

BOARD OF DIRECTORS

Shri Nalinkant Amratlal Rathod	- Chairman & Managing Director
Shri G.V.Ramana Murthy	- Joint Managing Director & C.E.O.
Shri J. Narasimha Rao	- Director - Nominee APIDC (Upto 31.01.2005)
Shri K.Rajendra Prasad	- Director - Nominee APIDC (w.e.f.05.02.2005)
Shri P.V.Lakshmi pathy	- Director
Shri V.Padmakar	- Director (M.D. upto 20.05.05 & Director w.e.f. 21.05.05)
Shri G.Padmanabhan	- Director (w.e.f. 05.02.05)
Shri K. Krishna Rao, B.Com., FCA, ACS	- Sr. General Manager (Fin) & Company Secretary

AUDITORS

M/s.Lalith Prasad & Co.
Chartered Accountants
Flat No. 402, Golden Green Apts.
Erramanzil Colony
Hyderabad – 500 082

BANKERS

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

REGISTERED OFFICE AND FACTORY

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

SHARE AND DEPOSITORY TRANSFER AGENTS

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

ADMINISTRATIVE OFFICE (PRESENT)

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

ADMINISTRATIVE OFFICE (PROPOSED)

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

NOTICE TO THE SHAREHOLDERS

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

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and the audited Profit and Loss Account for the year ended 31st March, 2005 together with Director's Report and Auditor's Report thereon.
2. To appoint a Director in place of Shri Nalinkant Amratlal Rathod who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s.Lalith Prasad & Co., Chartered Accountants, Hyderabad the retiring Auditors as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Shri G.Padmanabhan, who was appointed as an Additional Director of the Company with effect from 5th Day of February, 2005 and who holds office upto the date of this Annual General Meeting, in respect of whom, the Company has received a Notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Shri G.Padmanabhan to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation".
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

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

NOTES :

- A. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- B. Members/proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in for attending the meeting. Copies of the Annual Reports will not be provided at the meeting.
- C. The Register of Members and Share Transfer Books of the Company will remain closed from 16th September, 2005 to 24th September, 2005 (inclusive of both days).
- D. Members are requested to notify any change in their addresses to the Company's Share and Depository Transfer Agents.
- E. Members are requested to convert their holdings into Demat. The Company's Id with CDS(I)L and NSDL is INE298E01022. The Company's Share and Depository Transfer Agents are Sathguru Management Consultants Pvt. Ltd., 15, Hindi Nagar, Panjagutta, Hyderabad-500 034.

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

K. KRISHNA RAO

Sr. GENERAL MANAGER (FIN) &
COMPANY SECRETARY

Hyderabad
27th June, 2005

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

Item No.4

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

Your Directors recommend the resolution for your approval.

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

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

Item No.5

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

Your Directors recommend the resolution for your approval.

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

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

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

Shri Nalinkant Amratlal Rathod is a Chartered Accountant, having rich experience of about 34 years of service in reputed companies in India and abroad. Presently he is the Managing Director of Capital Managers Asia Pte. Ltd. (CMA), a Singapore Registered Company. CMA is in the Investment Banking, Financial Advisory and Private Equity Business. Shri Nalinkant Amratlal Rathod with his vast experience and knowledge of finance, trade and industry will be able to make valuable contribution to the Company's growth and prosperity.

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

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

K. KRISHNA RAO

Hyderabad
27th June, 2005

Sr. GENERAL MANAGER (FIN) &
COMPANY SECRETARY

DIRECTORS' REPORT

To
The Members

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

FINANCIAL RESULTS :

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

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

OPERATIONS :

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

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

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

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

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

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

FUTURE OUTLOOK :

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

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

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

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

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

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

COST REDUCTION AND CONTROL :

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

RESEARCH AND DEVELOPMENT :

Your Company is continuously focusing its efforts towards cost reduction, improvement of quality, yields and alternate vendor development, which intum helps to strengthen the generic brand image of the products.

PUBLIC DEPOSITS :

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules framed there under.

DIRECTORS :

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

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

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

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

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- i. In the preparation of annual accounts, the applicable accounting standards have been followed;
- ii. Accounting policies were applied consistently and the judgments and estimates made, are reasonable and prudent so as to give a true and fair view of the affairs of the Company as at 31st March, 2005 and of the loss of the Company for the period ;
- iii. Proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities have been taken ;

- iv. The annual accounts have been prepared on a going concern basis.

AUDITORS:

M/s. Lalith Prasad and Co., Chartered Accountants, Hyderabad, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956 and are eligible for reappointment.

CORPORATE GOVERNANCE:

Pursuant to the provisions of the Listing Agreement, Report on Corporate Governance together with the Auditors' Certificate on the compliance of the conditions of Corporate Governance are furnished in this Annual Report and a Report on Management Discussion and Analysis prepared and annexed to the Director's Report.

PARTICULARS OF EMPLOYEES AND INDUSTRIAL RELATIONS

The information as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is NIL.

The industrial relations with its employees continue to be cordial. Development of Human Resources is taken at all levels and necessary training is imparted towards improving the productivity, quality, cost control, safety and environment protection.

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

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 and forming part of this report is given as Annexure to this report.

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 take this opportunity to thank the shareholders for their continued confidence reposed on the Management of the Company.

On behalf of the Board
for **RESTILE CERAMICS LIMITED**

Hyderabad
27th June, 2005

G.V. RAMANA MURTHY
JOINT MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

ANNEXURE TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

The Company is continuously taking necessary steps for energy conservation. The technology adopted is well advanced and energy efficient.

B. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

Specific areas in which Research and Development carried out by the Company:

- Development of new shades and sizes of Tiles.
- Vendor development for import substitution.
- Technology upgradation.
- Development of alternative raw materials.

Benefits derived as a result of the above Research and Development :

- Widest Product range.
- Cost reduction.
- Quality improvement.
- Yields improvement
- Decrease in imports

Future plan of action :

Efforts to continue to increase the production level and to concentrate on quality products.

Expenditure on Research and Development :

During the year, the company has spent nominal amount on R & D.

