomplete Work at the end of the year, being estimated.

Cost includes taxes and duties and is net of eligible credits under Cenvat / Vat Schemes.

Obsolete / slow moving inventories are adequately provided for.

**6. Foreign currency transactions and derivatives**

Foreign currency transactions are recorded at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at closing rate. Exchange differences arising on settlement or translation of monetary items are recognized as income or expense in the Profit and Loss Account.

**7. Amortization of deferred expenditure**

Expenditure incurred on raising capital and other preliminary expenses are amortised over a period of five years. All identifiable amounts spent on Brand Building resulting in long term benefits are amortized over the period the benefit is expected to endure.

**8. Revenue recognition**

Revenue from sale of products is recognised on despatch to customers and is inclusive of excise duty.

**9. Research and Development Costs**

Expenditure on research is charged to revenue as incurred. Product development costs, including on new variants of existing products are recognised as Intangible assets and amortised.

**10. Employee benefits**

(a) Short term employee benefit obligations are estimated and provided for.

(b) Post employment benefits and other long term employee benefits

**Defined contribution plans:**

Company's contribution to provident fund, employee state insurance and other funds are determined under the relevant schemes and / or statute and charged to revenue.

**Defined benefit plans and compensated absences:**

Company's liability towards gratuity, other retirement benefits and compensated absences are actuarially determined at each balance sheet date using the projected unit credit method. Actuarial gains and losses are recognised in revenue.

**11. Deferred tax**

- (a) Deferred tax is recognized on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversing in one or more subsequent periods.
- (b) Deferred tax assets on unabsorbed depreciation and carry forward of losses are recognized only to the extent there is a virtual certainty of its realization.

As per our report of even date attached

For and on behalf of the Board

**for M.S.KRISHNASWAMI & RAJAN**

Chartered Accountants

Firm Regn No :01554S

**M.S.Murali**

Partner

Membership No:26453

Chennai

August,13,2011

**M Subbarao**

Chief Financial Officer

**Tribhuvan Simh Rathod**

Managing Director

**Seetharaman T R**

Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

INFORMATION AS REQUIRED UNDER PART IV OF THE SCHEDULE VI OF THE COMPANIES ACT, 1956

**1. REGISTRATION DETAILS**

Registration No.	6480	State Code	01
Balance Sheet Date	31.03.2011		

**2. CAPITAL RAISED DURING THE YEAR ( AMOUNT IN Rs. THOUSANDS)**

Public issue	Nil	Bonus issue	Nil
Rights issue	Nil	Private Placement	Nil

**3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS ( AMOUNT IN Rs. in lakhs)**

Total Liabilities	12916.60	Total Assets	12916.60
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**SOURCES OF FUNDS**

Paid up Capital	9827.92	Reserves and Surplus	800.57
Secured Loans	2288.11	Unsecured Loans	Nil

**APPLICATION OF FUNDS**

Net Fixed Assets	8407.20		
Net Current Assets	299.06	Investments	Nil
Accumulated Losses	4160.09	Misc. Expenditure	50.25

**4. PERFORMANCE OF COMPANY (AMOUNT IN Rs. THOUSANDS)**

Turnover	2915.73
Profit/(Loss) before Tax	(1673.01)
Total Expenditure	4588.74
Profit/(Loss) after Tax	(1671.81)
Earnings per share in Rs.	(1.70)
Dividend Rate	Nil

**5. GENERIC NAMES OF THE PRINCIPAL / SERVICES OF COMPANY ( AS PER MONETARY TERMS)**

Item code No. ( ITC Code )	69089008
Products / service Description	Unglazed Fully Vitrified Ceramic Tiles

As per our report of even date attached

For and on behalf of the Board

for **M.S.KRISHNASWAMI & RAJAN**

Chartered Accountants

Firm Regn No :01554S

**M.S.Murall**

Partner

Membership No:26453

Chennai

August,13,2011

**M Subbarao**

Chief Financial Officer

**Tribhuvan Simh Rathod**

Managing Director

**Seetharaman T R**

Director

**RESTILE CERAMICS LIMITED**

Regd. Office: Malkapur Village, Narsapur Taluk  
Hatnoora Mandal, Medak District, Andhra Pradesh

**ATTENDANCE SLIP**

Registered Folio / DPID No.:

Name of the Shareholder: ..... No. of Shares:.....

I/We hereby record my/our presence at the TWENTY FIFTH ANNUAL GENERAL MEETING of the Company at the Registered Office at Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P at 11.30 am on 24<sup>th</sup> day of September 2011 and at any adjournment thereof.

Signature of the Shareholder(s): \_\_\_\_\_

**Notes:**

1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip/ Proxy form as the case may be to the meeting and handover at the entrance duly signed.
2. Shareholder/Proxy holder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

**RESTILE CERAMICS LIMITED**

Regd. Office: Malkapur Village, Narsapur Taluk  
Hatnoora Mandal, Medak District, Andhra Pradesh

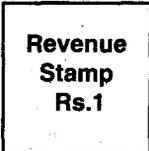
**PROXY FORM**

I/We .....being a Member/Members of RESTILE CERAMICS LIMITED hereby appoint .....of ..... or failing him/her ..... of ..... as my/our Proxy to attend and vote for me/us and on my/our behalf at the TWENTY FIFTH ANNUAL GENERAL MEETING of the Company at the Registered Office at Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P at 11.30 am on 24<sup>th</sup> Day of September 2011 and at any adjournment thereof.

Registered Folio / DPID No. : ..... No. of Shares: .....

AS WITNESS my hand/our hands this ..... day of ..... 2011

Signature(s) .....



Note: The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

Please note that the Share and Depository Transfer Agents  
for the Company are :

**Sathguru Management Consultants Pvt. Ltd.,**  
Plot No.15, Hindi Nagar, Panjagutta,  
Hyderabad - 500 034.

*All Correspondance may be addressed to them*

**RESTILE**®

THE ORIGINAL FULLBODY TILE

# 1-10-177, Varun Towers, 5th Floor,  
Begumpet, Hyderabad - 500 016.