

Chairmans

Speech

BOARD OF DIRECTORS

Shri Nalinkant Amratlal Rathod	- Chairman & Managing Director
Shri G.V.Ramana Murthy	- Joint Managing Director & C.E.O.
Shri K.Rajendra Prasad	- Director - Nominee APIDC
Dr. P.V.Lakshmi pathy	- Director
Shri V.Padmakar	- Director
Shri G.Padmanabhan	- Director
Shri Raj Mitta	- Director (w.e.f.25.03.06)
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

SHARE AND DEPOSITORY TRANSFER AGENTS

Sathguru Management Consultants Pvt.Ltd.
Plot No. 15, Hindi Nagar
Punjagutta
Hyderabad – 500 034
Ph : 040-2335 6975/2335 6507
E-mail : sta@sathguru.com

BANKERS

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

ADMINISTRATIVE OFFICE

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

REGISTERED OFFICE AND FACTORY

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

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the **TWENTIETH ANNUAL GENERAL MEETING** of the Members of the Company will be held on Thursday, the 28th day of September, 2006 at 11.30 A.M at the Regd. Office of the Company at Malkapur Village, Hatnoor Mandal, 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, 2006 and the audited Profit and Loss Account for the year ended 31st March, 2006 together with Director's Report and Auditor's Report thereon.
2. To appoint a Director in place of Dr. P V Lakshmi pathy who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint M/s. Lalith Prasad and Co., Chartered Accountants, Hyderabad the retiring Auditors as Auditors for the year 2006-07 and 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 Raj Mitta, who was appointed as an Additional Director of the Company with effect from 25th Day of March, 2006 and who holds office up to 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 Raj Mitta 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 Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be and is hereby increased from Rs.15.00 Crores (Rupees Fifteen Crores only) to Rs.100.00

Crores (Rupees Hundred Crores only) by addition of 8,50,00,000 equity shares of Rs.10/- each.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all steps and actions and give such directions as may be in its discretion deem necessary and to settle any question that may arise in this regard."

6. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, Clause V of the Memorandum of Association of the Company be altered as follows:

The Authorised Share Capital of the Company is Rs. 100,00,00,000 (Rupees Hundred Crores only) divided into 10,00,00,000 (Ten Crores) Equity Shares of Rs. 10/- (Rupees Ten only) each. The Company has the right to increase or reduce its capital for the time being into several classes and to attach thereto respectively, such (preferential or special) rights / privileges or conditions including power to create and increase preference shares as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being provided by the Articles of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all steps and actions and give such directions as may be in its discretion deem necessary and to settle any question that may arise in this regard."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956,

Article 1 (a) of the Articles of Association of the Company be altered as follows:

The Authorised share capital of the Company is same as mentioned in Clause V of the Memorandum of Association of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all steps and actions and give such directions as may be in its discretion deem necessary and to settle any question that may arise in this regard.”

8. To consider and, if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement with the Stock Exchange where the equity shares of the Company are listed and subject to the applicable provisions, rules, regulations, guidelines or laws and/or any approvals, consents, permissions or sanctions of the Central Government, Reserve Bank of India, Board for Industrial and Financial Reconstruction (BIFR) and any other appropriate authorities, Institutions or Bodies (hereinafter collectively referred to as the “appropriate authorities”) and subject to such conditions as may be prescribed by any one of them while granting any such approvals, consents permissions and / or sanctions (hereinafter referred to as the “requisite approvals”), which may be agreed by the Board of Directors of the Company (hereinafter called the “Board” which term shall be deemed to include any committee which the Board may have constituted or hereafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorized to issue and allot not exceeding 4,00,00,000 equity shares of Rs.10/- (Rupees Ten only) each at par on preferential basis to the promoters, friends and their associates.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as it may in its/their absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the shares and also to seek listing of these shares on the stock exchanges where listed.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any powers herein conferred to any Committee of Directors or Joint Managing Director & Chief Executive Officer or Sr. General Manager (Fin.) & Company Secretary of the Company to give effect to the aforesaid resolution.”

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution/s as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement with the Stock Exchange where the equity shares of the Company are listed and subject to the applicable provisions, rules, regulations, guidelines or laws and/or any approvals, consents, permissions, or sanctions of the Central Government, Reserve Bank of India, Board for Industrial and Financial Reconstruction (BIFR) and any other appropriate authorities, Institutions or Bodies (hereinafter collectively referred to as the “appropriate authorities”) and subject to such conditions as may be prescribed by any one of them while granting any such approvals, consents, permissions and / or sanctions (hereinafter referred to as the “requisite approvals”), which may be agreed by the Board of Directors of the Company (hereinafter called the “Board” which term shall be deemed to include any committee which the Board may have constituted or hereafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is

hereby authorized to issue and allot Fully Convertible Debentures (hereinafter call FCDs), with zero coupon, convertible into equity shares, on preferential basis not exceeding 14,00,000 (Fourteen Lakhs) face value of Rs.100 each (Rupees One Hundred Only) to be subscribed by Mrs. Saraswathi Kuppaswami (NRI), Capital Carriers Limited (OCB) and other eligible prospective investors as may be identified by the Board of Directors whether or not such persons/entities/investors are members of the Company, such issue and allotment to be made at such time or times in one or more tranches, at par, at Rs.100/- each and on such terms and conditions and in such manner as the Board may, in its absolute discretion think fit.

RESOLVED FURTHER THAT the Fully Convertible Debentures shall be issued by the Company include the following terms and conditions:

- (a) The conversion of FCDs into Equity Shares shall be exercised in one or more tranches on or before the expiry of 12 months from the date of allotment of the FCDs but before 30 days prior to the fixing of Record date for any Rights Issue, which ever is earlier.
- (b) The FCDs proposed to be allotted shall be subject to a lock-in to be determined in accordance with the provisions of the SEBI Guidelines.
- (c) The issue of the FCDs as well as the Equity Shares arising from the conversion of FCDs aforesaid shall be governed by the respective provisions of the Companies Act, 1956 the Memorandum & Articles of Association of the Company and also the Guidelines issued by SEBI and/or any other authority as the case may be, or any modifications thereof.

RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorized to issue and allot such number of equity shares, at par, at Rs.10/- each as may be required to be issued and allotted upon

conversion of FCDs referred above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of FCDs as described above, the Board or any Committee thereof be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary or desirable for such purpose and to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any powers herein conferred to any Committee of Directors or Joint Managing Director & Chief Executive Officer or Sr.General Manager (Fin.) & Company Secretary of the Company to give effect to the aforesaid resolution.”

10. To consider and, if thought fit, to pass with or without modification the following resolution as special resolution

“RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchange where the shares of the company are listed, Disclosure and Investor Protection Guidelines issued by the Securities and Exchange Board of India (SEBI) and other applicable Regulations / Guidelines and subject to the approval of the Board for Industrial and Financial Reconstruction (BIFR), Reserve Bank of India wherever applicable, such other approvals, permissions, sanctions consent as may be necessary or expedient under the applicable law, rules and regulations and subject to such terms, conditions, alterations and modifications as may be

considered appropriate by the Board of Directors (herein after the "Board" which shall include any Committee of Directors), consent / approval / authorization of the Company be and is here by accorded to the Board "to offer, issue and allot such Equity Shares of Rs.10/- each herein after called "Equity Right Shares" for subscription at par, at Rs.10/- each to the existing equity share holders of the Company whose names appear in the register of members of the company as on the specified date, in the ratio of Four Equity Share for every Five Equity Shares of Rs 10/- each held (fractional entitlement if any to be rounded off to the next higher integer).