Foreign Exchange Earnings and Outgo :

The information of Foreign Exchange earnings and Outgo are contained in the Notes to Accounts in schedule 17, item No. 5 (e) and (f).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

World over the vitrified ceramic tiles have an annual growth rate of about 20%. The Government is giving greater thrust to the Building Industry and Banks are also offering Housing Loans at very competitive rates. Apart from the above, there is a great shift of market preferences from the conventional mosaics, glazed tiles, marble and granites to vitrified ceramic tiles in view of superior quality and special technical advantages of durability, resistance and aesthetic looks and longevity. Consequently, Vitrified Tiles proved to be a success and is poised for a continuous growth of demand in the market.

DISCUSSION ON FINANCIAL/OPERATIONAL PERFORMANCE

For the year under report, your Company has made a net loss of Rs. 212.04 Lakhs after providing for depreciation of Rs. 110.40 Lakhs. In view of the modifications undertaken to the expansion works and also due to the unforeseen initial teething problems, the Company could not achieve additional turnover from the expanded capacity and hence, the depreciation on the assets pertaining to expansion was not provided for certain months during the year under review.

Your Company is gearing up to produce the market preferred range of products which are high value added products. The continuous emphasis on the Research and Development efforts are resulting in the cost reduction and achievement of new scales of economy. With the financial restructuring and introduction of new varieties of Vitrified Tiles, your Company is expected to achieve a quantum leap in operations in the coming years after completion of the expansion.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

The day to day operations of the Company are being looked after by the Managing Director and the Joint Managing Director. The Company has the following Committees to over view the operations:

1. Audit Committee of Board of Directors
2. Share Transfer and Investors' Grievances Committee of Board of Directors
3. Management Committee
4. Executive Committee

The Company has adequate internal control systems, procedures, checks designed to provide reasonable assurance on achievement of the objectives relating to efficiency and effectiveness of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Management Committee and the Executive Committee monitor the operations and the progress of the project on a continuous basis and suggest the ways and means for strengthening the operations of the Company. The Internal Auditors have expressed their satisfaction on the overall internal control systems in force.

OPPORTUNITIES AND THE OUTLOOK

The vitrified ceramic tile industry foresees potential growth in view of the thrust given by the government for the building activity. The industry is experiencing increased consumption on account of continuous development of design and effects in vitrified tiles, thereby offering superior alternatives to the depleting and costlier marble and granites.

In order to improve quality, yield and the effective utilisation of the machines, your Company is taking up certain capital goods correction and refurbishment works with the infusion of additional funds by the Promoters.

THREATS

The potential of vitrified tiles market for consistent growth and assured returns attracts new players in the organized and unorganized sector, to come up with the latest technology and large fund outlays may put pressure on the realizations. Despite the prompt and effective steps initiated by the Government, the dumping of tiles from the neighbouring countries and foreign markets continue to further pressure on the realizations. In view of trade practices and the market dynamics of the industry, the Company is forced to extend larger credit periods to the customers. As a result, the operational costs may go up.

RISKS AND CONCERNS

The Company is consuming petroleum products for firing the tiles. The prices of which depends upon international market and subject to high volatility, while some of the competitors with facilities of natural gas, tax incentives etc., are dominating the market. There may be threats from some of the high volume players, who have varied range of products, effects and colors to dominate market presence.

HUMAN RESOURCES AND INDUSTRIAL RELATION

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 and it endeavours to attract and recruit best possible talent and to retain and groom it to meet its needs.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy On Corporate Governance

We, at Restile Ceramics Limited are committed to the concept and philosophy of Corporate Governance as a means of effective internal control, fair and transparent decision making process and fullest support of the Board and Management for enhancing customer satisfaction and shareholder value.

Securities and Exchange Board of India has codified the code of Corporate Governance, which has been implemented by amending the listing agreement entered into by the Company with the Stock Exchanges. Given below is a brief report on the practice followed at Restile Ceramics Limited towards achievement of good Corporate Governance.

Composition of Board

As on the date of this report, the Board of the Company consists of six Directors, comprising an Executive Chairman, one Executive Director, four Non-Executive and independent Directors among them one is 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 four months. The Names and Categories of the Directors on the Board, their attendance at Board Meetings held during the Financial Year 2004-05 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 31st March, 2005 are given below:

Name	Category	Number of Board Meetings attended during 2004-05	Whether attended AGM held on 25.09.2004	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 Non Executive	3	No	-	-	-
** Shri J.Narasimha Rao (APIDC- Nominee)	Independent Non-Executive	4	Yes	-	-	-
** Shri K.Rajendra Prasad (APIDC-Nominee)	Independent Non-Executive	2	-NA-	-	-	-
Shri P.V. Lakshmi pathy	Independent Non-Executive	6	-NA-	-	-	-
Shri V. Padmakar	Promoter, Executive	6	Yes	-	-	-
Shri G.V.Ramana Murthy	Non-Independent, Executive	5	Yes	-	-	-
Shri G. Padmanabhan	Independent, Non-Executive	2	-NA-	-	-	-

* Shri Nalinkant Amratlal Rathod became Executive Director w.e.f. 21st May, 2005.

** Shri K. Rajendra Prasad was appointed as a nominee director by APIDC in the place of Shri J. Narasimha Rao w.e.f. 5th February 2005.

Audit Committee

The Company complies with the provisions of Section 292A of the Companies Act, 1956, as well as the listing agreement pertaining to the Audit Committee and its functioning. The scope of the Committee includes:

- | review of the Company's financial reporting process, the financial statements and financial/risk management policies.
- | review of the adequacy of the internal control systems in the Company.
- | review of the internal audit report forwarded by the internal auditors.
- | discussions with the management and the external auditors, the audit plan for the financial year and a joint post-audit review of the same.
- | Review of the Annual financial statements before submission to the Board.
- | Review of the Statutory and Internal Auditors Remuneration.

The Board of Restile Ceramics Limited has three member Audit Committee, consisting of non executive and independent directors viz Shri. J.Narasimha Rao, Shri Nalinkant Amratlal Rathod and Shri P V Lakshmipathy. Shri V. Padmakar and Shri G.V.Ramana Murthy are Standing Invitees. The Chairman of the Audit Committee is Shri.J.Narasimha Rao, an Independent Director with a strong financial accounting knowledge and experience. Shri. K. Krishna Rao, Sr. General Manager (Fin.) & Company Secretary acts as Secretary to the Committee.

