



RESTILE CERAMICS LIMITED

(Incorporated under the Companies Act, 1956 on May 26, 1986 as Restile Ceramics Private Limited and later converted into a Public Limited Company on January 23, 1989)

Registered Office: Malkapur Village, Hatnoor Mandal, Narsapur Taluk, Medak District, Andhra Pradesh, - 502 296,

Tel: 08458-288772 / 200599; **Fax:** 08458-288502

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ISSUE OF 4,18,89,511 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. 10/- PER EQUITY SHARE AGGREGATING TO RS. 4188.95 LAKHS ON RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE COMPANY IN THE RATIO OF TWENTY SIX EQUITY SHARES FOR EVERY THIRTY FIVE EQUITY SHARES HELD(IE 26:35) HELD AS ON FRIDAY 19/09/2008 (RECORD DATE)

THE ISSUE PRICE IS EQUAL TO THE FACE VALUE OF THE EQUITY SHARES

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and Investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to the section titled "Risk Factors" beginning on page vii of this Letter of Offer before making an investment in this Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to the Issuer and the Issue, which is material in the context of this Issue, that the information contained in this Letter of Offer is true and correct in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (Designated Stock Exchange) ("BSE"). The Company has received in-principle approval from BSE vide its letter no. DCS/PREF/JA/IP-RT/112/08-09 dated 11/04/2008 for listing of the equity share being issued in terms of this Letter of Offer.

LEAD MANAGER TO THE ISSUE

KEYNOTE

CORPORATE SERVICES LTD

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REGISTRAR TO THE ISSUE



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Registration No. : INR 000000536

ISSUE OPENS ON

Friday, October 31, 2008

LAST DATE FOR RECEIVING REQUESTS FOR SPLIT APPLICATION FORMS

Thursday, November 06, 2008

ISSUE CLOSES ON

Saturday, November 15, 2008

TABLE OF CONTENTS

	Page No.
Section I: Definitions and Abbreviations	i
Conventional/ General Terms	i
Issue Related Terms	i
Company / Industry Related Terms / Definitions	i
Abbreviations of General Terms	ii
Technical and industry related terms	iii
Certain Conventions; Use of Market Data	v
Forward Looking Statements	vi
Section II: Risk Factors	
Risk Factors	vii
Section III: Introduction	1
Summary of financial statements	4
The Issue	6
General Information	7
Capital Structure of the Company	11
Objects of the Issue	19
Basis for Issue Price	28
Statement of Tax Benefits	31
Section IV: About the Company	
Industry Overview	39
Business Overview	44
Regulations and Policies	57
History and Corporate Matters	59
Management	65
Promoters	75
Promoter Group Companies	77
Section V: Financial Information of the Company	
Auditor's report	81
Dividend policy	97
Management's Discussion and Analysis of Financial Condition and Results of Operations	98
Section VI: Legal and Other Information	
Outstanding Litigations and defaults	104
Government and other approvals	108
Section VII: Other Regulatory and Statutory Disclosures	113
Section VIII: Issue Related Information	
Terms of the issue	122
Issue Procedure	124
Section IX: Main Provisions of Articles of Association of the Company	
Section X: Other Information	
Material Contracts and Documents for Inspection	159
Declaration	161

Definitions and Abbreviations

Conventional/General Terms

Term	Description
Act	The Companies Act, 1956 and subsequent amendments thereto
Depositories Act	The Depositories Act, 1996 as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories & Participant) Regulations, 1996 as amended from time to time
FY/ Financial year or Fiscal Year	The twelve months ended March 31 st of a particular year
Security Certificate	Equity Share Certificate
Security(ies)	Equity Share(s)
SE/ Stock Exchange(s)	Bombay Stock Exchange

Issue related terms

Term	Description
Articles	Articles of Association of Restile Ceramics Ltd.
Board	Board of Directors of Restile Ceramics Ltd.
BSE/Designated Stock Exchange	Bombay Stock Exchange Limited
CAF	Composite Application Form
Directors	Directors on the Board of Restile Ceramics Ltd.
Equity Shareholders	Equity Shareholders of the Company whose name appear as: <ol style="list-style-type: none"> Beneficial Owners as per the list furnished by the depositories in respect of Equity Shares held in electronic form and On the Register of Members of the Company in respect of the Equity Shares held in Physical form
Equity Shares	Equity Shares of the Company of Rs.10/- each
Lead Manager/ LM	Lead Manager to the Issue i.e. Keynote Corporate Services Ltd.
Issue/ Rights Issue	The issue of 4,18,89,511 Equity Shares of Rs.10/- each for cash at par (Issue Price Rs.10/-) per Equity Share on rights basis to existing Equity Shareholders of the Company in the ratio of 26 (twenty six) Equity Share for every 35 (thirty five) Equity Shares held on Friday 19/09/2008 (Record Date) aggregating Rs.4188.95 lacs as per this Letter of Offer.
Issue Price	The price at which the equity shares will be issued by the Company under this Letter of Offer i.e. Rs. 10/- per share
Issuer/ Company/ RCL	Restile Ceramics Ltd.
Letter of Offer/ LOO/ Offer Document	This Letter of Offer dated 19/09/2008 circulated to the Equity Shareholders and filed with the Stock Exchanges containing <i>inter alia</i> the Issue price and the number of equity shares to be issued and other incidental information.

Company Related Terms

Term	Description
AGM	Annual General Meeting.
AOA/ Articles of Association	The Articles of Association of Restile Ceramics Limited
AS	Accounting Standard

Term	Description
Auditors/Statutory Auditors	The Statutory Auditors of Restile Ceramics Limited
Board or Board of Directors	The Board of Directors of Restile Ceramics Limited
BSE	The Bombay Stock Exchange Limited
Companies Act	The Companies Act, 1956, as amended from time to time
CLB	Company Law Board
CDSL	Central Depository Services (India) Limited
Depositories Act	The Depositories Act, 1956, as amended from time to time
Depository	A depository registered under the provisions of SEBI (Depositories and Participants) Regulations, 1996
Depository Participant	A depository participant registered under the provisions of the Depositories Act
DIN	Directors' Identification Number
Director (s)	Directors of Restile Ceramics Limited, unless otherwise specified
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
Equity Share or Shares	Means the Equity Shares of Restile Ceramics Limited having face value of Rs.10/- unless otherwise specified in the context thereof
Equity Shareholder	A holder or collectively all the shareholders holding Equity Shares
HUF	Hindu Undivided Family
IT Act	The Income Tax Act, 1961, as amended from time to time
ITAT	Income Tax Appellate Tribunal
Memorandum/MOA	Memorandum of Association of Restile Ceramics Limited
MoU	Memorandum of Understanding
NR	Non Resident
NRI	Non Resident Indian(s)
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Bodies
PAT	Profit After Tax
RBI	The Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
ROC	Registrar of Companies
Rs/Rupees	Indian Rupees, the legal currency of the Republic of India
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India
SEBI Act,1992	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI DIP Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 read with amendments issued subsequent to that date