RESOLVED FURTHER THAT new shares herein referred to shall be subject to the Memorandum and Articles of Association of the Company and will rank pari passu in all respects with existing Equity shares of the Company.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such action as it may deem most beneficial to the company in disposing of any 'equity rights shares' remaining unapplied for including the rights and authority to offer the same to any persons, including NRIs/OCBs/ Body Corporators who may or may not be a Shareholders of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized to agree, make and accept all such terms, conditions, modifications and alterations as it may deem fit, including, conditions, modifications and alterations stipulated or required by any relevant authorities or by their bye-laws, rules, regulations or guidelines, and the Board is also hereby authorized to resolve and settle all questions, difficulties or doubts that may arise in regard to such offer, issue and allotment, to finalise and execute all agreements, documents and writings and to do all acts, deeds and things in this connection and / or incidental as the Board in its

absolute discretion deem fit without being required to seek any further consent or approval of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any powers herein conferred to any Committee of Directors or Joint Managing Director & Chief Executive Officer or Sr. General Manager (Fin.) & Company Secretary of the Company to give effect to the aforesaid resolution."

11. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution

"RESOLVED THAT, pursuant to Section(s) 198,309,310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment or re-enactment thereof, and subject to necessary permission, if any, consent be and is hereby accorded to modification in the terms of remuneration paid or payable to the Joint Managing Director & Chief Executive Officer of the Company with effect from 1st April, 2006, as set out in the Explanatory Statement annexed to the Notice convening this Meeting.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other officer(s) of the Company for the purpose of giving effect to this resolution."

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

K. KRISHNA RAO

Place: Hyderabad Sr. General Manager (Fin.) &
Date: 23.07.06 Company Secretary

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. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Businesses is annexed hereto.
- C. 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.
- D. The Register of Members and Share Transfer Books of the Company will remain closed from 21. 09. 2006 to 28. 09. 2006 (inclusive of both days).
- E. Members are requested to notify any change in their addresses to the Company's Share and Depository Transfer Agents.
- F. 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.

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

Item No. 4

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

Accordingly, the Board recommends the resolution for your approval as an Ordinary Resolution

None of the directors of the Company except Shri Raj Mitta 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, 6 & 7

The Authorised Share Capital of the Company at present is Rs.15.00 Crores and the present paid up capital is Rs 6.30 Crores. In order to meet the cost of the on going capital works, balancing the equipment to facilitate the fullest utilization of the installed capacity of 14 lakhs square meters per annum, to meet the cost of refurbishment of the old plant and machinery, to meet the financial institutional obligations in terms of BIFR order, to meet the shortfall in the working capital requirement, Shri Nalin A Rathod, CMD is infusing the required funds from time to time. To facilitate the further issue, it is proposed to increase the Authorised Share Capital to Rs.100.00 Crores divided into 10,00,00,000 equity shares of Rs.10/- each. This requires alteration of the Capital Clause of the Memorandum and Articles of Association of the Company by way of Ordinary/Special Resolution(s).

Accordingly, the Board recommends the resolution for your approval as Ordinary / Special Resolution

None of the Directors of the Company is concerned or interested in the resolutions.

ITEM NO 8

Your company continues to lay emphasis on modernization, up gradation and expansion of its existing manufacturing facilities, in order to face the global competitive market. Towards this direction, promoters have already infused Rs. 27.65 Crores and further committed to mobilize the required funds. In view of the above, your Company's Board has decided to issue further shares, not exceeding 4,00,00,000 equity shares of Rs.10/- each at par, on preferential basis to the promoters, friends and their associates.

The disclosures as required under SEBI Guidelines on preferential offers are given hereunder:

Object(s) of the issue through preferential offer : The funds raised through the preferential offer will be utilized for modernization, up gradation, refurbishment, for meeting Financial Institutions' obligations, Working Capital requirement and expansion of its existing manufacturing facilities of the Company.

Intention of promoters/directors/key management persons to subscribe to the offer.

To make the Company viable and profitable, the expansion is inevitable. The only way to achieve the above object is through the promoters' contribution and mobilization of funds from potential investors.

Shareholding pattern before and after the proposed preferential issue (Based on the Shareholding pattern as on 30.06.06)

Sl. No.	Category	Pre-Issue		Post-Issue	
		No. of Shares	% to EQ	No. of Shares	% to EQ
A	Promoters holdings				
1	Indian Promoters	393323	6.24	393323	0.65
2	Foreign Promoters- NRIs/ OCBs/FIIs/ Foreign Corporate Bodies/ Trusts	4399640	69.85	44399640	73.63
B	Non-Promoters holdings				
1	Institutional Investors				
	a. Mutual Funds and UTI	19300	0.31	19300	0.03
	b. Banks, IFI, Insurance Co, Central Govt/State Govt. Non-Govt. Institutions	40	0.00	40	0.00
	c. FIIs				
2	Others				
	a. Private Corporate Bodies	256111	4.07	256111	0.42
	b. Indian Public	1226925	19.48	1226925	2.04
	c. NRIs/OCBs/FIIs/Foreign Corporate Bodies /Trusts	2901	0.05	2901	0.01
	d. Select Investors*	-	-	14000000	23.22
	Grand Total	6298240	100.00	60298240	100.00

*The select Investors holding will go upto 1,40,00,000 equity shares after the conversion of Fully Convertible Debentures into equity shares, proposed to be issued pursuant to resolution no.9.

Proposed time within which the allotment shall be completed

This preferential offer will be completed as per the SEBI Guidelines on preferential offers.

Identity of proposed Allottees and percentage of post preferential issue capital that may be held by them.

The proposed allottees and their percentage holdings, pre and post preferential issue Capital are as given under the following table

Sl. No.	Name of the Investor	Pre Issue		Post Issue	
		No. of Shares	% age	No. of Shares	% age
1	Shri Nalinkant Rathod	NIL	NIL	7295700	15.76
2	Asia Pacific Investment Holdings Limited	4399640	69.85	21869535	47.24
3	Radorm Technology Limited	NIL	NIL	1723350	3.72
4	Solomed Pte Ltd	NIL	NIL	9860550	21.30

And the other allottees may be NRIs/OCBs/FIIs/Body Corporates / Financial Institutions/ Banks and other eligible investors as may identify by the Board. Assuming full subscription to the offer, the proposed allottees will hold 73.63 % of the post preferential issue capital of the Company.

Accordingly, the Board recommends the resolutions for your approval as a Special Resolution.

None of the Directors of the Company except Shri Nalinkant Rathod is concerned or interested in the resolution.