Consequent upon the replacement of Nominee Director by APIDC, the Audit Committee was reconstituted consisting of Non Executive and Independent Directors viz Shri G Padmanabhan, Shri Nalinkant Amratlal Rathod and Shri P.V. Lakshmipathy. Shri V.Padmakar and Shri G.V. Ramana Murthy are standing Invitees. The Chairman of the Audit Committee is Shri G. Padmanabhan, an Independent and Non-Executive Director with a strong financial and accounting knowledge and experience.

The Audit Committee met five times during the financial year 2004-05. The attendance record of the Audit Committee members is given below:

Name of the Member	No. of Meetings held	Attended
Shri J.Narasimha Rao	5	3
Shri Nalinkant Amratlal Rathod	5	3
Shri P V Lakshmipathy	5	5
Shri G.Padmanabhan	5	2

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 31.03.2005 to Executive Directors are as under :

Shri V. Padmakar, Managing Director	: Rs. 13,44,000/-
Shri G.V. Ramana Murthy, Joint Managing Director	: Rs. 10,44,000/-

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 Shri.J.Narasimha Rao, Shri.V.Padmakar and Shri G V Ramana Murthy. The Chairman of the Share Transfer and Investors' Grievances Committee is Shri.J.Narasimha Rao. The meetings of the Committee are held at frequent intervals to approve transfers, transmissions, splitting and consolidation of shares and resolving investors' grievances, etc. The minutes of the Share Transfer and Investors' Grievances Committee meetings are placed before the Board for its noting on a regular basis.

The Share Transfer and Investors' Grievances Committee was reconstituted consisting of Shri P.V. Lakshmipathy as Chairman, Shri V.Padmakar and Shri G.V. Ramana Murthy as members.

Management Committee Meetings

The Management Committee consists of Mr. A.V.S. Ramanujan, Chief Manager, the Nominee of ICICI Bank Limited, Mr. V. Padmakar, Managing Director, Mr. G.V. Ramana Murthy, Joint Managing Director. The primary role of the Management Committee is to review the operations of the Company and to monitor the implementation of the Scheme. During the financial year, seven Meetings have been held.

Executive Committee Meetings

The Executive Committee comprises of all the Executive Directors and four Key Functional Heads of the Management. The primary role of the Executive Committee is to monitor the day to day operations of the Company and take appropriate corrective actions to augment the operations. During the year, the Committee has held four Meetings.

General Body Meetings

The last three Annual General Meetings were held at Registered Office of 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
2002	26th September, 2002	Thursday	10.30 A.M
2003	30th August, 2003	Saturday	10.30 A M
2004	25th September, 2004	Saturday	11.30 A M

DISCLOSURES**A. Related Party Transactions**

There are no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors, Promoters that may have potential conflicts 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 Indian Express / Business Standard and Andhra Prabha / Andhara Bhoomi. Quarterly and Annual Financial Results of the Company are furnished to the Stock Exchanges as per the requirements of the Listing Agreement.

D. General Shareholders Information

The following information would be useful to our Shareholders:

- The 19th Annual General Meeting of the Company will be held on Saturday the 24th day of September, 2005 at 11:30 AM at the Registered Office of the Company at Malkapur Village, Hatnoora Mandal, Narsapur Taluq, Medak Dist, A.P.
- The Financial Year of the Company is from 1st April, 2004 to 31st March, 2005.
- Date of Book Closure : 16th September, 2005 to 24th September, 2005 (inclusive of both days)
- The Shares of the Company are listed only on the Stock Exchange, Mumbai (BSE). Pursuant to the resolutions passed in the 18th AGM, the Shares of the Company have been delisted from the Hyderabad Stock Exchange Ltd., and The Stock Exchange, Ahmedabad.
- The Share and Depository Transfer Agent : Sathguru Management Consultants Pvt Ltd, Plot No.15, Hindi Nagar, Panjagutta, Hyderabad – 500 034.
- Distribution of shareholding as on 31st March, 2005:

Holding of number of Shares or Debentures (1)	Share/Debenture Holders		Share/Debenture Amount	
	Name (2)	% (3)	Rs. (4)	% (5)
1 - 5000	28369	99.15	9380040	19.43
5001 - 10000	125	0.44	944120	1.96
10001 - 20000	54	0.19	749560	1.55
20001 - 30000	28	0.10	696040	1.44
30001 - 40000	9	0.03	330900	0.69
40001 - 50000	8	0.03	349000	0.72
50001 - 100000	5	0.02	354200	0.73
100001 - Above	12	0.04	35478540	73.48
Total	28610	100.00	48282400	100.00

- 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 31st March, 2005, 9,30,172 shares are under dematerialisation, which works out to 19.26% of total shares of the Company.

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 '04	5.85	3.65	October '04	6.85	5.13
May '04	7.60	3.50	November '04	7.68	5.50
June '04	5.60	3.61	December '04	7.97	6.40
July '04	5.00	3.70	January '05	8.30	6.70
August '04	6.44	3.73	February '05	9.29	6.80
September '04	7.35	5.09	March '05	9.45	6.50

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 1-10-177, Varun Towers, 3rd Floor, Begumpet, Hyderabad-500 016 and email to: krishnarao@restile.com and/or venkat@restile.com by quoting their DP Id or Folio Number.

Members are requested to note that the Administrative Office of the Company is proposed to be shifted to 301 and 302, Aditya Trade Centre, Aditya Enclave Road, Ameerpet, Hyderabad - 500 038, with effect from September, 2005.

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 year ended on 31st March, 2005 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 on 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 abovementioned Listing Agreement.

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

We further state that such compliance is neither an assurance 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
27th June, 2005

S. LALITH PRASAD
PROPRIETOR

AUDITOR'S REPORT

The Members of
Restile Ceramics Limited

We have audited annexed Balance Sheet of Restile Ceramics Limited as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date annexed thereto both of which we have signed under reference to this report. These Financial Statements are the responsibility of the Company's Management and our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Auditing 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 from material misstatements. An audit includes examining on a test basis, evidence, supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order to the extent applicable to the company.

Further to our comments in the Annexure referred to in paragraph 1 above we report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
- c) The Balance Sheet and Profit & Loss Account referred to in this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with in this report comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956.
- e) Based on the information and explanations as made available to us, none of the Directors of the Company is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of Sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit & Loss Account read in conjunction with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 2005 and
 - ii) In so far it relates to the Profit and Loss Account of the Loss of the Company for the year ended on that date.
 - iii) In case of Cash Flow statement, of the cash flow for the year ended on that date.