ABBREVIATIONS OF GENERAL TERMS

Term	Description
CAF	Composite Application form
Designated Stock exchange	For the purpose of the issue the Designated Stock Exchange is Bombay Stock Exchange
Draft Letter of Offer	This Letter of Offer filed with SEBI for its comments
Issue or rights issue	Issue of 4,18,89,511 equity shares of Rs. 10/- each for cash at a price of Rs. 10/- per equity share aggregating to Rs 4188.95 lakhs on rights

Term	Description
	basis to the existing equity shareholders of the Company in the ratio of twenty six equity share for every thirty five equity share (i.e. 26:35) held as on Friday, 19/09/2008 (Record Date)
Investors	Shall mean the holders of Equity Shares of the Company as on record date i.e. Friday, 19/09/2008 and renounces, who are eligible to apply for and receive the rights entitlement, subject to applicable laws
Letter of Offer	Letter of Offer as filed with the Stock Exchange after incorporating the changes suggested by SEBI
NA	Not Applicable
NRE	Non Resident External Account
NRO	Non-Resident Ordinary Account
Promoters	Mr. Nalinkant Amratlal Rathod, Mr. V.Padamakar and Mrs. Radha Vallury
Record date	Friday , 19/09/2008
Registrars to the Issue or RTA	Sathguru Management Consultants Private Limited
Renouncees	Shall mean the persons who have acquired rights entitlement from Equity shareholders
Rights Entitlement	The number of equity shares that a shareholder is entitled to, on the basis of ratio decided, in proportion to his/her shareholding in the Company as on record date
Stock Exchange	Shall refer to Bombay Stock Exchange Limited where the shares of the Company are presently listed

TECHNICAL AND INDUSTRY RELATED TERMS

Abbreviation	Description
APCPDCL	Andhra Pradesh Central Power Distribution Company Limited
BIFR	Board for Industrial and Financial Reconstruction
CAGR	Compound Annual Growth Rate
DG	Diesel Generator
FEMA	Foreign Exchange Management Act
FIIs	Foreign Institutional Investors
Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
FIPB	Foreign Investment Promotion Board
GAAP	Generally Accepted Accounting Principles
GOI	Government Of India
GIR Number	General Index Registry Number
ICAI	Institute of Chartered Accountants of India
IT Act	Income tax Act, 1961 as amended from time to time
JV	Joint Venture
kV	Kilo Volts
KL	Kilo Litre
KVA	Kilo Volt Ampere
LPG	Liquified Petroleum Gas
MOH	Measure of Hardness
PAN	Permanent Account Number
P/E Ratio	Price Earning Ratio
P&M	Plant and Machinery

Abbreviation	Description
ROE	Return On Equity
R&D	Research and Development
RONW	Return on Net worth
SICA	Sick Industrial Companies Act,1985
US	United States of America

CERTAIN CONVENTIONS: USE OF MARKET DATA

In this Letter of Offer, unless the context otherwise requires, all references to one gender also refers to another gender and the word "Lakh" or "Lac" means "one hundred thousand" and the word "million" means "ten lac" and the word "Crore" means "ten million" and the word "One hundred crore" means "Billion". In this Letter of Offer, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Letter of Offer, all figures have been expressed in Lacs unless otherwise stated. All references to "India" contained in this Letter of Offer are to the Republic of India.

For additional definitions used in this Letter of Offer, see the section "Definitions and Abbreviations" on page i of this Letter of Offer. Industry data used throughout this Letter of Offer has been obtained from industry publications and other authenticated published data. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this Letter of Offer is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent sources.

CURRENCY OF PRESENTATION

All references to "Rupees" or "Rs." are to Indian rupees, the official currency of the Republic of India. One crore is the unit in the Indian numbering system representing 10 million or 100 million or 100 lac and one lac is the unit in the Indian numbering system representing 100,000; thus, for example, Rs.10 crore equals to Rs.100 million.

FORWARD-LOOKING STATEMENTS

This Letter of Offer contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the objectives, plans or goals also are forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about the company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations include, among others:

- a. General economic and business conditions in India;
- b. The ability to successfully implement the strategy, growth and expansion plans and technological changes;
- c. Changes in the value of Rupee and other currency changes;
- d. Changes in the Indian and international interest rates;
- e. Allocations of funds by the Government;
- f. Changes in laws and regulations that apply to the customers of the Company;
- g. Increasing competition in and the conditions of the customers of the Company and
- h. Changes in political conditions in India.

For further discussion of factors that could cause actual results to differ, please see the section titled “Risk Factors” beginning on page no. vii of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Directors, any member of the Lead Manager team nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION I - RISK FACTORS

An investment in equity shares involves a high degree of risk. The investors shall carefully consider all the information in this Letter of Offer, in evaluating the Company and its business, including the risks and uncertainties described below, before making any investment decision. If any of the following risks actually occur, the business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and the investors may lose all or part of their investment.

Unless specified or quantified in the relevant risk factors below, the financial or other implications of any of the risks described in this section cannot be quantified:

Unless specified or quantified in the relevant risk factors mentioned below, the Company is not in a position to ascertain the financial and other implications of any of the risks mentioned below.

INTERNAL RISK FACTORS

1. The Company is involved in legal proceedings, and any unfavorable outcome of the proceedings may adversely impact its business and financial conditions.

The Company is involved in legal proceedings and claims in India in relation to certain matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against them by appellate courts or tribunals, the Company may need to make provisions in its financial statements, which could increase its expenses and current liabilities.

The summary of the cases is as follows:-

Type	Total Number of Cases	Amount	Nature of Case
Cases filed against the Company			
Civil Case	1	Rs.89,00,000/-	Injunction Suit
Sales Tax, Central Excise & Customs	1	Rs. 9,50,877/-	Appeal
Cases filed by the Company			
Civil Case	1	Rs.2,98,148.73/-	Money Recovery Suit
Criminal Case	1	Not quantifiable	Misappropriation of funds
Consumer Cases	2	Rs. 3,21,300/-	Industrial disputes compensation

For more information regarding these legal proceedings, see the section titled “Legal and other information” beginning on page no. 104 of this Letter of Offer.

2. Defaults in payments to institutions:

The company has defaulted in payment of the last instalment of Rs.40.90 lacs towards the OTS to ICICI Bank Limited. The due date for the payment was 27/01/2008 and the same has not been paid till date. The company proposes to make the payment by the month of November 2008. Default in payment of dues to ICICI Bank Ltd. would lead to penalties being imposed for the same.