ITEM NO 9

As fund requirement is considerable to meet the cost of the on going capital works, balancing the equipment, to meet the shortfall in the working capital requirement, the company is exploring the possible investments from the potential investors. In this regard, Board has decided to issue Fully Convertible Debentures, not exceeding 14,00,000 of Rs.100/- each with zero coupon interest and these FCDs shall be converted into 1,40,00,000 equity

shares of Rs. 10/- each, at par, within 12 months from the date of allotment or 30 days prior to fixing of the Record Date for Rights Issue, whichever is earlier.

It is further proposed to tie up for the balance fund requirement with NRIs/OCBs/FIIs/Financial Institutions/Banks and all other eligible investors.

The disclosures as required under SEBI Guidelines on preferential offers are given hereunder:

Object(s) of the issue through preferential offer

The funds raised through the preferential offer will be utilized for modernization, up gradation, refurbishment, Financial Institutions' obligations, Working Capital and expansion of its existing manufacturing facilities of the Company.

Intention of promoters/directors/key management persons to subscribe to the offer.

To make the Company viable and profitable, the expansion is inevitable. The Company is approaching high net worth NRIs/OCBs/FIIs/Foreign Body Corporates/Trusts and high net worth potential investors to participate in the growth of the Company. In this direction the Company has successfully tied up funds to the tune of Rs. 6.37 Crores as per the details furnished hereafter.

Shareholding pattern before and after the proposed preferential issue (Based on the Shareholding pattern as on 30.06.06)

SI No	Category	Pre - Issue		Post - Issue	
		No. of Shares	% to EQ	No. of Shares	% to EQ
A	Promoters holdings				
1	Indian Promoters	393323	6.24	393323	0.652
2	Foreign Promoters- NRIs / OCBs/FIIs/Foreign Corporate Bodies/Trusts	4399640	69.85	44399640	73.633
B	Non-Promoters holdings				
1	Institutional Investors				
	a. Mutual Funds and UTI	19300	0.31	19300	0.032
	b. Banks, IFI, Insurance Co, Central Govt/State Govt. Non-Govt. Institutions	40	0.00	40	0.00
	c.FIIs				
2	Others				
	a. Private Corporate Bodies	256111	4.07	256111	0.425
	b. Indian Public	1226925	19.48	1226925	2.035
	c. NRIs/OCBs/FIIs/Foreign Corporate Bodies/Trusts	2901	0.05	14002901	23.223
	Grand Total	6298240	100.00	60298240	100.00

Notes: 1. The preferential offer of 4,00,00,000 equity shares of Rs.10/- each has been reflected in the above table at SI. No. A-2.

2. 14,00,000 FCDs of Rs. 100/- each are proposed for preferential allotment which shall subsequently be converted into equity has been included in the above shareholding pattern at SI.No.B 2-c.

Proposed time within which the allotment shall be completed

This preferential offer will be completed as per the SEBI Guidelines on preferential offers.

Identity of proposed Allottees and percentage of post preferential issue capital that may be held by them.

The proposed allottees and their percentage holdings, pre and post preferential issue Capital are as given under the following table

SI. No.	Name of the Investor	Pre Issue		Post Issue	
		No. of Shares	% age	No. of Shares	% age
1	Capital Carriers Limited	NIL	NIL	7656539	12.70
2	Mrs. Saraswathi Kuppaswami	NIL	NIL	1038708	1.72

And the other allottees may be NRIs/OCBs/FIIs/ Body Corporates / Financial Institutions/ Banks and other eligible investors as may identify by the Board. Assuming full subscription to the offer, the proposed allottees will hold 23.22 % of the post preferential issue capital of the Company. Accordingly, the Board recommends the resolutions for your approval as a Special Resolution.

None of the Directors of the Company except Shri Raj Mitta is concerned or interested in the resolution

Item No. 10

The promoters intend to take the present capacity of 4,000 Sq. mtrs. to 10,000 Sq. mtrs. per day towards this move, the Company has already procured the following machinery:

Two ball mills of 18 tons each, Spray Drier SD3200 with capacity of 7 tons per hour, polishing, sizing and squaring machine to meet the present and future part of the requirement.

To meet the cost of this expansion, the Company prefers to go for Rights Issue for the amount as may be finalized based on the final project cost.

Accordingly, the Board recommends the resolution for your approval as a Special Resolution

None of the Directors of the Company except Shri Nalinkant Rathod and Shri Raj Mitta is concerned or interested in the resolution.

Item No. 11

The Board of Directors of your Company ('the Board') at its meeting held on 24th June, 2006, on the recommendation of the Compensation Committee, approved, subject to the approval of the Members, the following modification with effect from 1st April, 2006 in the terms of remuneration paid or payable to Shri G V Ramana Murthy, Joint Managing Director & Chief Executive Officer of the Company for the residual period of his term of appointment

Basic Salary : Rs. 80,000/-p.m.

HRA : Rs. 28,277/-p.m.

Allowances :

Medical : One month basic salary p.a.

Leave Travel : One month basic salary p.a.

In addition to the above salary he is eligible for ex-gratia/bonus as per rules of the Company. He will be paid Commission @ 2% on the net profits, calculated as per Section 349 and 350 of the Companies Act, 1956, subject to the terms and

conditions as may stipulated by the Board of Directors.

The other terms and conditions of the appointment will remain same as approved by the members

in the Annual General Meeting held on 30.08.03. Accordingly, the Board recommends the resolution for your approval as a Special Resolution. None of the directors of the Company except Shri G V Ramana Murthy, Joint Managing Director & Chief Executive Officer is concerned or interested in the resolution.

By Order of the Board

K. KRISHNA RAO

Place: Hyderabad Sr. General Manager(Fin) &
Date: 23.07.06 Company Secretary

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

Dr. P V Lakshmi pathy: Dr. P V Lakshmi pathy is a Management Consultant, having rich experience in reputed companies in India and abroad. Presently he is a Trainer and Learning Catalyst for many National and International Organizations.

Shri Raj Mitta: Shri Raj Mitta holds a Bachelors degree in Chemical Engineering and a Masters in Business. He has been a Bank of America Scholar, a Sir Ratan Tata Scholar, a National Science Talent Scholar (India) and a Gold medallist and State First during his academic career.

Shri Raj Mitta is currently Chairman of Essential Value Associates Pte Ltd, a boutique high-powered consultancy firm assisting Chairmen, Boards, Owner Managers and CEOs providing hands on personal counselling on issues of managing change and strategic implementation. He selectively serves on the Boards of firms with a strong change and growth base. He is having about 20 years of experience in different areas including consultancy, product development and marketing promotion.

Shri Raj Mitta's main areas of professional interest is in strategy development and value extraction through enhancing marketing and sales effectiveness, the competitive repositioning of brands/services and issues relating to managing change within organisations.

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twentieth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

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

	(Rs. in Lakhs)	
	2005-2006	2004-2005
Sales and Other Income	1221.78	1305.89
Gross Profit	(32.78)	(0.09)
Interest and Financial Charges	63.08	101.56
Depreciation	144.34	110.40
Net Profit/ (Loss) for the year	(240.20)	(212.04)
Research and Development costs	106.09	0
Profit / Loss carried to Balance Sheet	(346.29)	(212.04)

OPERATIONS :

During the year under review, your Company has achieved a turnover of Rs.1221.78 Lakhs and incurred operational Net Loss of Rs.240.20 Lakhs. The Company has incurred heavy expenditure on Research & Development amounting to Rs. 106.09 lakhs. As a result of charge of the above expenditure to P&L, the loss for the year was Rs. 346.29 lakhs.