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

Hyderabad
27th June, 2005

S. LALITH PRASAD
PROPRIETOR

ANNEXURE TO THE AUDITORS REPORT

1. The Company has maintained proper records to show all the particulars including quantitative details and situation of fixed assets.
2. A part of the fixed assets of the Company have been physically verified by the management during the year, however there exists a programme of verification of the fixed assets over a period. In our opinion the frequency of verification of the fixed assets by the management is at reasonable intervals having regard to the size of the company and nature of the assets and no material discrepancies were noticed between the book records and the physical inventory in respect of the assets physically verified.
3. The Company has not disposed of substantial part of fixed assets during the current year.
4. The inventories have been physically verified during the year by the management. In our opinion the frequency of the verification is reasonable.
5. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by management were found reasonable and adequate in relation to the size of the company and the nature of its business.
6. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material in relation to the operations of the Company and the same have been properly dealt within the books of account.
7. The Company has not taken any loans during the year from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
8. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct the major weaknesses in internal controls.
9. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act 1956 have been so entered.
10. In our opinion and according to the information and explanation given to us, there are no transactions exceeding the value of rupees five lakhs in respect of each party made in pursuance of contracts or arrangements entered in the register under section 301 of the Companies Act 1956.
11. The Company has not accepted any deposits from the public during the year.
12. Internal audit has been carried out by an independent firm of Chartered Accountants during the year and it is commensurate with the size of Company and the nature of its business.
13. The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for the company.
14. The Company has not been regular in depositing undisputed dues including Provident Fund Employees State Insurance, Income Tax, Sales Tax, Excise Duty, cess and other applicable statutory dues with the appropriate authorities. According to the information and explanations given to us, there are dues outstanding as at the end of the year and for a period of more than six months from the date they become payable in respect of Income tax, Sales tax, Excise duty and cess.

- 15 According to the records of the Company, there are no dues outstanding of sales tax, income tax, custom duty or wealth tax, excise duty or cess on account of any disputes.
- 16 In our opinion the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has incurred cash loss during the financial year covered by our audit but has not incurred cash loss in the immediately preceding financial year.
- 17 As per books and records maintained by the company and according to the information and explanation given to us, the Company has not defaulted in the repayment of dues to banks or debenture holders but there have been delays in repayment of dues to Financial Institutions as follows :

Name of Institution/Bank	Amount Due Rs. In Lakhs	Due Date	Date of payment	No. of days delay
ICICI Bank Ltd	41.50	27-01-05	01-03-05	33
IDBI	28.82	07-03-05	01-03-05	Nil
IFCI Ltd	29.74	04-12-04	01-03-05	87

- 18 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 19 The Company has not given any corporate guarantee to any financial institution as a promoter company.
- 20 In our opinion and according to the information and explanations given to us no new term loan was availed during the year.
- 21 In our opinion and according to the information and explanations given to us and on an overall examination of the Balance sheet of the company, we report that funds raised on short term basis have not been utilized for long term purposes including acquisition of fixed assets.
- 22 The Company has not created security in respect of debentures issued till the close of the current financial year.
- 23 Based upon the audit procedure performed by us for expressing our opinion on these financial statements and information and explanation given by the management we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
- 24 All the other provisions of the Companies (Auditors Report) Order 2003 have been found not applicable to the Company.

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

Hyderabad
27th June, 2005

S. LALITH PRASAD
PROPRIETOR

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedule No.	As at 31.03.2005		As at 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders Funds					
a. Share Capital	1	4,82,82,400		4,82,82,400	
b. Reserves and Surplus	2	7,67,18,880		7,67,18,880	
			12,50,01,280		12,50,01,280
Loan Funds					
a. Secured Loans	3	10,24,00,301		11,89,83,128	
b. Un Secured Loans		0		0	
c. Share Application Money		4,84,97,622		1,39,96,561	
			15,08,97,923		13,29,79,689
Deferred Tax Liability			3,29,40,337		3,42,26,045
TOTAL			30,88,39,540		29,22,07,014
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	38,16,50,345		35,16,90,694	
Less : Depreciation		12,49,99,307		11,39,59,622	
Net Block			25,66,51,038		23,77,31,072
Current Assets, Loans & Advances					
a. Inventories	5	4,04,26,983		4,54,11,899	
b. Sundry Debtors	6	2,25,88,836		3,42,94,832	
c. Cash and Bank balances	7	22,41,516		26,46,442	
d. Loans and Advances	8	62,83,560		74,05,323	
		7,15,40,895		8,97,58,496	
Current Liabilities & Provisions					
Current Liabilities	9	5,17,86,197		4,77,97,793	
Net Current Assets			1,97,54,698		4,19,60,703
Miscellaneous expenditure to the extent not written-off or adjusted :					
Profit and Loss Account	15		3,24,33,804		1,25,15,239
TOTAL			30,88,39,540		29,22,07,014
Notes on Accounts	16				

As per our report of even date annexed

On behalf of the Board

 for Lalith Prasad and Co.,
 Chartered Accountants

 G.V.Ramana Murthy
 Jt. Managing Director
 & Chief Executive Officer

 P.V. Lakshmi pathy
 Director

 S. Lalith Prasad
 Proprietor

 V. Padmakar
 Director

 K.Rajendra Prasad
 Director

 Hyderabad
 27th June, 2005

 K.Krishna Rao
 Sr. General Manager (Fin) &
 Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedule No.	Year ended 31.03.2005		Year ended 31.03.2004	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Gross Sales					
- Tiles		12,93,70,555		16,14,49,566	
- Others		-		1,65,513	
Other Income	10	12,18,579		13,30,612	
Increase/(Decrease) in stocks	11	(22,62,891)		(9,06,128)	
			12,83,26,243		16,20,39,563
EXPENDITURE					
Manufacturing Expenses	12	8,05,13,966		8,62,33,831	
Other Purchases		0		49,248	
Excise Duty		74,37,097		1,47,09,314	
Administration, Selling and Other Expenses	13	4,03,83,892		4,16,16,293	
Interest & Financial Charges	14	1,01,55,876		87,22,809	
Depreciation		1,10,39,685		95,31,042	
			14,95,30,516		16,08,62,537
Profit/(Loss) carried to the Balance Sheet			(2,12,04,273)		11,77,026