3. *The Company was declared sick by BIFR in 1998.*

The Company had incurred accumulated losses of Rs. 1199.90 lakhs upto 31/03/1997 and the entire net worth of the Company was eroded on account of inadequate working capital, unhealthy competition and reduction of selling prices as a result of recession in the market along with high interest cost. A reference was made to BIFR on 20/01/1998 under the provisions of Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company was declared a sick unit by BIFR vide its order dated April 20, 1998 under section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. BIFR had sanctioned rehabilitation package in the year 2002 vide their order dated 04/12/2002 and subsequently approved the one time settlement of dues to the financial institutions. The said package had stipulated the promoters to bring additional funds by way of equity. The promoters alongwith other associates have brought in the desired funds. For more details on BIFR, please refer to section titled "History and Corporate Matters" appearing on page no. 59 of this Letter of Offer.

4. *The Company has contingent liabilities, not provided for as on 30/06/2008 that may affect its financial condition.*

The Company has following contingent liabilities not provided for in the books of accounts as on 30/06/2008 and in the event that these contingent liabilities materialize, its financial condition may be adversely affected to that extent:

(Rs. In Lacs)

Particulars	June 30, 2008
Letters of Credit	141.00
Bank Guarantee	41.00
Total	182.00

5. *The Company had negative cash flows for certain periods. Any negative cash flow in future could affect its operations and financial conditions.*

The Company had negative cash flow from various activities, details of which are as under:

(Rs. in lacs)

	June 30, 2008	2007-08	2006-07	2005-06	2004-05	2003-04
Net Cash flow from operating activities	(683.28)	(1426.91)	(807.08)	(177.09)	108.73	182.61
Net Cash flow from investing activities	(645.03)	(2268.88)	(1473.40)	(838.81)	(299.59)	(498.26)
Net Cash flow from financing activities	918.35	4012.02	2542.70	1152.79	186.81	299.94
Total Net Cash flow	(409.96)	316.23	262.22	136.89	(4.05)	(15.71)

The net cash flow of a company is a key indicator to show the extent of cash generated from operations of the company to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If the Company is not able to generate sufficient cash flows, it may adversely affect its business and financial operations.

6. *Increase in costs of raw materials including transportation of the same, fuel and power may adversely affect performance of the Company.*

Cost of raw material including transportation of the same constituted 30.02% of operational income whereas the cost of power and fuel constituted 39.32% of operational income for the FY 2006-07. The Company has not signed any supply agreement for any of its raw materials. Any significant increase in the prices of raw material and its inability to pass on increased costs of raw material to its customers or reduction in demand from its customers, may adversely affect

the sales and profitability. Similarly, any increase in domestic fuel price will result in an increase in the transportation costs which will adversely affect profitability of the Company.

7. *The Company may face risks of delays / non-receipt of the requisite regulatory/statutory approvals or licenses for any of its Objects arising out of the Issue*

The tiles manufacturing industry, being a part of the unorganized sector, is largely an unregulated industry and there are no specific statutes, rules or regulations governing the same. However, the laws relating to customs, sales tax, pollution control, factory and labour related matters are applicable to the company as they are applicable to other manufacturing establishments.

The following are the licenses/ approvals for which the company has already made application for renewal but the same is yet to be renewed:

Sr. No.	Name of the license/ approval/ certificate	Issuing Authority
1.	Consent order for operation bearing No.APPCB/PTN/BLM/154/RO/2003/A/681-1229 The application for the renewal made on 12 th October, 2007.	Andhra Pradesh Pollution Control Board
2.	Shops and establishments renewal certificate	The Asst. Commissioner of Labour Circle II, Hyderabad
3.	License to import and store Petroleum installation for the storage of 25KL of Petroleum Class B bearing license no. P/SC/AP/15/127 (P37167) The application for the renewal made on 30 th November, 2007.	Ministry of Commerce and Industry, Department of Explosives

Any delay in receipt or non-receipt of licenses or approvals that may be required for the existing project and proposed expansions could result in cost and time overrun, and accordingly adversely affecting the operations and profitability. For details, please refer to section titled "Government and Other Approvals" beginning on page 108 of this Letter of Offer.

8. *The Company relies significantly on its sales force and dealers for sale of its products and business growth of the Company depends on its ability to attract additional dealership to its distribution network. If the Company does not succeed in maintaining the stability of its dealership network, its market share may decline, materially affecting the business and financial operations.*

The Company sells its products through its network of 107 dealers across 13 different States. The business growth of the Company depends on its ability to attract additional dealerships to its distribution network. While the Company believes that it has good relations with its distributors and dealers, there is no assurance that its current distributors and dealers will continue to do business with them or that it can continue to attract additional distributors and dealers to its network. If the Company does not succeed in maintaining the stability of its distribution and dealership network, its market share may decline, materially affecting its results of operations and financial condition.

9. *Some of the trademarks of the company are not yet registered. Failure to register Trademarks in the Company's name can harm the Company's operations*

The Company has made applications for the registration of the trademarks which are pending at various stages of registration. The products are known by the trademarks, which are advertised by the Company and if any of the applications which are currently pending before

the registry of trademarks are not accepted, or the Company fails to protect intellectual property rights, it could have a material adverse effect on its business, financial condition and results of operations. The status of various trademarks for which application has been made by the company are as given in the table below. For further details in respect to trademarks, please refer to the paragraph appearing on page no. 55 of this Letter of Offer.

Sr. No.	Trademark	Application No.	Class	Application date	Description of goods	Stage
1.	Granamite	1507358	19	25/05/2006	Building materials-natural and artificial stones-especially tiles including unpolished, matt and rustic surfaces in vitrified and Ceramic tiles.	Examination report received and reply sent.
2.	Pearl rock	1457843	19	24/11/2006	Building Materials-natural and artificial stones-especially tiles	Examination report received and reply sent.

10. *The Company has not obtained any third party appraisals for its projects.*

The funding requirements and deployment of proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. The deployment of funds is entirely at the discretion of Board of Directors of the Company within the parameters as mentioned in the section titled "Objects of the Issue" beginning on page no. 19 of this Letter of Offer and is not subject to any monitoring by any independent agency. All the figures included under the section titled "Objects of the Issue" beginning on page no. 19 of this Letter of Offer are based on Company's own estimates and the quotations that they have received from various suppliers.

11. *The price earning ratio of the company is higher than that of the industry average calculated.*

The industry average price earning (PE) ratio is 5.10 (as per *Capital Market Issue Oct 06 – Oct 19, 2008; Segment- Ceramics tiles/sanitary ware*) and the PE ratio based on the earning per share as on 31st March, 2008 is 200 which is higher than the industry average.

12. *Delay in raising funds from the Issue could adversely impact the implementation schedule*

The expansion of proposed project is funded from the proceeds of this Rights Issue and internal accruals. There is no funding envisaged from any banks/ financial institution. The Company has not identified any alternate source of funding and hence any failure or delay on its part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. Any time overrun or cost overrun may adversely affect its growth plans and profitability.

13. *The Company faces stiff competition from existing and new entities*

The Company operates in a very competitive environment and there are number of challenges which affect the performance of the Company.

