

# **RESTILE CERAMICS LIMITED**

## **REPORT ON CORPORATE GOVERNANCE**

### **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 endeavour 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 date of this report, the Board of the Company consists of Seven Directors, comprising of an Executive Chairman, one Executive Director, five Non-Executive, out of which four are independent Directors and one is Promoter Director. One among them is a Nominee Director. The non-executive directors bring with them 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, six meetings of the Board of Directors were held. The time gap between any two Board Meetings has not exceeded three months. The Names and Categories of the Directors on the Board, their attendance at Board Meetings held during the Financial Year 2006-07 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, 2007 are given below:

Name	Category	Number of Board Meetings attended	Whether attended AGM held on 28.10.2006	No. of Directorships in other Public Limited Companies	No. of committee Positions held in other Public limited Companies	
					Chairman	Member
Shri Nalinkant Amratlal Rathod	Promoter and Executive	5	No	-	-	-
Shri G.V.Ramana Murthy	Non-Independent, Executive	6	Yes	-	-	-
Shri K.Rajendra Prasad (APIDC-Nominee)	Independent Non-Executive	2	No	1	-	-
Dr. P V Lakshmipathy	Independent Non-Executive	5	Yes	-	-	-
Shri V.Padmakar	Promoter, Non-Independent, Non-Executive	6	No	-	-	-
Shri G Padmanabhan	Independent, Non-Executive	5	Yes	-	-	-
Shri Raj Mitta	Independent, Non-Executive	0	No	-	-	-

## **AUDIT COMMITTEE**

The Board of Restile Ceramics Limited has four member Audit Committee, consisting of Executive, Non-Executive and Independent Directors viz., Shri Nalinkant Amratlal Rathod, Shri. G Padmanabhan, Dr. P V Lakshmipathy and Shri V. Padmakar.

Shri G.V. Ramana Murthy is the Standing Invitee.

The Chairman of the Audit Committee Shri G. Padmanabhan, is an Independent Director with strong financial accounting knowledge and experience.

Shri P. Ramachandran, Manager (Fin.) & Company Secretary acts as a Secretary to the Committee.

The Audit Committee met four times during the financial year 2006-07. The attendance record of the Audit Committee members is given below:-

<b>Name of the Member</b>	<b>No. of Meetings held</b>	<b>Attended</b>
Shri G. Padmanabhan	4	4
Dr. P V Lakshmipathy	4	4
Shri Nalinkant Amratlal Rathod	4	3
Shri V Padmakar	4	4

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 Joint Managing Director, Chief Financial Officer, Heads of business 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.

## **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. The aggregate value of salary and perquisites for the year ended 31.03.2007 to Executive Directors are as under:

Shri G.V. Ramana Murthy, Joint Managing Director & C E O : Rs.  
12,99,324/-

Shri Nalinkant Amratlal Rathod : Rs. 12/-

## **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 Dr. P.V. Lakshmipathy, Shri V. Padmakar and Shri G V Ramana Murthy. The Chairman of the Share Transfer and Investors' Grievances Committee is Dr. P.V. Lakshmipathy. 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 23 times. During the year 356 investor grievances have been received and all of them are resolved. 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 were held at Registered Office the Company at Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P. as per the details given below:

<b>Year</b>	<b>Date of AGM</b>	<b>Day</b>	<b>Time</b>
2004	September 25,2004	Saturday	11.30 A M
2005	September 24, 2005	Saturday	11.30 A M
2006	September 28, 2006	Thursday	11.30 A M

#### **DISCLOSURES**

##### **A. Related Party Transactions**

The Company has purchased equipment under short term suppliers credit as well as entered into contract for services from the relatives of Directors and Company in which promoters have substantial interest but which do not have any potential conflict with the interest of the Company at large.

##### **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, Andhra Bhoomi 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.

##### **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 JMD & CEO 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. General Shareholders Information**

The following information would be useful to Shareholders:

- a. The 21<sup>st</sup> Annual General Meeting of the Company will be held on Saturday, the 29<sup>th</sup> day of September, 2007 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 2006 to 31<sup>st</sup> March 2007.
- c. Date of Book Closure: 22.09.2007 to 29.09.2007 (inclusive of both days)
- d. The Shares of the Company are listed on the Stock Exchange, Mumbai (BSE).
- e. The Share and Depository Transfer Agent: Sathguru Management Consultants Pvt. Ltd., Plot No.15, Hindi Nagar, Panjagutta, Hyderabad – 500 034.
- f. Dematerialisation 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, 2007, 12,11,561 shares are under dematerialisation, which works out to 2.84% of the total shares of the Company.

- g. Distribution of shareholding as on 31<sup>st</sup> March, 2007:

Holding of number of Shares or Debentures	Share/Debenture (Holders)		Shares/Debentures (Amount)	
	Number	%	Rs.	%
1 - 5000	25339	98.90	8322880	1.95
5001 - 10000	146	0.57	1158890	0.27
10001 - 20000	72	0.28	1020230	0.24
20001 - 30000	20	0.08	463140	0.11
30001 - 40000	9	0.04	329790	0.08
40001 - 50000	10	0.04	445300	0.10
50001 - 100000	7	0.03	454080	0.11
100001 - Above	18	0.07	414100590	97.14

<b>Total</b>	<b>25621</b>	<b>100.00</b>	<b>426294900</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:

<b>Month</b>	<b>Highest (Rs.)</b>	<b>Lowest (Rs.)</b>	<b>Month</b>	<b>Highest (Rs.)</b>	<b>Lowest (Rs.)</b>
April '06	9.98	7.86	October '06	11.35	8.11
May '06	11.80	8.01	November '06	10.50	8.19
June '06	11.00	7.61	December '06	11.05	9.35
July '06	8.10	6.38	January '07	11.35	9.30
August '06	8.77	6.20	February '07	20.52	11.14
September '06	11.86	7.52	March '07	19.45	12.10

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

Members can contact us at our Administrative Office at 301& 302, Aditya Trade Centre, Aditya Enclave Raod, Ameerpet, Hyderabad – 500 038, Tel: 040-2375 4060, Fax: 040-2375 6622 and email to: rchandran@restile.com by quoting their DP Id or Folio Number.

### **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 31<sup>st</sup> March 2007.

Hyderabad  
27.07.07  
DIRECTOR &  
OFFICER

**G V RAMANA MURTHY**  
JOINT MANAGING  
CHIEF EXECUTIVE

### **CHIEF EXECUTIVE OFFICERS' CERTIFICATE ON CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

I, G V Ramana Murthy, Joint Managing Director & Chief Executive Officer of the Company, hereby certify that:

- a. I have reviewed financial statements and the cash flow statement for the year 2006-07 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 they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they 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

Hyderabad  
27.07.07  
DIRECTOR &  
  
OFFICER

**G V RAMANA MURTHY**  
JOINT            MANAGING  
  
CHIEF            EXECUTIVE

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

To  
The Members  
Restile Ceramics Limited

We have examined the compliance of conditions of Corporate Governance by Restile Ceramics Limited for the period ended on March 31, 2007 as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period of exceeding one month against the Company as per the records maintained by the Shareholders'/Investors' Grievance Committee.

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 **LALITH PRASAD  
AND CO.,  
Chartered  
Accountants**

Hyderabad  
27.07.07

**S LALITH PRASAD  
Proprietor  
M.NO.23665**