The company's efforts to commission the balancing equipment to optimize the production facilities could not be completed. In view of the above and coupled with continuous pressure on the working capital, the operations have been hampered.

CAPITAL PROJECTS

The Company has imported high quality equipment as part of balancing the equipment to strengthen the operations. Your Company has also initiated the enhancement of capacity from the present 14 lakhs Sq. mtrs. to 35 lakhs Sq. mtrs. For this, part of the equipment has already arrived.

During the year, under review, the Company continued to incur capital expenditure for completion of the expansion and has incurred Rs. 685.37 lakhs for the equipment commissioned and put to use.

FUTURE OUTLOOK

The Company had successfully completed the refurbishment works undertaken during the year to most of the equipment. The relentless efforts in R&D yielded to an innovative new series of products, which we expect to strengthen the operations by way of value addition and higher turnover.

To balance and optimize the present equipment capacities your Company is in the process of commissioning the imported machinery, which is expected to be operative during the current financial year. With the completion of balancing equipment capacities, your Company is poised for quantum leap in its operations.

Several initiatives have been taken by the Company in the areas of product development, product mix enrichment, improvement in the quality of raw materials and their productivity. These initiatives enable the Company to significantly strengthen the quality of the product and better customer service.

COST REDUCTION AND CONTROL

The Company's thrust on R&D and relentless efforts have resulted in maintaining high quality and helped to maintain the delivery schedules, which helped to augment the brand image of the products. The Company is also striving for alternate methods for fuel consumption, which is expected to benefit in controlling the costs.

RESEARCH & DEVELOPMENT

Your Company is continuously focusing its efforts towards cost reduction, improvement of quality, yields, new series of marble and special effect tiles, better and aesthetic body development etc., which in turn 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, Dr. P V Lakshmipathy, retires by rotation at this

Annual General Meeting and being eligible, offers himself for re-appointment.

The Board in its meeting held on 25th March 2006 co-opted Shri Raj Mitta as Additional Director. The brief profiles of the Directors seeking appointment / re-appointment at this 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 and that there are no material departures;
- ii. In the selection of Accounting policies consulted the Statutory Auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the affairs of the Company as at March 31, 2006 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 Companies Act, 1956, 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 this 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 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 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 in the Management of the Company.

On behalf of the Board
For RESTILE CERAMICS LIMITED

G.V. RAMANA MURTHY
Hyderabad JOINT MANAGING DIRECTOR &
23.07.06 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:

- Vendor development for import substitution.
- Technology upgradation.
- Development of alternative raw materials.
- New product development
- Process optimisation

Benefits derived as a result of the above Research & Development

- Cost reduction.
- Quality improvement.
- Yields improvement
- Decrease in imports
- Pearl Rock innovation

Future plan of action

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

Expenditure on Research & Development

During the year, Company has spent sizable 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).

FORM A

Form for disclosure of particulars with respect to Conservation of Energy 2005-06

POWER AND FUEL CONSUMPTION

	2005-06	2004-05
ELECTRICITY		
a) Purchases Units (KWH)	30,32,739	28,55,074
Total Amount (Rs in Lakhs)	1,18,34,838	1,13,00,444
Average Rate per Unit (Rs/KWH)	3.90	3.96
b) Own Generation		
1) Through Diesel Generator Units (KWH)	1,43,610	3,22,938
Units per Liter of Diesel Oil (KWH)	3	3
Average Cost per Unit (Rs/KWH)	9.74	8.19
2) LPG		
Quantity (Tonnes)	1185.88	1185.87
Total Cost (Rs)	3,35,39,805	2,02,03,667
Average Rate (Rs/Tonne)	28,283	17,037

CONSUMPTION PER UNIT OF PRODUCTION

(per sqm of kiln Production)

Particulars	2005-06	2004-05
Electricity (KWH)	9.151	9.487
L.P.G (Tonnes)	0.0034	0.0035

FORM B

RESEARCH AND DEVELOPMENT 2005-2006

During the year 2005-2006 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.
 - c) Formulation of New body composition for Terra Cotta body.
 - d) The marble Grids (Toolings) were Designed & Fabricated in-house, which were earlier made at vendor source.
2. Quality Improvement:
 - a) Development of Gauges for checking out of flatness deviations of tile surface of tile i.e., convexity, concavity & warpage.
 - b) Body preparation improved for better body clarity & brightness.
 - c) Implemented in process controls in various production stages.
3. Product Development by way of continuous efforts new designs & patterns were developed.
 - a) Developed large format 60x60 Un-polish version tile in various designs & patterns.
 - b) Introduced new self design series under the name "LIFE STYLE SERIES".
 - c) Developed various types of marble effect tiles.
4. Equipment Balancing detailed analysis of the existing capacity has been made and to balance the both Kiln-I & Kiln-II capacities, upstream & downstream equipment requirements have been worked out and procurement action has been initiated. As a part of this exercise, we have received high speed "32" head Italian make Ancora Polishing Line in February ' 2006. Other equipment like Ball Mills & Spray Drier were already procured. As a part of technology absorption and training senior staff has been deputed to Italy.

Benefits:

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

Future plan of action:

- a) Planning to bring out cost effective product
- b) Project planning under way to put in place "The Third Line" to increase the production volume to 10,000 M² per day.

On behalf of the Board

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

Hyderabad
23.07.06

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 features of durability, resistance, aesthetic looks and longevity. Consequently, Vitrified Tiles proved to be a success and there is 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. 346.29 Lakhs after providing for depreciation of Rs.144.34 Lakhs. In view of the unforeseen initial teething problems in the stabilization of operations, the Company could not achieve the expected 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 & Development efforts are resulting in the cost reduction and innovative path breaking product. 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 being looked after by the Joint Managing Director & CEO. The Company has the following Committees to over view the operations:

1. Audit Committee of Board of Directors
2. Share Transfer and Investors' Grievance Committee of Board of Directors
3. 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 Executive Committee monitors the operations and the progress of the project on a continuous basis and suggests 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 increase in consumption on account of continuous development of design and effects in vitrified tiles, thereby offering superior alternatives to the depleting and costlier qualities of marble and granites.

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

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. Despite the prompt and effective steps initiated by the Government, the dumping of tiles from the neighbouring countries and foreign markets may add further pressure to the realizations. In view of trade practices and the market dynamics being followed in the industry, the Company is compelled to extend larger credit period to the customers. As a result, there is a possibility of increase in the operational costs.

RISKS AND CONCERNS

The Company is consuming petroleum products for firing the tiles. The prices of petroleum products depend upon international market and subject to highly 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.