- The Company faces stiff competition from existing manufacturers some of whom have greater experience in this market than the Company, which may enable them to react faster to customer requirements than the Company.
- The Company competes with other companies in the marble and granite industry in addition to the companies in the ceramic tile sector. The marble and granite manufacturers pose a different threat and also cater to the higher strata of the society which is the market in which they do not have any presence. The diverse nature of the competition may hamper Company's ability to meet fresh challenges;

The Company's failure / inability to face these challenges or in dealing with them in a cogent manner will lead to erosion in Company's market share and directly affect financial performance and growth prospects.

14. *The institutional segment constitutes a significant portion of total sales of the Company. Any reduction in demand from this segment may affect profitability of the Company.*

The Company caters to the institutional and retail segment with the majority of revenue accruing from sales to the institutional segment. The institutional segment constitutes a significant portion of total sales and the Company believes that this trend will continue. While the margins from the institutional segment are lower than the retail segment as a consequence of bulk discount, the level of consumption is substantially higher. Any reduction in the demand pattern of the institutional buyers may lead to the decrease in the demand for products of the Company, which in turn will substantially affect profitability of the Company.

15. *Any inability to keep pace with the changes in the tile making technology and design patterns of the tiles may adversely affect profitability of the Company.*

Majority of tile making technology is sourced from overseas suppliers. The Company regularly upgrades the existing facilities for new technology as and when required. In the event that they are unable to keep pace with the then prevailing trends, they may not be able to compete effectively which in turn may affect the demand for tiles. The vitrified tiles incorporate the current trends in the design patterns through the association of the company with international design houses and the internal research and development capabilities. If the Company is unable to offer new designs in future or if their designs are not accepted by the market, their results of operations may be affected which in turn would affect profitability of the Company.

16. *The Company has received notices from SEBI alleging violations of Takeover Regulations and non-compliance under regulations 6(2), 6(4) & 8(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.*

One of the promoters of the company viz; Mr. Padmakar Vallury had acquired shares of the company through inter-se transfers amongst the promoter group and from open market during the period November 1998 to June 2000. The interse transfer of the shares was between Mr. PVLN Raju (one of the earlier promoters) and Mr. Padmakar Vallury. There has been a delay/ non-disclosure in making disclosures under Regulation 6(2), 6(4) and 8(3) of the SEBI (SAST) Regulations.

SEBI vide its letter dated November 29, 2004 alleged violations to the reporting requirements under regulations 6(2) and 6(4) for year 1997 and 8(3) for the years 1998, 1999, 2000, 2001 & 2002 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Takeover Regulations"). This letter of the SEBI also referred to the appointment of an adjudicating officer under provisions of the SEBI Act to adjudicate and enquire into such alleged violations. In the said letter, SEBI also stated that it has decided to consider request for a consent order under provisions of section 15 T (2) (b) of the SEBI Act if the Company was willing to pay an amount of Rs. 1,75,000/- as penalty for the alleged violations.

The company had applied to SEBI a consent order application on 04/10/2007 for non-compliance of the issues under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. As per SEBI directions the company attended the Internal Committee Meeting held on 21/05/2008. The company has vide their letter dated 23/05/2008 to SEBI agreed to pay a penalty of Rs.2.50 lacs for the said violations.

17. *No prior approval taken by the company from BIFR for repayment of unsecured loans.*

The company took an interest free unsecured loan of Rs.70 lacs from Mr. Sanjeev Gupta during June 2006 which was repaid in April 2007. However no prior approval from the institutions and BIFR was taken to repay the unsecured loan.

18. *The loan agreements have several restrictive covenants, which could influence its ability to expand, in turn affecting its business and results of operations.*

The Company has entered into agreements for settlement of dues with Institutions – ICICI, IFCI and IDBI dated 27/01/2003, 10/03/2003 and 07/03/2003 respectively – wherein it is stated that the Company shall undertake that the unsecured loans already brought in or to be brought in by the Promoters/APEH shall remain interest free and would not be withdrawn during the rehabilitation period without the prior approval from the Institutions and BIFR.

19. *The Company faces exchange rate fluctuation risk which could adversely impact its financial position.*

The Volatility in Global financial markets may have an adverse impact on the business of the company. The company to make payments in foreign exchange for overseas transactions. During the years 2006-07, 2005-06 and 2004-05 the Company imported Spare Parts and Machinery worth Rs. 456.50 Lakhs, Rs. 541.87 Lakhs and Rs. 38.84 Lakhs respectively and exported finished goods worth Rs. 5.83 Lakhs in 2006-07. In future the Company expects an increase in its dealings in the overseas markets thus increasing its exposure to foreign currency risk. Its inability to hedge this foreign exchange exposure may result in an adverse impact on its financial condition.

20. *The business of the Company depends on its manufacturing facility and the loss of or shutdown of operations of the manufacturing facility on any grounds could adversely affect its business or results of operations.*

The manufacturing facilities are subject to operating risks, such as breakdown or failure of equipment, shortage of raw materials, performance below expected levels of output or efficiency, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect operating results of the Company.

21. *The Company is dependent on its management team for success whose loss could adversely impact its profitability.*

The success of the Company largely depends on the continued services and performance of its management and other key employees. The loss of service of any of Directors and / or other senior management could seriously impair the ability to continue to manage and expand the business efficiently. Further, the loss of any of the senior management or other key personnel may adversely affect the operations, finances and profitability of the Company. Any failure or inability of the Company to efficiently manage its human resources would adversely affect their ability to implement new projects and expand their business.

22. *The Company has entered into certain related party transactions and may continue to do so in the future.*

The Company has given a portion of its office premises on lease to M/s. Java Softech Pvt. Ltd. (JSPL) (formerly known as: Elitser IT Solutions Pvt. Ltd.), a company in which Mr. Nalinkant Amratlal Rathod, Chairman & Managing Director of Restile is a director. The Company has not entered into any lease deed with M/s. JSPL., and JSPL is not paying any rent to the Company. The Company has purchased equipment under short term supplier's credit as well as entered into contracts for services from the relatives of directors and Company in which

promoters have substantial interest. . For details, please refer to “Related Party Transactions” appearing on page no. 92 of this Letter of Offer.

23. *Non-renewal of lease and lease agreements for the Branch Offices could adversely impact its business operations.*

The Company does not own the branch offices at New Delhi, Ahmedabad and Hyderabad details of which are mentioned in the paragraph “Property” appearing on page no. 54 of this Letter of Offer under section titled “Business Overview”. If any of the owners of these premises do not renew the agreements under which the Company is occupying the premises or renew such agreements on terms and conditions favorable to them, the Company may suffer a disruption in its business operations.

24. *Promoter Group companies / entities have incurred losses as per the last three audited financials.*

One of the Promoter Group company viz. Solomed Pte Limited has incurred loss of Rs. 3.11 lacs during the year ended December 2004.