As per our report of even date annexed

On behalf of the Board

 for **Lalith Prasad and Co.,**
 Chartered Accountants

G.V.Ramana Murthy
 Jt. Managing Director
 & Chief Executive Officer

P.V. Lakshmi pathy
 Director

S. Lalith Prasad
 Proprietor

V. Padmakar
 Director

K.Rajendra Prasad
 Director

 Hyderabad
 27th June, 2005

K.Krishna Rao
 Sr. General Manager (Fin) &
 Company Secretary

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS
 ACCOUNT AS AT 31ST MARCH, 2005**

(In Rupees)

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
15000000 Equity Shares of Rs. 10/- each	<u>15,00,00,000</u>	<u>15,00,00,000</u>
Issued, Subscribed and paid up:		
4828240 Equity Shares of Rs. 10/- each	<u>4,82,82,400</u>	4,82,82,400
	<u>4,82,82,400</u>	<u>4,82,82,400</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
Reserves :		
1. Central Subsidy from Govt of India	12,75,000	12,75,000
2. Capital Reduction Reserve (Reduction in Equity Share Capital as per BIFR Order dated 18.12.2002 during the Financial year 2002-03.)	<u>7,54,43,880</u>	7,54,43,880
	<u>7,67,18,880</u>	<u>7,67,18,880</u>
SCHEDULE 3		
SECURED LOANS		
A. Term Loans		
ICICI Bank Ltd	1,23,89,562	1,65,39,562
Industrial Development Bank of India	86,37,649	1,44,01,649
IFCI Ltd	89,20,782	1,48,67,970
B. 2% Fully Convertible Debentures		
ICICI Bank Ltd	1,25,00,000	1,25,00,000
Industrial Development Bank of India	86,50,000	86,50,000
IFCI Ltd	89,20,700	89,20,700
C. 0% Fully Convertible Debentures		
ICICI Bank Ltd	87,00,000	87,00,000
Industrial Development Bank of India	60,50,000	60,50,000
IFCI Ltd	62,35,600	62,35,600
D. Cash Credit from State Bank of India	80,98,195	76,16,718
E. Foreign Currency Short Term Demand Loan from State Bank of India	1,31,44,117	1,35,83,583
F. Interest and Commitment Charges Accrued and Due	1,53,696	9,17,346
	<u>10,24,00,301</u>	<u>11,89,83,128</u>

SCHEDULE 4
SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2005 (In Rupees)

	G R O S S B L O C K			D E P R E C I A T I O N			N E T B L O C K			
	As at 01.04.04	Additions during the year	Adjustments during the year	As at 31.03.05	Up to 01.04.04	For the year	Adjustments during the year	Up to 31.03.05	As at 31.03.05	As at 31.03.04
FIXED ASSETS										
1. Land & Site Development	19,29,337	0	0	19,29,337	0	0	0	0	19,29,337	19,29,337
2. Buildings										
(A) Factory Buildings	1,97,01,170	0	0	1,97,01,170	70,84,107	6,58,019	0	77,42,126	1,19,59,044	1,26,17,063
(B) Non Fact. Buildings	49,10,347	0	0	49,10,347	4,45,502	80,039	0	5,25,541	43,84,806	44,04,845
3. Plant & Machinery										
- Imported	19,73,39,497	0	0	19,73,39,497	7,53,77,899	75,84,777	0	8,29,62,676	11,43,76,821	12,19,61,598
- Indigeneous	4,28,77,147	7,280	0	4,28,84,427	2,50,48,050	20,36,664	0	2,70,84,714	1,57,99,713	1,78,29,097
4. Electrical Installation	58,94,207	0	0	58,94,207	32,68,949	2,79,975	0	35,48,924	23,45,283	26,25,258
5. Furniture and Fixtures	18,56,022	5,035	0	18,61,057	9,44,940	1,17,486	0	10,62,426	7,98,631	9,11,082
6. Office Equipment	28,69,568	1,44,010	0	30,13,578	11,44,484	1,88,493	0	13,32,977	16,80,601	17,25,084
7. Vehicles	6,98,428	0	0	6,98,428	3,48,112	66,351	0	4,14,463	2,83,965	3,50,316
8. Others	4,40,462	0	0	4,40,462	2,97,579	27,881	0	3,25,460	1,15,002	1,42,883
9. Capital work in Progress	7,31,74,509	2,98,03,326	0	10,29,77,835	0	0	0	0	10,29,77,835	7,31,74,509
TOTAL	35,16,90,694	2,99,59,651	0	38,16,50,345	11,39,59,622	1,10,39,685	0	12,49,99,307	25,66,51,038	23,77,31,072
Previous Year	30,18,64,999	5,12,27,453	14,01,758	35,16,90,694	10,44,28,580	96,11,075	80,033	11,39,59,622	23,77,31,072	19,74,36,419

(In Rupees)

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 5		
INVENTORIES (As per Inventory taken and value certified by Management)		
Raw Materials (at cost)	17,41,537	18,14,948
Work-in-Process (at cost)	38,67,230	50,92,473
Finished Goods (at lower of cost or net realisable value)	2,29,87,404	2,40,25,052
Stores, Spares and Packing	1,18,30,812	1,44,79,426
	<u>4,04,26,983</u>	<u>4,54,11,899</u>
SCHEDULE 6		
SUNDRY DEBTORS (Unsecured & considered Good)		
Debts outstanding for a period exceeding Six months	34,31,689	58,19,004
Debts outstanding for a period less than Six months	1,91,57,147	2,84,75,828
	<u>2,25,88,836</u>	<u>3,42,94,832</u>
SCHEDULE 7		
CASH AND BANK BALANCES		
On Hand	1,72,460	1,02,690
Balance with Scheduled Banks		
- Current Accounts	0	15,23,752
- Fixed Deposits	20,69,056	10,20,000
(including held by Banks as Margin Money against L/C's and Guarantees)		
	<u>22,41,516</u>	<u>26,46,442</u>
SCHEDULE 8		
LOANS AND ADVANCES (Unsecured considered Good)		
Advance recoverable in Cash or in Kind or for value to be received		
Advances for Capital Items, Trade & Others	25,26,564	24,05,690
Staff Advance	3,51,603	2,90,797
Other Advances	0	3,195
Deposits		
- with Govt Departments	1,99,447	16,61,010
- with Others	28,62,670	26,81,394
Income Tax	83,162	68,568
Prepaid Expenses	2,60,114	2,94,669
	<u>62,83,560</u>	<u>74,05,323</u>