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 date of this report, the Board of the Company consists of Seven Directors, comprising an Executive Chairman, one Executive Director, five 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, nine 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 2005-06 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, 2006 are given below:

Name	Category	Number of Board Meetings attended	Whether attended AGM held on 24.09.2005	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 and Executive	9	Yes	-	-	-
Shri K.Rajendra Prasad (APIDC-Nominee)	Independent and Non-Executive	8	No	1	-	-
Dr. P V Lakshmi pathy	Independent and Non-Executive	9	Yes	-	-	-
Shri V.Padmakar	Promoter, Non-Independent and Non-Executive	8	No	-	-	-
Shri G Padmanabhan	Independent and Non-Executive	6	Yes	-	-	-
*Shri Raj Mitta	Independent and Non-Executive	2	NA	-	-	-

* Shri Raj Mitta was appointed as an additional director on the Board w.e.f 25.03.06

AUDIT COMMITTEE

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

The Audit Committee met five times during the financial year 2005-06. The attendance record of the Audit Committee members is given below:

Name of the Member	No.of Meetings held	Attended
Shri G.Padmanabhan	5	4
Dr. P V Lakshmipathy	5	5
Shri V Padmakar	5	4

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 31.03.2006 to Executive Directors are as under:

Shri G.V. Ramana Murthy, Joint Managing Director & C E O	:	Rs. 10,44,000/-
Shri Nalinkant Amratlal Rathod	:	Rs. 11/-

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, splitting and consolidation of shares and resolving investors' grievances, etc. During the year the Committee met 26 times the minutes of the Share Transfer and Investors' Grievances Committee meetings are placed before the Board for its noting on a regular basis.

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 met Six times.

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:

Year	Date of AGM	Day	Time
2003	August 30, 2003	Saturday	10.30 A M
2004	September 25, 2004	Saturday	11.30 A M
2005	September 24, 2005	Saturday	11.30 A M

DISCLOSURES

A. Related Party Transactions

The Company has availed short term supplier's credit as well as entered into contract for services from the relative of Director 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.

The Company had received funds from OCBs towards equity share application, for which certain approvals required under RBI circular dated 16th September 2003 have been since obtained as on the date of this report.

C. Communication to Shareholders

The quarterly and Annual Results are being published in the Business Standard and Andhra Bhoomi. Quarterly and Annual Financial Results of the Company are furnished to the Stock Exchanges 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. The Code is available on the Company's web site.

E. General Shareholders Information

The following information would be useful to Shareholders:

- a. The 20th Annual General Meeting of the Company will be held on Thursday the 28th day of September, 2006 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 is from 1st April 2005 to 31st March 2006.
- c. **Date of Book Closure:** 21.09. 2006 to 28.09. 2006 (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 31st March, 2006, 11,66,712 shares are under dematerialisation, which works out to 18.52% of the total shares of the Company.

g. Distribution of shareholding as on 31st March, 2006:

Holding of number of Shares or Debentures	Share/Debenture (Holders)		Shares/Debentures (Amount)	
	Number	%	Rs.	%
1 - 5000	26170	98.95	8646970	13.73
5001 - 10000	139	0.53	1084090	1.72
10001 - 20000	77	0.29	1070970	1.70
20001 - 30000	22	0.08	521050	0.83
30001 - 40000	14	0.05	507910	0.81
40001 - 50000	7	0.03	304770	0.48
50001 - 100000	10	0.04	633110	1.01
100001 - Above	9	0.03	50213530	79.72
Total	26448	100.00	62982400	100.00

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 '05	12.00	8.00	October '05	14.25	9.48
May '05	10.10	7.75	November '05	13.99	10.00
June '05	17.80	8.75	December '05	13.55	8.52
July '05	13.90	10.00	January '06	12.55	9.10
August '05	14.30	11.80	February '06	11.50	8.10
September '05	19.60	13.58	March '06	10.10	7.68

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: krishnarao@restile.com and/or venkat@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 31st March 2006.

Hyderabad
23.07.06

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

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

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, 2006 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

S LALITH PRASAD
Proprietor
M.No. 23665

Hyderabad
23.07.06

AUDITOR'S REPORT

The Members of
Restile Ceramics Limited

We have audited annexed Balance Sheet of Restile Ceramics Limited as at 31st March 2006 and also the Profit and Loss Account and the cash flow statement for the period ended on that date annexed thereto. 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 mis-statements. 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, Profit & Loss Account and cash flow statement referred to in this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Profit & Loss Account and cash flow statement 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 2006 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 Accounts 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 the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2006
 - ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date and
 - iii) In the case of the Cash Flow statement, of the cash flow for the year ended on that date.

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

S.LALITH PRASAD
Proprietor
ICAI M.No.23665

Place: Hyderabad
Date: 26th June, 2006

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 with in 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 transactions exceeding the value of rupees five lakhs in respect of a party made in pursuance of contracts or arrangements entered in the register under section 301 of the Companies Act 1956 and are reasonable and within the accepted business norms.
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. While all the dues have been cleared by the year end, the company has delayed 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 no 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 losses during the financial year covered by our audit and 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 payment	Date of delay	No. of days
ICICI Bank Ltd	41.50	27-01-06	Due	64
IFCI Ltd	29.74	04-12-05	Due	118

- 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 the new term loans availed during the year have been applied for the purpose for which were obtained.
- 21 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

Place: Hyderabad
Date : 26th June, 2006

S.LALITH PRASAD
Proprietor
ICAIM.No.23665

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule No.	As at 31.03.2006		As at 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders Funds					
a. Share Capital	1	6,29,82,400		4,82,82,400	
b. Share Application Money		17,00,75,862		4,84,97,622	
c. Reserves and Surplus	2	1,20,72,566		7,67,18,880	
			24,51,30,828		17,34,98,902
Loan Funds					
a. Secured Loans	3	7,93,49,373		10,24,00,301	
b. Un Secured Loans	4	5,17,81,902		0	
			13,11,31,275		10,24,00,301
Deferred Tax Liability			3,38,62,194		3,29,40,337
T O T A L			41,01,24,297		30,88,39,540
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	46,55,31,622		38,16,50,345	
Less : Depreciation		13,94,33,528		12,49,99,307	
Net Block			32,60,98,094		25,66,51,038
Current Assets, Loans & Advances					
a. Inventories	6	5,57,32,350		4,04,26,983	
b. Sundry Debtors	7	2,57,27,558		2,25,88,836	
c. Cash and Bank balances	8	1,59,30,280		22,41,516	
d. Loans and Advances	9	2,77,86,688		62,83,560	
		12,51,76,876		7,15,40,895	
Current Liabilities & Provisions					
Current Liabilities	10	4,11,50,673		5,17,86,197	
Net Current Assets			8,40,26,203		1,97,54,698
Profit and Loss Account	16		0		3,24,33,804
T O T A L			41,01,24,297		30,88,39,540
Notes on Accounts	17				
Significant Accounting Policies	18				

The Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date annexed For and on behalf of the Board