25. *The company has not yet placed orders for machineries of Rs. 270.44 lacs and miscellaneous fixed assets to the tune of Rs. 65.20 lacs proposed to be purchased as a part of the objects of the issue. The company may face time and cost overruns in relation to the same.*

The company has not yet entered into any definite agreements or placed orders for some machinery and miscellaneous fixed assets to be purchased from the issue proceeds. The company is subject to the risks on account of inflation in the price of machinery and other equipment that would be acquired for the project. Further, in respect of the machinery/ equipment/ other project related services that the company proposes to import, the company may be subject to the risks arising out of currency rate fluctuations. These factors may increase the overall cost of the project and have an adverse effect on the business and results of operations.

26. *The company does not have a Company Secretary and the same is not in compliance with Clause 47 of the Listing Agreement and Section 383A of the Companies Act, 1956*

EXTERNAL RISK FACTORS

1. *The business of the company could be adversely affected by any economic, political and social developments in India and particularly in the regional markets where the company operates.*

The performance and growth of the company are dependent on the health of the Indian economy and other economies directly or indirectly. These economies could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization policies, introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that the company will succeed to operate in or succeed in obtaining all requisite regulatory approvals in the future for the operations which could have an adverse impact on the business, financial condition and results of operations.

2. *Regulatory changes may adversely affect the performance or financial conditions of the company.*

Regulatory changes relating to business segments in which the company operates in India can have a bearing on the business. Each state in India has different local taxes and levies which may include value added tax, sales tax and octroi. Changes in these local taxes and levies may impact the profits and profitability. Any negative changes in the regulatory conditions in India

or other geographic markets could adversely affect the business operations or financial conditions.

3. *Instability of economic policies and the political situation in India or elsewhere could adversely affect the fortunes of the industry.*

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations governing the private sector over the past several years.

Unstable internal and international political environment could impact the economic performance in both the short term and the long term. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. The Company's business, and the market price and liquidity of the Equity Shares, may be affected by changes in interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

4. *Force majeure events, terrorist attacks or natural disaster or any other acts of violence or war involving India, or other countries could adversely affect the financial markets, may result in loss of customer confidence and adversely affect the Company's business, results of operations, financial conditions and cash flows.*

Certain force majeure events, being beyond the Company's control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India, or other countries, may adversely affect Indian or worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect business, results of operations and financial condition of the Company. More generally, any of these events could lower confidence in India. Any such event could adversely affect the financial performance or the market price of the Equity Shares of the Company.

NOTES TO RISK FACTORS

1. The Net worth of the Company as on 30/06/2008 is Rs. 8147.86 lakhs and the size of the Issue is Rs. 4188.95 lakhs.
2. The average cost of acquisition of Equity shares of the Promoters is Rs.10/- per share
3. The Book value per share as on 30/06/2008 is Rs. 14.45 per Equity Share.
4. Rights Issue of 4,18,89,511 Equity Shares of Rs 10/- each for cash at a Price of Rs. 10/- Per Equity Share, aggregating Rs. 4188.95 Lakhs on Rights basis to the existing equity shareholder of the Company in the ratio of 26 Equity Shares for every 35 Equity Shares held as on record date.
5. The aggregate amount of Related party transaction entered into by the company for the year ended 30/06/2008 was Rs. 4.01 lacs which was adjusted during the year and the closing balance as on 30/06/2008 was Nil. For details of related party transaction refer to paragraph "Related Party Transactions" appearing on page no. 92 of this Letter of Offer.
6. Investors are free to contact the LM for any complaints/ information/ clarification pertaining to this Issue. For contact details of the LM, please refer to the cover page of this Offer Document.

7. All information shall be made available by the LM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
8. The LM and the Company shall update this Letter of Offer and keep the shareholders/ public informed of any material changes till the listing and trading commencement.
9. Investors are advised to refer to the paragraph on “Basis for Issue Price” on Page 28 of this Offer Document before making and investment in this issue.

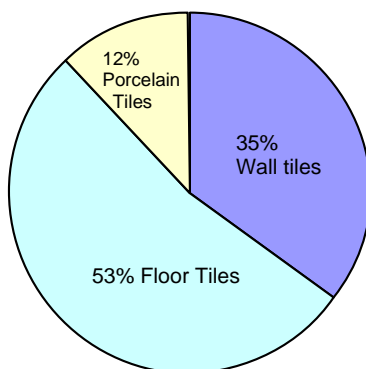
INTRODUCTION

The industry information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials and has not been prepared or independently verified by the Issuer or the Lead Manager.

Industry Overview

Ceramic tiles as a product segment has grown to a sizeable chunk today at 340 Millions Square meters production per annum. However, the potential seems to be great, particularly as the housing sector, retail, IT & BPO sectors have been witnessing an unprecedented boom in recent times. The ceramic tiles sector has been clocking a robust growth of 12-15% consistently over the last few years. Today, India figures in the top 5 countries in the world manufacturing ceramic tiles.

The key drivers for the ceramic tiles in India are the boom in housing sector coupled by government policies fuelling strong growth in housing sector. The retail boom in the Indian economy has also influenced the demand for higher end products. Overall the bullish growth estimates in the Indian economy has significantly influenced the growth of the Indian Ceramic tile industry.



*The market shares for wall, floor and vitrified/ porcelain tiles as on January 2008
(Source: extracts from <http://www.icctas.com/ceramicsindustry.htm>)*

The above pie chart represents the market shares for Wall, Floor & Vitrified/Porcelain tiles as are 35%, 53% and 12% respectively January 2008. The tiles are available in a wide variety of designs, textures and surface effects. They cater to tastes as varied from rustics to contemporary marble designs in super glossy mirror finishes.

Both, traditional methods of manufacturing (tunnel) and the latest single fast firing methods are deployed in manufacturing. Some of the latest trends in manufacturing methods can be seen in India.

The investments in the last five years in the tile industry was approx. Rs 2000 crores. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills, infrastructural facilities despite being fairly capital intensive. A total of over 5,50,000 people are employed in the sector. Out of this, 50,000 people are directly employed and 5,00,000 are indirectly associated. The potential is huge considering the per capita consumption of ceramic tiles in India. Currently it is at 0.30 square meters per person in comparison to over 2 square meters per person for like countries like China, Brazil and Malaysia.

(Source: extracts from <http://www.icctas.com/ceramicindustry.htm>).

Highlights of the ceramic tile industry in India

1. Ceramic Tiles today have become an integral part of home improvement. It can make a huge difference to the way your interiors and outdoors look and express.
2. The Indian tile industry, despite an overall slowdown of the economy, continues to grow at a healthy 15% per annum. (<http://www.icctas.com/ceramicindustry.htm>)
3. Investments in the last 5 years have aggregated over Rs. 2000 crores and production during 2006-07 stood at approx. 340 million sq mts.
4. The Indian tile industry is divided into organized and unorganized sector.
5. The organized sector comprises of approximately 16 units. The current size of the unorganized sector is about Rs 3500 crores
6. The unorganized sector accounts for 55% of the total industry bearing testimony of the attractive returns from this sector. The size of the unorganized sector is approximately Rs 3500 crores.
7. Revenue earning industry - excise mops up over Rs. 350 crores annually from the organized sector itself.
8. India ranks in the top 5 list of countries in terms of tile production in the world.
9. With proper planning and better quality control our exports (presently insignificant) contribution can significantly increase.