(In Rupees)

	As at 31.03.2005	As at 31.03.2004
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry Creditors for Capital, Trade and Expenses	4,05,77,770	3,89,88,532
Dues to Small Scale Industries		
Advances received against Sales	12,12,894	8,53,889
Security Deposits from Dealers	23,80,000	27,12,600
Interest Accrued but not Due	7,40,994	9,80,215
Other Liabilities	68,74,539	42,62,557
	<u>5,17,86,197</u>	<u>4,77,97,793</u>
SCHEDULE 10		
OTHER INCOME		
Interest Earned and Other Income	8,51,908	11,19,709
Insurance Claims	0	0
Marine Insurance	2,15,982	2,10,903
Small Bal. Written off	0	0
Bad Debts Recovered	1,50,689	0
	<u>12,18,579</u>	<u>13,30,612</u>
SCHEDULE 11		
INCREASE /(DECREASE) IN STOCKS		
Opening Stocks :		
Finished Goods	2,40,25,052	2,58,23,632
Work-in-process	50,92,473	41,24,590
Tile installation material	0	6,08,491
	<u>2,91,17,525</u>	<u>3,05,56,713</u>
Closing Stocks :		
Finished Goods	2,29,87,404	2,40,25,052
Work-in-process	38,67,230	50,92,473
Tile installation material returned	0	5,33,060
	<u>2,68,54,634</u>	<u>2,96,50,585</u>
Increase/(Decrease)	<u>(22,62,891)</u>	<u>(9,06,128)</u>
SCHEDULE 12		
MANUFACTURING EXPENSES		
Raw Materials	2,57,73,585	3,35,25,998
Stores, Spares & Consumables	96,72,131	93,46,026
Power and Fuel	3,98,88,053	3,79,53,506
Packing Materials	20,77,900	28,40,933
Repairs and Maintenance-Plant & Machinery	25,71,914	20,79,753
Factory Maintenance	5,30,383	4,87,615
	<u>8,05,13,966</u>	<u>8,62,33,831</u>

(In Rupees)

	Year ended 31.03.2005	Year ended 31.03.2004
SCHEDULE 13		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Administrative Expenses :		
Salaries and Allowances to Employees	1,92,77,771	1,72,42,017
Rents	11,22,346	11,79,250
Rates, Taxes and Licences	4,27,135	5,90,437
Insurance	7,68,600	7,78,632
Directors Sitting Fees	47,000	30,000
Secretarial Expenses	97,931	1,66,753
Legal and Professional Charges	6,53,054	3,82,442
Auditors Remuneration		
- Audit Fees	49,480	44,400
- for other services	0	5,800
Communication	15,79,589	17,66,898
Printing and Stationery	4,52,543	5,72,525
Electricity Charges	4,11,931	4,21,074
Security Charges	4,84,994	5,37,190
Vehicle Hire and Maintenance	24,68,206	22,76,043
Other Expenses	6,29,352	5,44,126
Repairs and Maintenance		
- Buildings	1,050	44,779
- Others	1,68,922	2,11,744
Selling Expenses :		
Travelling Expenses	24,57,231	28,73,230
Local conveyance	6,31,264	7,64,551
Advertisement and Sales Promotion	6,37,336	5,65,715
Freight on Finished Goods	51,82,494	53,53,234
Material Replacement Expenses	9,78,126	12,57,417
Commissions and Discounts	18,57,537	31,69,978
Bad Debts Written Off	0	8,38,058
	4,03,83,892	4,16,16,293
SCHEDULE 14		
INTEREST AND FINANCIAL CHARGES		
Interest on Term Loans & FCDs	76,83,452	66,69,862
Interest on Working Capital	6,38,996	12,43,220
Interest FCNRB(DL)	8,53,087	2,45,225
Interest - Others	1,24,990	1,69,620
Bank Charges	8,55,351	3,94,882
	1,01,55,876	87,22,809

(In Rupees)

	Year ended 31.03.2005	Year ended 31.03.2004
SCHEDULE 15		
MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN -OFF OR ADJUSTED		
Profit and Loss Account		
As per last Balance Shet	1,25,15,239	1,61,09,859
(Profit)/Loss transfer from Profit and Loss Account	<u>2,12,04,273</u>	<u>(11,77,026)</u>
	3,37,19,512	1,49,32,833
Less: Deferred Tax (Asset)/Liability	<u>(12,85,708)</u>	<u>(24,17,594)</u>
	<u>3,24,33,804</u>	<u>1,25,15,239</u>

SCHEDULE 16
**NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31.03.2005
AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2005.**
1. Significant Accounting Policies
(a) General

The accounts of the Company are prepared under the Historical Cost Convention using the accrual method of accounting.

(b) Fixed Assets

Fixed Assets are stated at the historical cost which is inclusive of freight, installation cost and duties and other incidental expenses related to acquisition. The cost of fixed assets capitalized during the year includes direct cost related salaries, traveling expenses, professional fee and incidental expenses incurred.

(c) Depreciation

(i) Depreciation is provided on straight line basis at the rates prescribed under Schedule XIV of the Companies Act, 1956.

(ii) The Assets costing Rs. 5,000/- or less acquired during the year are depreciated at 100%.

(d) Impairment of Assets

Impairment of Assets, if any, is ordinarily assessed by comparing value in use of Cash Generating Units, identified in conformity with the classification of business segments, with the carrying value of assets.

(e) Capital Work-in-Progress

Capital work-in-progress is carried at cost, comprising direct cost, related incidental expenses and attributable interest.

(f) Foreign Currency transactions

Purchases in foreign currency are accounted at exchange rates prevailing on the date of transaction including that of Current Assets and Liabilities in Foreign Currency as at the Balance Sheet date and the resultant net gains or losses are adjusted in the accounts. Foreign Exchange fluctuations arising on account of interest on FCNRBDL has been hedged and accounted for as bank charges.

(g) Inventories

Raw materials, Stores, Spare parts, Loose tools and equipments are valued at cost, Finished products and stock-in-process are valued at lower of cost or market/net realizable value. The cost of inventories are worked out using weighted average cost formula.

The Finished Goods at factory are exclusive of Excise Duty, Stock at Consignment Agents and Branches are inclusive of Excise Duty.