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

Nalin A. Rathod
Chairman &
Managing Director

V.Padmakar
Director

G. Padmanabhan
Director

S.Lalith Prasad
Proprietor

G.V.Ramana Murthy
Jt.Managing Director &
Chiref Excutive Officer

K.Rajendra Prasad
Director

Dr. P.V. Lakshmipathy
Director

Place: Hyderabad
Date: 26th June, 2006

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

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 st MARCH 2006

	Schedule No.	Year ended 31.03.2006		Year ended 31.03.2005	
		Rupees	Rupees	Rupees	Rupees
INCOME					
Gross Sales					
-Tiles		12,21,77,556		12,93,70,555	
Less : Excise Duty		73,75,333		74,37,097	
Net Sales		<u>11,48,02,223</u>		<u>12,19,33,458</u>	
Other Income	11	33,32,640		12,18,579	
Increase/(Decrease) in stocks	12	1,26,03,392		(22,62,891)	
			13,07,38,255		12,08,89,146
EXPENDITURE					
Manufacturing Expenses	13	9,17,49,623		8,05,13,966	
Administration, Selling and					
Other Expenses	14	4,22,65,536		4,03,83,892	
Interest & Financial Charges	15	63,08,468		1,01,55,876	
Depreciation		1,44,34,221		1,10,39,685	
			15,47,57,848		14,20,93,419
Net Loss			(2,40,19,593)		(2,12,04,273)
Research & Development Costs			1,06,08,957		0
Profit/(Loss) carried to the Balance Sheet			(3,46,28,550)		(2,12,04,273)
Basic & Diluted Earnings per Share			(6.36)		(4.39)
Notes to Accounts	17				
Significant Accounting Policies	18				

As per our report of even date annexed For and on behalf of the Board

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

Nalin A. Rathod
Chairman &
Managing Director

V.Padmakar
Director

G. Padmanabhan
Director

S.Lalith Prasad
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Jt.Managing Director &
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K.Rajendra Prasad
Director

Dr. P.V. Lakshmipathy
Director

Place: Hyderabad
Date: 26th June, 2006

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

CASH FLOW STATEMENT FOR THE YEAR 01.04.2005 to 31.03.2006

(Rs.in lakhs)

	2005-06	2004-05
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary items	(346.29)	(212.04)
Adjustment for:		
Depreciation	144.34	110.40
Foreign Exchange	-	-
Investments	-	-
Interest	63.08	101.56
Operating profit before working capital changes	(138.86)	(0.08)
Adjustment for:		
Trade and other receivables	(31.38)	117.06
Inventories	(153.05)	49.82
Trade payables	414.47	42.27
Cash generated from operations	91.18	209.07
Interest paid	(53.22)	(111.58)
Direct Taxes paid		
Cash flow before extraordinary items	37.96	97.49
Extraordinary items		
NET CASH FLOW FROM OPERATING ACTIVITIES	37.96	97.49
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(838.81)	(299.59)
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	(838.81)	(299.59)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	1396.15	345.01
Proceeds from long term borrowings	(243.36)	(158.20)
Repayment of finance lease liabilities		
Dividends paid	-	-
NET CASH USED IN FINANCING ACTIVITIES	1,152.79	186.81
Net increase in cash and cash equivalent	(351.94)	(15.29)
Cash and Cash equivalents as at 1.4.2005(Opening Balance)	85.23	100.52
Cash and Cash equivalents as at 31.03.2006(Closing Balance)	437.17	85.23

Note: Figures in brackets represent cash outflow

As per our report of even date annexed For and on behalf of the Board

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

Nalin A. Rathod
Chairman & Managing Director

V.Padmakar
Director

G. Padmanabhan
Director

S.Lalith Prasad
Proprietor

G.V.Ramana Murthy
Jt.Managing Director & CEO

K.Rajendra Prasad
Director

Dr. P.V. Lakshmi pathy
Director

Place: Hyderabad
Date: 26th June, 2006

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

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, 2006 and found the same in agreement therewith.

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

Place : Hyderabad
Date : 26.06.2006

S. Lalith Prasad
Proprietor

**SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT
AS AT 31ST MARCH 2006**

(In Rupees)

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
15000000 Equity Shares of Rs. 10/- each	15,00,00,000	15,00,00,000
Issued ,Subscribed and paid up:		
6298240 Equity Shares of Rs. 10/- each	6,29,82,400	4,82,82,400
	6,29,82,400	4,82,82,400
SCHEDULE 2		
RESERVES AND SURPLUS		
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.)	7,54,43,880	7,54,43,880
3. Capital Reserve-Cessation of liability under OTS	33,37,897	0
	8,00,56,777	7,67,18,880
Less: Debit balance in Profit and Loss account	6,79,84,211	0
	1,20,72,566	7,67,18,880
SCHEDULE 3		
SECURED LOANS		
Term Loans		
ICICI Bank Ltd	1,23,89,562	1,23,89,562
Industrial Development Bank of India	0	86,37,649
IFCI Ltd	89,20,782	89,20,782
B. 2% Fully Convertible Debentures		
ICICI Bank Ltd	1,25,00,000	1,25,00,000
Industrial Development Bank of India	0	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	0	60,50,000
IFCI Ltd	62,35,600	62,35,600
D. Cash Credit from State Bank of India	69,76,256	80,98,195
E. Foreign Currency Short Term Demand Loan from State Bank of India	1,32,70,500	1,31,44,117
F. Interest and Commitment Charges Accrued and Due	14,35,973	1,53,696
	7,93,49,373	10,24,00,301
SCHEDULE 4		
Un Secured Loans	5,17,81,902	0
	5,17,81,902	0

SCHEDULE 5
SCHEDULES FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2006
 (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 01.04.05	Additions during the year	Adjustments during the year	As at 31.03.06	Up to 01.04.05	For the year	Adjustments during the year	Up to 31.03.06	As at 31.03.06	As at 31.03.05
FIXED ASSETS										
1.Land & Site Development	19,29,337	6,795	0	19,36,132	0	0	0	0	19,36,132	19,29,337
2.Buildings										
(A) Factory Buildings	1,97,01,170	0	0	1,97,01,170	77,42,126	6,58,019	0	84,00,145	1,13,01,025	1,19,59,044
(B) Non Fact.Buildings	49,10,347	0	0	49,10,347	5,25,541	80,039	0	6,05,579	43,04,768	43,84,806
3.Plant & Machinery										
- Imported	19,73,39,497	9,83,65,789	0	29,57,05,286	8,29,62,676	1,09,21,732	0	9,38,84,408	20,18,20,878	11,43,76,821
- Indigenous	4,28,84,427	68,79,649	0	4,97,64,076	2,70,84,714	20,37,906	0	2,91,22,620	2,06,41,456	1,57,99,713
4.Electrical Installation	58,94,207	2,49,357	0	61,43,564	35,48,924	2,82,928	0	38,31,852	23,11,712	23,45,283
5.Furniture and Fixtures	18,61,057	26,60,587	0	45,21,644	10,62,426	1,59,612	0	12,22,038	32,99,606	7,98,631
6.Office Equipment	30,13,578	59,640	40,000	30,33,218	13,32,977	191,508	0	15,24,485	15,08,733	16,80,601
7. Computers	0	2,31,624	0	2,31,624	0	8,202	0	8,202	2,23,422	0
8.Vehicles	6,98,428	0	0	6,98,428	4,14,463	66,351	0	4,80,813	2,17,615	2,83,965
9.Others	4,40,462	0	0	4,40,462	3,25,460	27,925	0	3,53,386	87,076	1,15,002
10.Capital work in Progress	10,29,77,835	10,39,60,356	12,84,92,521	7,84,45,670	0	0	0	0	7,84,45,670	10,29,77,835
TOTAL	38,16,50,345	21,24,13,797	12,85,32,521	46,55,31,621	12,49,99,307	1,44,34,221	0	13,94,33,528	32,60,98,094	25,66,51,038
Previous Year	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