(Source: <http://www.icctas.com/ceramicindustry.htm>)

Overview of the Company

The Company was incorporated in the year 1986 for manufacturing of unglazed heavy-duty vitrified tiles in India during the year 1991. The manufacturing plant was set up with the initial capacity of 5,40,000 sq. metres per annum at Malkapur Village, Medak District in the State of Andhra Pradesh and was subsequently increased to 14,40,000 sq. metres per annum in 2002.

In the year 1991, the Company commenced production of premium vitrified tiles, the Company launched two products under the name “**GRANAMITE**” and “**MIRRORSTONE**”. Subsequently another branded vitrified tile was also introduced by the name “**IMPACTA**”. The Company introduced another product in the name of “**PEARLROCK**” in the year 2006. The Company is currently engaged in the manufacture of unglazed Vitrified tiles.

Business Strengths

Proximity to raw material sources and end product

The main raw materials used in production processes comprise, amongst others, ball clay, feldspar, quartz, talc powder, and china clay. These are available in large quantities in Andhra Pradesh and Rajasthan. The Company’s unit is based in Malkapur Village, Medak District, Andhra Pradesh, which is easily accessible by road. The unit is also close to the markets of major cities viz. Hyderabad, Chennai, Mumbai and Bangalore.

Innovation and product excellence

The Company has R&D team comprising of 5 persons headed by Mr. G. Subramanya Shetty who focuses on producing new designs and concepts for tiles. During the year 2006 the R&D team of the Company introduced PearlRock as a new design in the vitrified tiles industry. The Company is now manufacturing large number of colours, designs and size variations of tiles in the Indian tile market.

Efficiency in production processes

The Company uses the latest equipment and technology, constantly monitors the product and productivity and has adopted a policy of constant improvement. In addition, the Company uses Management Information Systems (MIS) tools for operating at optimal efficiency. The trained and experienced manpower has also helped in streamlining the production process and increasing the output by focusing on areas of logistics and materials outsourcing.

Experienced Management Team

The Company has an experienced management team comprising of Promoter Directors and key managerial personnel. One of the Promoter of the Company (Mr. V Padmakar, a promoter since inception) has an average experience of 20 years in this industry. In addition to the Promoters, the Company also has a core management team which assists the top level management in identifying new opportunities and in the implementation of the business strategies of the Company.

Business Strategy

The Company's vision is to prove its existence in the national market and emerge as one of the major player in the ceramic industry specialized in vitrified tiles by offering various innovative products and designs to cater the need of the industry. The business strategy of the company is to focus on:

1. Enhancing Customer Base

The Company intends to grow business continuously by adding new customers both in existing as well as in the new countries. The Company aims to do this by effective leveraging of its marketing skills & relationships and enhancing customer satisfaction.

2. Quality Products

The Company intends to produce the best quality ceramic products, which are readily acceptable. For that, it shall be deploying better technologies in production as well as in R&D Departments. R&D Department will find out better avenues to enhance the quality of its products while at the same time reducing the cost of production.

3. Maintain Operational Efficiencies and Cost Competitiveness

The Company intends to maintain operational efficiencies to levels comparable with its peers in the industry. Further, the Company intends to reduce its operational costs to maintain competitiveness and offer the quality products at reasonable prices.

4. Expansion of the Existing Capacities

The proposed project is a part of business strategy to expand overall production capacity by expanding its capacity to produce vitrified tiles and to meet the increasing and newer demands from customers. The Company also aim to widen the existing products range, which will enable to meet the growing demands of the existing market segments.

SUMMARY OF FINANCIAL STATEMENTS

STATEMENT OF PROFIT AND LOSS ACCOUNT-RESTATED

Rs. in Lakhs

Particulars	June 30,2008	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
INCOME						
Sales (Net of Excise Duty)						
a. Of products manufactured by the Company (Tiles)	592.12	3181.49	2034.84	1148.02	1219.33	1467.40
b. Of products traded in by the Company	0.00	0.00	0.00	0.00	0.00	1.66
c. Total	592.12	3181.49	2034.84	1148.02	1219.33	1469.06
Other Income	4.88	26.83	26.61	33.33	12.19	13.31
Increase / (Decrease) in Inventories	209.57	71.79	284.24	126.03	(22.63)	(9.06)
TOTAL INCOME	806.57	3280.11	2345.69	1307.38	1208.89	1473.31
EXPENDITURE						
Raw Material Consumed	142.71	684.82	610.98	311.46	257.74	335.26
Staff Costs	63.42	402.00	320.13	197.69	192.78	172.42
Other Manufacturing Expenses	286.59	1147.43	948.16	606.04	547.40	527.57
Administration Expenses	71.72	236.21	192.87	157.70	93.62	95.52
Selling and Distribution Expenses	70.46	277.65	216.74	67.27	117.44	148.22
Interest & Financial Charges	71.15	113.66	94.78	63.08	101.56	87.23
Depreciation	69.88	273.64	235.82	144.34	110.40	95.31
Amortization	26.40	105.62	82.69	106.09	0.00	0.00
Total	802.33	3241.03	2702.17	1653.67	1420.94	1461.53
Net Profit/(Loss) before tax and extraordinary items	4.24	39.08	(356.48)	(346.29)	(212.05)	11.78
Taxation						
Deferred tax (expense) / benefit	0.00	0.00	(1.36)	9.21	0.00	0.00
Fringe benefit tax	1.65	8.99	4.82	0.00	0.00	0.00
Net Profit/(Loss) after tax and After Extraordinary items	2.59	30.09	(359.94)	(355.50)	(212.05)	11.78

STATEMENT OF ASSETS AND LIABILITIES - RESTATED

(Rs. In Lakhs)