(h) Cenvat

Cenvat credit on Excise Duty paid goods is accounted for by reducing the purchase cost of related goods.

(i) Refurbishment Capitalisation

Expenses incurred on refurbishment of Plant and Machinery has been capitalized. Pending apportionment to the respective equipment. No depreciation has been provided so far on this capitalized amount.

(i) Sales

Sales are recognized, net of returns, on dispatch of goods to customers and are reflected in the accounts at gross realizable value i.e., inclusive of excise duty. Sales tax recovered is excluded.

(j) Excise Duty

(a) It is the practice of the Company to account for the excise duty on finished goods manufactured on clearance of goods from the factory premises.

(b) "Sales" includes Excise Duties recovered. Excise Duty on dispatches is shown as an item of expenses.

(k) Research and Development Expenses

Revenue expenditure pertaining to the Research and Development is charged to Profit and Loss Account under the natural head of expense and capital expenditure on Research and Development is capitalized.

(l) Benefits to Employees

(i) Gratuity :

The Gratuity liability is provided based on the actuarial valuation.

(ii) Privilege Leave Encashment:

The Privilege Leave Encashment liability is provided based on the actuarial valuation.

(iii) Provident Fund :

Contribution to the Provident Fund is made in accordance with provisions of the Provident Fund Act, 1952 and is treated as Revenue Expenditure.

NOTES ON ACCOUNTS

2. Contingent liabilities not provided for in respect of :

(a) Guarantees given by banks on behalf of the Company Rs. 16.00 lakhs (Previous Year Rs.8.00 lakhs)

(b) Letters of Credit established by banks on behalf of the Company, Foreign LC Rs. Nil (previous year Rs. Nil lakhs), Inland Rs.77.03 lakhs (Previous year Rs. 33.63 lakhs).

3. Dues to small scale industries as at the end of the financial year to whom amounts outstanding are more than Rs.1.00 lakh each for more than 30 days are M/s.Bescoat, M/s.Shivashankara Engineering works, M/s.Perfect Abrasives and M/s.Maini Abrasives etc.

4. Impairment of Assets

The Company has examined carrying cost of its identified Cash Generating Units (CGUs) by comparing present value of estimated future cash flows from such CGUs, in terms of Accounting Standards - 28 on Impairment of Assets, according to which no provision for impairment is required as none of the assets of CGUs are impaired as on 1st April, 2004. There have been no indications of impairment during the Financial Year ended 31st March, 2005.

5. Details of Raw Materials, Stores and Packing Material Consumed :

Particulars	Unit of Measure	2004-2005		2003-2004	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
Ball Clay	Tonnes	3865.77	67,47,957	4710.84	70,18,914
Feldspar	Tonnes	3047.81	36,11,746	3628.50	42,37,795
Zirconium Silicate	Tonnes	197.15	72,94,550	241.85	89,44,677
Ceramic Body Colours	Tonnes	8.34	37,97,926	27.46	48,29,705
Others			1,60,71,437		2,06,81,866
Total			3,75,23,616		4,57,12,957

6. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956.

(a) Particulars of capacity and production

Class of Goods	Unit	Annual Installed Capacity		Actual Production	
		2004-05	2003-04	2004-05	2003-04
Unglazed Fully Vitrified Ceramic Floor Tiles	Sqmt.	14,00,000	14,00,000	3,34,998	3,96,017

(b) Particulars in respect of Opening Stock, Sales and Closing Stock for class of goods dealt with by the Company.

Class of Goods	Unit	Opening Stock		Sales		Closing Stock	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Unglazed Fully Vitrified Ceramic Floor Tiles	Sqmt	81,918	2,40,25,052	3,46,204	12,93,70,555	70,712	2,29,87,404
Previous year	Sqmt	1,00,036	2,58,23,632	4,14,135	16,14,49,566	81,918	2,40,25,052

- Notes : 1. The Sales are inclusive of Excise Duty of Rs.74,37,097/- (Previous year Rs.1,47,57,408) and exclusive of other taxes Rs.1,15,11,738 (Previous year Rs.1,34,76,434)
 2. Sales includes internal consumption, Free Samples, Replacements and Damaged Tiles.

(c) CIF Value of Imports :

(In Rupees)

	2004-05	2003-04
Capital Goods	19,53,613	53,79,795
Consumables	19,31,028	23,71,960

(d) Foreign Currency Short Term Demand Loans :

(In Rupees)

	2004-05		2003-04	
	Receipts	Payments	Receipts	Payments
State Bank of India	5,41,14,367	5,45,53,833	2,71,67,250	1,36,02,000

(e) Expenditure in Foreign Currency (In Rupees)

	2004-05	2003-04
Travelling	4,21,057	20,29,223
Interest on FCNRBDL	8,53,087	2,45,225
Technical know-how fee	0	54,93,096

(f) Earning in Foreign Exchange

FOB Value of Exports	Nil	Nil
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7. (a) Managerial Remuneration: Remuneration to Managing Director and Joint Managing Director :

(In Rupees)

	2004-05		2003-04	
	Managing Director	Jt. Managing Director	Managing Director	Jt. Managing Director
Salary	12,00,000	9,52,704	12,00,000	9,52,704
Contribution to P.F	1,44,000	91,296	1,44,000	91,296
Perquisites	0	0	58,310	10,563

(b) Other Directors:

Sitting fee	47,000	30,000
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8. Related parties disclosures:

1. Relationships:

a) Related parties where control exists:

Java Softech Private Limited
 Java Industries Private Limited

b) Key Management Personnel, their relatives and their enterprises where transactions have taken place:

Mr.Nalinkanth Amratlal Rathod
 Mr.V.Padmakar
 Mr.G.V.Ramana Murthy

2. Transactions carried out with related parties referred in 1 above, in ordinary course of business:

(Rs. in lakhs)

Nature of transactions	Related Parties			
	Referred in 1(a) above		Referred in 1(b) above	
	Current year	Previous year	Current year	Previous year
Purchases:				
Goods and Materials	Nil	Nil	Nil	Nil
Fixed Assets	Nil	Nil	Nil	Nil
Sales:				
Goods and Materials	Nil	Nil	Nil	Nil
Fixed Assets	Nil	Nil	Nil	Nil