(In Rupees)

	As at 31.03.2006	As at 31.03.2005
SCHEDULE 6		
INVENTORIES (As per Inventory taken and value certified by Management)		
Raw Materials:At cost	21,87,536	17,41,537
Work-in-Process:At cost	15,22,187	38,67,230
Finished Goods:At lower of cost or net realisable value	3,79,35,840	2,29,87,404
Stores & Spares, Packing & Fuels:At cost	1,40,86,787	1,18,30,812
	5,57,32,350	4,04,26,983
SCHEDULE 7		
SUNDRY DEBTORS		
(Unsecured & considered Good)		
Debts outstanding for a period exceeding Six months	41,88,929	34,31,689
Debts outstanding for a period less than Six months	2,15,38,629	1,91,57,147
	2,57,27,558	2,25,88,836
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash in Hand	69,125	1,72,460
Balance with Scheduled Banks		
— Current Accounts	1,37,81,099	0
— Fixed Deposits	20,80,056	20,69,056
(including held by Banks as Margin Money against L/Cs and Guarantees)		
	1,59,30,280	22,41,516
SCHEDULE 9		
LOANS AND ADVANCES		
(Unsecured considered Good, recoverable in Cash or in kind or for value to be received)		
Advances for Capital Items, Trade & Others	93,95,662	25,26,564
Staff Advance	9,61,873	3,51,603
Deposits		
— with Govt Departments	1,59,75,559	1,99,447
— with Others	10,74,298	28,62,670
Income Tax	1,08,653	83,162
Prepaid Expenses	2,70,643	2,60,114
	2,77,86,688	62,83,560
SCHEDULE 10		
CURRENT LIABILITIES		
Sundry Creditors for Capital,Trade and Expenses	3,03,02,999	4,05,77,770
Advances received against Sales	9,28,845	12,12,894
Security Deposits from Dealers	21,55,000	23,80,000
Interest Accrued but not Due	4,40,473	7,40,994
Other Liabilities	73,23,356	68,74,539
	4,11,50,673	5,17,86,197

(In Rupees)

	Year ended 31-03-2006	Year ended 31.03.2005
SCHEDULE 11		
OTHER INCOME		
Interest Earned and Other Income	3,12,471	8,51,908
Marine Insurance	3,68,251	2,15,982
Credit Bal. Written Back	26,51,918	0
Bad Debts Recovered	0	1,50,689
	<u>33,32,640</u>	<u>12,18,579</u>
SCHEDULE 12		
INCREASE/(DECREASE) IN STOCKS		
Opening Stocks :		
Finished Goods	2,29,87,404	2,40,25,052
Work-in-process	38,67,230	50,92,473
	<u>2,68,54,634</u>	<u>2,91,17,525</u>
Closing Stocks :		
Finished Goods	3,79,35,840	2,29,87,404
Work-in-process	15,22,186	38,67,230
	<u>3,94,58,026</u>	<u>2,68,54,634</u>
Increase/(Decrease)	<u>1,26,03,392</u>	<u>(22,62,891)</u>
SCHEDULE 13		
MANUFACTURING EXPENSES		
Raw Materials	3,11,46,086	2,57,73,585
Stores, Spares & Consumables	66,88,682	96,72,131
Power and Fuel	4,85,06,058	3,98,88,053
Packing Materials	20,67,695	20,77,900
Repairs and Maintenance-Plant & Machinery	26,78,037	25,71,914
Factory Maintenance	6,63,065	5,30,383
	<u>9,17,49,623</u>	<u>8,05,13,966</u>
SCHEDULE 14		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Administrative Expenses :		
Salaries and Allowances to Employees		
Salaries , Wages and Benefits	1,97,69,105	1,78,93,836
Contribution to Provident Fund and other Funds	15,24,340	13,83,935
Rents	19,99,788	11,22,346
Rates, Taxes and Licences	9,99,634	4,27,135
Insurance	11,72,315	7,68,600
Directors Sitting Fees	82,500	47,000
Secretarial Expenses	1,11,052	97,931
Legal and Professional Charges	16,32,980	6,53,054
Auditors Remuneration		
- Audit Fees	82,650	49,480
- for other services	33,060	0
Communication	16,88,081	15,79,589
Printing and Stationery	7,72,191	4,52,543
Electricity Charges	4,01,239	4,11,931
Security Charges	6,27,479	4,84,994
Vehicle Hire and Maintenance	25,77,612	24,68,206

(In Rupees)

	Year ended 31-03-2006	Year ended 31.03.2005
Other Expenses	10,40,385	6,29,352
Repairs and Maintenance		
- Buildings	1,24,998	1,050
- Others	52,738	1,68,922
Travelling Expenses -Others	8,46,696	6,16,839
Selling Expenses :		
Travelling Expenses	11,95,649	18,40,392
Local conveyance	5,21,072	6,31,264
Advertisement and Sales Promotion	11,38,627	6,37,336
Freight on Finished Goods	28,49,066	51,82,494
Material Replacement Expenses	1,14,649	9,78,126
Commissions and Discounts	9,07,630	18,57,537
	4,22,65,536	4,03,83,892
SCHEDULE 15		
INTEREST AND FINANCIAL CHARGES		
Interest on Term Loans & FCDs	28,42,666	76,83,452
Interest on Working Capital	14,42,243	6,38,996
Interest FCNRB(DL)	8,87,467	8,53,087
Interest - Others	5,94,719	1,24,990
Bank Charges	5,41,372	8,55,351
	63,08,468	1,01,55,876
SCHEDULE 16		
PROFIT AND LOSS ACCOUNT		
As per last Balance Sheet	3,24,33,804	1,25,15,239
(Profit)/Loss transfer from Profit and Loss Account	<u>3,46,28,550</u>	<u>2,12,04,273</u>
	6,70,62,354	3,37,19,512
Less: Deferred Tax (Asset)/Liability	9,21,857	(12,85,708)
Transferred to Reserves and Surplus	<u>6,79,84,211</u>	<u>3,24,33,804</u>

SCHEDULE 17

NOTES ON ACCOUNTS ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31.03.2006 AND THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2006.

1.Contingent liabilities not provided for in respect of :

- (a) Guarantees given by banks on behalf of the Company Rs.16 lakhs (Previous Year Rs.16.00 lakhs)
- (b) Letters of Credit established by banks on behalf of the Company, Foreign LC Rs. 6.40(previous year Rs. Nil lakhs), Inland Rs.56.50 lakhs (Previous year Rs. 77.03 lakhs).

2. Dues to Small Scale Industries as at the end of the financial year to whom amounts outstanding are M/s AG Engineers, M/s Akash Chemico, M/s Amit industries, M/s Andhra Chemical Co., M/s. Bescoat, M/s. Deccan Mineral Grinding Mills, Heramb Thermoplastics P Ltd, Jumbo Mining Ltd, M/S Kamala industries, M/s Lakhotia enterprise., Maini Abrasives (p) LTD, Price Pumps Pvt Ltd , M/s Profile Engineers , R.K. Electric Automation Ltd, Sirveen Print Pack Pvt Ltd, M/s Sri Jaya Durga Industries , Sukaso Cera colors Pvt Ltd, M/s Uttam's , and M/s V.S.R Industries

3. Impairment of Assets :

The Company has examined carrying cost of its identified Cash Generating Units (CGU) 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, 2005. There have been no indications of impairment during the Financial Year ended 31st March, 2006.