	Particulars	June 30, 2008	March 31, 2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
A.	Fixed Assets:						
	Gross Block	5529.39	5528.11	5256.77	3870.86	2786.72	2785.16
	Less : Depreciation	1972.89	1903.00	1633.45	1394.34	1249.99	1139.60
	Net Block	3556.50	3625.11	3623.32	2476.52	1536.73	1645.56
	Capital Work in Progress	2465.97	2465.97	626.90	784.46	1029.78	731.75
	Total Fixed Assets	6660.22	6091.08	4250.22	3260.98	2566.51	2377.31
B.	Investments	0.99	0.99	0.00	0.00	0.00	0.00
C.	Current Assets, Loans & Advances						
	Inventories	1275.11	1056.99	912.35	557.32	404.27	454.12
	Sundry Debtors	784.89	858.98	600.39	257.28	225.89	342.95
	Cash and Bank Balances	327.79	737.75	421.52	159.30	22.41	26.46
	Loans and Advances	2690.53	1898.14	505.33	277.87	62.84	74.05
	Total Current Assets	5079.31	4552.85	2439.59	1251.77	715.41	897.58
D.	Total Assets (A+B+C)	11739.53	10643.93	6689.81	4512.75	3281.92	3274.89
E.	Liabilities & Provisions						
	Secured Loans	2441.21	1522.86	1851.65	793.49	1024.00	1189.83
	Unsecured Loans	0.00	0.00	70.00	517.82	0.00	0.00
	Current Liabilities and Provisions	813.20	658.93	737.89	411.51	517.86	477.98
	Deferred Tax	337.26	337.26	337.26	338.62	329.40	342.26
	Total Liabilities & Provisions	3591.67	2519.05	2996.80	2061.44	1871.26	2010.07
F.	Net Worth (D-E)	8147.86	8124.88	3693.01	2451.31	1410.66	1264.82
G.	Represented by Shareholder's Fund :						
	Share Capital	5638.97	5638.97	4262.95	629.82	482.82	482.82
	Share Application Money	3034.79	3034.79	0.01	1700.76	484.98	139.96
H.	Reserves and Surplus	800.57	800.57	800.57	800.57	767.19	767.19
I.	Miscellaneous Expenditure (to the extent not written off or adjusted)	(319.37)	(339.77)	(330.74)	0.00	0.00	0.00
J.	Profit & Loss Account	(1007.10)	(1009.68)	(1039.77)	(679.84)	(324.33)	(125.15)
	Net Worth (G+H-I-J)	8147.86	8124.88	3693.01	2451.31	1410.66	1264.82

NOTES:

Increase in sundry debtors: There has been an increase in the sales of the company from Rs.11.48 crs in March '06 to Rs.20.35 crs in March '07. This has led to a proportionate increase in the sundry debtors.

Increase in share capital: The share capital of the company has increased from Rs.6.30 crs in March '06 to Rs.42.63 crs in March '07. This is due to the fact that under the rehabilitation scheme approved by BIFR, additional funds were brought in by the promoters of the company.

Increase in the secured loans: The Company enhanced its working capital facilities from State Bank of India from Rs. 200 lacs in March '06 to Rs. 400 lacs in March '07. This was necessitated due to an increase in the activities of the company.

The Issue

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Rights Issue	Equity Shares	4,18,89,511	10/-	10/-	Cash

ISSUE BREAKUP

Particulars	No. of Equity Shares
Equity Shares offered (Issue Size)	4,18,89,511 Equity Shares
Entitlement Ratio	The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of 26 (Twenty Six) Equity Shares for every 35 (Thirty Five) Equity Shares held as on the Record Date.
Market Lot	The market lot for the Equity Shares in dematerialized mode is one. In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio ("Consolidated Certificate").
Equity shares outstanding prior to the Issue	5,63,89,728 Equity Shares
Equity shares outstanding after the issue	9,82,79,239 Equity Shares

Use of proceeds:

Please see section titled "Objects of the Issue" on page 19 of this Offer Document

GENERAL INFORMATION

Dear Shareholder(s),

Pursuant to the resolutions passed by the Board of Directors of the Company at its meeting held on 23/07/2006 and the approval of shareholders pursuant to Section 81(1A) of the Companies Act, 1956 on 14/05/2007. It has been decided to make the following offer to the existing equity shareholders of the Company.

Issue of 4,18,89,511 equity shares of Rs. 10/- each for cash at a price of Rs. 10/- per equity share aggregating to Rs. 4188.95 lakhs on rights basis to the existing Equity Shareholders of the Company in the ratio of Twenty Six Equity Shares for every Thirty Five Equity Shares (i.e. 26:35) held as on Friday 19/09/2008 (Record Date).

Registered Office

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

Tel: +91-8458-288772 / 288758;

Fax: +91-8458-288502

Corporate Office

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

Tel: +91 40 2375 4060

Fax: +91 40 2375 66 22

The registration number of the Company is 01-6480 and the CIN is L26931AP1986PLC006480

Address of the Registrar of Companies

The Registrar of Companies,
Block 'A', 2nd Floor, Kendriya Sadan,
Sultan Bazaar, Hyderabad,
Andhra Pradesh- 500 002,

Important

- a. This Issue is applicable to such Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company at the close of business hours on Friday 19/09/2008 (Record Date).
- b. Your attention is drawn to the section on risk factors starting from page no. vii of this Letter of Offer.
- c. Please ensure that you have received the CAF with this Letter of Offer.
- d. Please read the Letter of Offer and the instructions contained herein and in the CAF carefully before filling in the CAFs. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. An application is liable to be rejected for any non compliance of the Letter of Offer or the CAF.

- e. All enquiries in connection with this Letter of Offer or CAFs should be addressed to the Registrar to the Issue, quoting the Registered Folio number/ DP and Client ID number and the CAF numbers as mentioned in the CAFs.
- f. The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of the Letter of Offer with SEBI.
- g. All the legal requirements as applicable till the filing of the Letter of Offer with the Designated Stock Exchange have been complied with.

Changes in the Registered Office of the Company

The registered office of the Company was shifted from 6-3-655/12, 2nd Floor, Civil Supplies Bhavan Lane, Somajiguda, Hyderabad - 500 482, Andhra Pradesh, India to Malkapur Village, Hatnoora Mandal, Medak District, Andhra Pradesh, India with effect from 01/04/1996.

Board of Directors

Name of the Director	Designation	Status
Mr. Nalinkant Amratlal Rathod	Chairman & Managing Director	Non- Independent Executive Director
Mr. Sunderesan Hariharan	Director	Independent Director
Mr. K Rajendra Prasad	Nominee Director (APIDC)	Independent Director
Mr. T.R. Seetha Raman	Director	Independent Director
Mr. Ramachandran N.S.	Director	Independent Director
Mr. Raghavan R.S.	Director	Independent Director

For brief details regarding the Board of Directors please refer to “Management” on page no. 65 of this Letter of Offer.

Issue Management Team

Compliance Officer

Mr. V.V.Chenulu
 Chief Financial Officer
 301 & 302,
 Aditya Trade Centre,
 Aditya Enclave Road, Ameerpet,
 Hyderabad - 500 038
 Tel: +91 40 2375 4060;
 Fax: +91 40 2375 66 22
 Email: rightsissue@restile.com

Legal advisors to the issue

DS ASSOCIATES
 Advocates & Legal Consultants
 103, Elegant Apartments,
 Asif Avenue, Rajbhavan Road,
 Somajiguda, Hyderabad,
 Andhra Pradesh -500 082
 Tel: +91 40 - 6558 5833
 Fax: +91 40 - 6646 2936
 Email : restile@dsassociates.org
 Website : www.dsassociates.org
 Contact Person : Mr. D. Pavan Kumar

Investors can contact the Compliance Officer or the Registrar to the issue in case of any pre-issue or post- issue related problems such as non-receipt of letters of allotment, credit of allotted equity shares in the respective beneficiary account or refund orders, etc.