Nature of transactions	Related Parties			
	Referred in 1(a) above		Referred in 1(b) above	
	Current year	Previous year	Current year	Previous year
Expenses:				
Rent & other service charges	Nil	Nil	5.40	5.40
Agency Commission	Nil	Nil	Nil	Nil
Remuneration	Nil	Nil	23.88	24.57
Interest paid	Nil	Nil	Nil	Nil
Professional Fees	Nil	Nil	Nil	Nil
Directors' Fee	Nil	Nil	Nil	Nil
Income:				
Rent & other service charges	Nil	Nil	Nil	Nil
Agency Commission	Nil	Nil	Nil	Nil
Interest received	Nil	Nil	Nil	Nil
Other Receipts:				
Deputation of staff	Nil	Nil	Nil	Nil
Finance:				
Loans and Advances given	Nil	Nil	Nil	Nil
Agency Deposits received	Nil	Nil	Nil	Nil
Investments	Nil	Nil	Nil	Nil
Outstandings:				
Payable	Nil	4.00	20.64	6.06
Receivable	Nil	Nil	Nil	Nil
Agency Deposits received	Nil	Nil	Nil	Nil
Loans and Advances given	Nil	Nil	Nil	Nil
Property Deposits paid	Nil	Nil	Nil	Nil

9. The Company has no tax liability for the year under review and hence not provided for.
10. The provision for Deferred Tax Liability (net) as at 31.03.2005 has been arrived at considering the timing difference in depreciation amounting to Rs.329.40 lakhs (Previous Year 342.26 lakhs) as per AS-22 of ICAI.
11. Previous year figures have been regrouped/rearranged wherever necessary to confirm to current year's classification.

Signatures to Schedules "1 to 16"

As per our report of even date annexed

On behalf of the Board

for **Lalith Prasad and Co.,**
Chartered Accountants

G.V.Ramana Murthy
Jt. Managing Director
& Chief Executive Officer

P.V. Lakshmi pathy
Director

S. Lalith Prasad
Proprietor

V. Padmakar
Director

K.Rajendra Prasad
Director

Hyderabad
27th June, 2005

K.Krishna Rao
Sr. General Manager (Fin) &
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details :

Registration No.	6480	State Code	01
Balance Sheet Date	31.03.2005		

II. Capital raised during the year (Rs. in lakhs) :

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds :

Total Liabilities	3088.39	Total Assets	3088.39
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(Rs. in lakhs)

Sources of Funds :

Paid-up Capital	482.82	Reserves & Surplus	767.19
Secured Loans	1024.00	Unsecured Loans	Nil
Deferred Tax Liability	329.40		

Application of Funds :

Net Fixed Assets	2566.51	Investments	Nil
Net Current Assets	197.55	Misc. Expenditure	Nil
Accumulated Losses	324.34		

IV. Performance of Company (Rs. Lacs) :

Turnover	1293.71	Total Expenditure	1495.31
Profit (Loss) Before Tax	(212.04)	Profit (Loss) after Tax	(212.04)
Earnings Per Share in Rs.(Annualised)		Dividend rate %	Nil

V. Generic Names of three principal products/services of Company

Item Code No	:	69089002
(ITC Code)		
Product description	:	Unglazed Fully Vitrified Ceramic Tiles

CASH FLOW STATEMENT FOR THE YEAR 01.04.2004 to 31.03.2005

(Rs.in lakhs)

	2004-05	2003-04
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary items	(212.04)	11.77
Adjustment for:		
Depreciation	110.40	95.31
Foreign Exchange	-	-
Investments	-	-
Interest	101.56	87.23
Operating profit before working capital changes	(0.08)	194.31
Adjustment for:		
Trade and other receivables	117.06	(38.10)
Inventories	49.82	15.44
Trade payables	42.27	0.75
Cash generated from operations	209.07	172.40
Interest paid	(111.58)	(75.62)
Direct Taxes paid		
Cash flow before extraordinary items	97.49	96.78
Extraordinary items		
NET CASH FLOW FROM OPERATING ACTIVITIES	97.49	96.78
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(299.59)	(498.26)
Sale of Fixed Assets	0.00	0.00
Acquisition of Companies	-	-
Purchase of Investments	-	-
Sale of Investments	-	-
Interest Received	-	-
Dividend Received	-	-
NET CASH USED IN INVESTING ACTIVITIES	(299.59)	(498.26)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	345.01	361.54
Proceeds from long term borrowings	(158.20)	(61.60)
Repayment of finance lease liabilities		
Dividends paid	-	-
NET CASH USED IN FINANCING ACTIVITIES	186.81	299.94
Net increase in cash and cash equivalent	(15.29)	(101.54)
Cash and Cash equivalents as at 1.4.2004(Opening Balance)	100.52	202.06
Cash and Cash equivalents as at 31.03.2005(Closing Balance)	85.23	100.52

Note: Figures in brackets represent cash outflow

 On behalf of the Board of Directors
 for **RESTILE CERAMICS LIMITED**

 Hyderabad
 27th June, 2005

G.V.RAMANA MURTHY
 JT. MANAGING DIRECTOR &
 CHIEF EXECUTIVE OFFICER

Auditors' Report

We have verified attached Cash Flow Statement of Restile Ceramics Limited derived from the Audited financial statements and the books and records maintained by the Company for the year ended 31st March, 2005 and found the same in agreement therewith.

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

 Hyderabad
 27th June, 2005

S. LALITH PRASAD
 PROPRIETOR

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 **NINETEENTH ANNUAL GENERAL MEETING** of the Company at the Registered Office at Malkapur Village, Narsapur Taluk, Hatnoora Mandal, Medak District, Andhra Pradesh at 11.30 A.M on Saturday, the 24th day of September, 2005 and at any adjournment thereof.

Signature of the Shareholder (s) : _____

Notes :

1. Shareholder/Proxyholder 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/Proxyholder 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 **NINETEENTH ANNUAL GENERAL MEETING** of the Company at the Registered Office at Malkapur Village, Narsapur Taluk, Hatnoora Mandal, Medak District, Andhra Pradesh at 11.30 A.M on Saturday, the 24th day of September, 2005 and at any adjournment thereof.

Registered Folio / DPID No. :

No. of Shares :

AS WITNESS my hand/our hands this _____ day of _____ 2005

Signature(s)
.....

Affix 1
Rupee
Revenue
Stamp

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.