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

Particulars	Unit of Measure	2005-2006		2004-2005	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
Ball Clay	Tonnes	3737.15	57,99,634	3865.77	67,47,957
Feldspar	Tonnes	3647.17	46,39,289	3047.81	36,11,746
Zirconium Silicate	Tonnes	137.375	67,17,687	197.15	72,94,550
Ceramic Body Colours	Tonnes	87.035	26,27,392	8.34	37,97,926
Others			2,01,18,460		1,60,71,437
Total			3,99,02,462		3,75,23,616

5. 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	
		2005-06	2004-05	2005-06	2004-05
Unglazed Fully Vitrified Ceramic Floor Tiles	Sqmt.	14,00,000	14,00,000	3,47,090	3,34,998

(b) Particulars in respect of Opening Stock, Sales and Closing Stock for class of goods dealt with by 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	70,712	2,29,87,404	3,02,138	12,21,77,556	1,15,664	3,79,35,840
Previous year	Sqmt	81,918	2,40,25,052	3,46,204	12,93,70,555	70,712	2,29,87,404

Notes:

- The Sales are inclusive of Excise Duty of Rs.7375333 /- (Previous year Rs.74,37,097) and exclusive of other taxes Rs.11369347 (Previous year Rs.1,15,11,738)
- Sales includes internal consumption, Free Samples, Replacements and Damaged Tiles.

(c) CIF Value of Imports :

	2005-06		2004-05	
	Rs.	%	Rs.	%
Capital Goods	5,16,36,774	95.29	19,53,613	50.29
Consumables	25,50,858	4.71	19,31,028	49.71
Total	5,41,87,632	100.00	38,84,641	100.00

(d) Foreign Currency Short Term Demand Loans :

(In Rupees)

	2005-06		2004-05	
	Receipts	Payments	Receipts	Payments
State Bank of India	3,98,99,250	4,00,25,633	5,41,14,367	5,45,53,833

(e) Expenditure in Foreign Currency

	2005-06	2004-05
Traveling	7,19,259	4,21,057
Interest on FCNRBDL	7,86,842	8,53,087
Technical know-how fee	0	0

(f) Earning in Foreign Exchange

FOB Value of Exports	Nil	Nil
----------------------	-----	-----

6. (a) Managerial Remuneration: Remuneration to Managing Director and Joint Managing Director :

(In Rupees)

	2005-06		2004-05	
	Managing Director*	Jt. Managing Director	Managing Director	Jt. Managing Director
Salary	1,67,742	9,52,704	12,00,000	9,52,704
Contribution to P.F	20,129	91,296	1,44,000	91,296
Perquisites	0	0	58,310	10,563
* Part of the year only				
(b) Other Directors:				
Sitting fee		82,500		47,000

7. Related parties disclosures:

1. Relationships:

a) Related parties where control exists:

Java Softech Private Limited
 Java Industries Private Limited
 Asia Pacific Investment Holdings Limited

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

Mr. Nalin A. Rathod
 Mr. V. Padmakar (upto 21.05.05)
 Mr. G. V. Ramana Murthy

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

(Rs. in lakh)

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	517.82	Nil	Nil	Nil
Sales:				
Goods and Materials	Nil	Nil	0.11	Nil
Fixed Assets	Nil	Nil	Nil	Nil
Expenses:				
Rent & other service charges	Nil	Nil	3.22	5.40
Agency Commission	Nil	Nil	Nil	Nil
Remuneration	Nil	Nil	12.32	23.88
Interest paid	Nil	Nil	Nil	Nil
Professional Fees	Nil	Nil	Nil	Nil
Directors' Fee	Nil	Nil	Nil	Nil
Income:				
Other Receipts:	Nil	Nil	Nil	Nil
Finance:	Nil	Nil	Nil	Nil
Outstandings:				
Payable	Nil	Nil	19.50	20.64
Receivable	Nil	Nil	Nil	Nil
Agency Deposits received	Nil	Nil	Nil	Nil
Loans and Advances given	517.82	Nil	Nil	Nil
Property Deposits paid	Nil	Nil	Nil	Nil

8. The Company has no income tax liability for the year under review and hence not provided for.

9. Consequent to adoption of AS26 issued by ICAI, a sum of Rs 106,08,957 has been written off to Profit & Loss Account, being the total expenses incurred towards development of new tile designs, bodies, Special effects etc.
10. The provision for Deferred Tax Liability (net) as at 31.03.2006 has been arrived at considering the timing difference in depreciation amounting to Rs(338.62) lakhs (Previous Year 329.40 lakhs) as per AS-22 of ICAI.
11. Previous year figures have been regrouped/rearranged wherever necessary to confirm to current year's classification.

SCHEDULE 18**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 salaries, traveling expenses, professional fee and incidental expenses incurred directly attributable to the asset.

c. Depreciation

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

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 FCNRBDL has been hedged and accounted for as bank charges.

g. Inventories

Raw materials, work-in-process, 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 & Machinery has been capitalized to the respective Asset during the year.

j. 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.

k. Research & 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.

m. Segment Accounting

In accordance with the Provisions of AS17 of ICAI, the Company has one reportable primary segment consisting of Vitrified tiles, hence no segment reports.

Signatures to Schedule "1 to 18"

As per our report of even date annexed For and on behalf of the Board

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

Nalin A. Rathod
Chairman &
Managing Director

V.Padmakar
Director

G. Padmanabhan
Director

S.Lalith Prasad
Proprietor

G.V.Ramana Murthy
Jt.Managing Director &
Chiref Excutive Officer

K.Rajendra Prasad
Director

Dr. P.V. Lakshmipathy
Director

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

Place: Hyderabad

Date : 26th June, 2006

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:

Registration No.	6480	State Code	01
Balance Sheet Date	31.03.2006		

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

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	147.00

III. Position of Mobilisation and Deployment of Funds:

Total Liabilities	4101.24	Total Assets	(Rs. in lakhs) 4101.24
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Sources of Funds:

Paid-up Capital	629.82	Reserves & Surplus	120.73
Secured Loans	793.49	Unsecured Loans	517.82
Deferred Tax Liability	338.62		

Application of Funds:

Net Fixed Assets	3260.98	Investments	Nil
Net Current Assets	840.26	Misc. Expenditure	Nil
Accumulated Losses	Nil		

IV. Performance of Company (Rs. Lakhs):

Turnover	1221.77	Total Expenditure	1547.57
Profit (Loss)Before Tax	(346.29)	Profit (Loss) after Tax	(670.86)
Earnings Per Share in Rs.(Annualised)		Dividend rate %	Nil

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

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

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 **TWENTIETH 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 Thursday, the 28th day of September, 2006 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 **TWENTIETH 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 Thursday, the 28th day of September, 2006 and at any adjournment thereof.

Registered Folio / DPID No. :

No. of Shares :

AS WITNESS my hand/our hands this _____ day of _____ 2006

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.