Lead Manager to the Issue

KEYNOTE

CORPORATE SERVICES LTD

Keynote Corporate Services Limited

4th Floor, Balmer Lawrie Building,
5, J.N. Heredia Marg,
Ballard Estate, Mumbai - 400001
Tel: +91 022 3026600-3
Fax: +91 022 22694323
Email: mbd@keynoteindia.net
Website: www.keynoteindia.net
Contact Person: Ms. Swati Sinha
SEBI Registration Number: INM000003606

Auditors to the Company

M/s. Lalith Prasad & Co.

Chartered Accountants
Flat No 402, Golden Green Apartments
Erramanzil Colony, Hyderabad
Andhra Pradesh - 500 082
Tel: +91 40-23399229
E-mail: lalithca@yahoo.co.uk

Bankers to the issue

Axis Bank Ltd.

Universal Insurance Building,
Sir PM Road, Fort,
Mumbai - 400 001
Tel no: +91- 22- 6610 1031
Fax no: +91- 22- 2283 5785
Contact person: Mr. Avadhoot Joshi

Inter-se allocation of responsibilities

Not Applicable

Credit Rating/ Debenture trustee

This being Rights Issue of Equity Shares, no Credit rating or appointment of Debenture trustee is required.

Monitoring Agency

As the net proceeds of the issue will be less than Rs. 50000.00 Lakhs, appointment of a monitoring agency is not required.

Appraising Entity

Not Applicable

MINIMUM SUBSCRIPTION

Registrars to the Issue



Sathguru Management Consultants Private Limited

Plot No 15, Hindi Nagar Colony,
Panjagutta, Hyderabad - 500 034
Ph: +91 40 2335 0586 / 2335 6975
Fax: +91 40 2335 4042
Email: sta@sathguru.com
Website: www.sathguru.com
Contact Person: Mr. R.Chandrasekhar
SEBI Registration Number: INR 000000536

Bankers to the Company

State Bank of India

Industrial Financial Branch
Somajiguda, Hyderabad
Andhra Pradesh - 5000 082

Canara Bank

Capital Market Service Branch
11, Homji Street, Varma Chambers Building,
Ground Floor, Fort,
Mumbai - 400 001
Tel: +91-22-22692973; Fax: +91-22-22664140
E-mail: mcity2422@canbank.co.in
Contact Person: Mr. T. Muralidharan

- i. If the Company does not receive minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within Fifteen days from the date of closure of the issue.
- ii. If there is delay in the refund of subscription by more than 8 days after the company becomes liable to pay the subscription amount (i.e., Fifteen days after closure of the issue), the company will pay interest for the delayed period, at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

Impersonation

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act which is reproduced below:

“Any person who

- 1. Makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or*
- 2. Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”*

UNDERWRITING/ STANDBY SUPPORT

This issue of equity shares is not being underwritten and/or no standby support is being sought for the said issue.

CAPITAL STRUCTURE OF THE COMPANY

(Rs. In Lacs)

		Aggregate Nominal Value
(A) Authorized Share Capital		
10,00,00,000	Equity shares of Rs. 10/- each	10,000.00
(B) Issued, Subscribed and Paid-up Equity Capital		
5,63,89,728	Equity shares of Rs. 10/- each fully paid up	5,638.97
(C) Present Issue being offered to the Equity Shareholders in terms of this Letter of Offer		
4,18,89,511	Equity Shares of Rs.10/- each fully paid up	4,188.95
(D) Paid up capital after the Issue		
9,82,79,239	Equity shares of Rs.10/- each fully paid up	9,827.92
(E) Share Premium Account		
	Before the Offer	-
	After the Offer	-

Details of Increase in Authorized Share Capital

Date of Resolution	Increased From	Increased To
At Incorporation	-	Rs. 2.00 lacs consisting of 20,000 equity shares of Rs. 10/- each
10/12/1988	Rs. 2.00 lacs consisting of 20,000 equity shares of Rs. 10/- each	Rs. 20.00 lacs consisting of 2,00,000 equity shares of Rs. 10/- each
21/08/1989	Rs. 20.00 lacs consisting of 2,00,000 equity shares of Rs. 10/- each	Rs. 400.00 lacs consisting of 40,00,000 equity shares of Rs. 10/- each
22/09/1990	Rs. 400.00 lacs consisting of 40,00,000 equity shares of Rs. 10/- each	Rs. 700.00 lacs consisting of 70,00,000 equity shares of Rs. 10/- each
12/10/1991	Rs. 700.00 lacs consisting of 70,00,000 equity shares of Rs. 10/- each	Rs. 1,000.00 lacs consisting of 1,00,00,000 equity shares of Rs. 10/- each
22/07/1996	Rs. 1,000.00 lacs consisting of 1,00,00,000 equity shares of Rs. 10/- each	Rs. 1500.00 lacs consisting of 1,50,00,000 equity shares of Rs. 10/- each
28/09/2006	Rs. 1500.00 lacs consisting of 1,50,00,000 equity shares of Rs. 10/- each	Rs. 10,000.00 lacs consisting of 10,00,00,000 equity shares of Rs. 10/- each

NOTES FORMING PART OF TO THE CAPITAL STRUCTURE:

1. Equity Share Capital History of the Company (Capital Build up)

Date of allotment	No. of shares allotted	Face Value (Rs.)	Cumulative no. of shares	Issue Price (Rs.)	Consideration	Nature of Allotment
26/05/1986	20	10/-	20	10/-	Cash	Subscription to Memorandum
05/12/1988	49,000	10/-	49,020	10/-	Cash	Further Allotment to the Promoters and their relatives
16/03/1990	13,83,870	10/-	14,32,890	10/-	Cash	Further Allotment to the Promoters and their relatives
19/03/1991	5,40,288	10/-	19,73,178	10/-	Cash	Further Allotment to the

Date of allotment	No. of shares allotted	Face Value (Rs.)	Cumulative no. of shares	Issue Price (Rs.)	Consideration	Nature of Allotment
						Promoters and their relatives
20/05/1991	1,00,000	10/-	20,73,178	10/-	Cash	Further Allotment to the Promoters and their relatives
24/02/1992	73,69,810	10/-	94,42,988	10/-	Cash	Public Issue
20/06/2003	(75,44,388)*	10/-	18,98,600		Cash	Reduction in the share capital as per the BIFR order
24/08/2003	24,71,900	10/-	43,70,500	10/-	Cash	Allotment pursuant to the BIFR order dated 18/12/2002
04/09/2003	4,57,740	10/-	48,28,240	10/-	Cash	
29/10/2005	14,70,000	10/-	62,98,240	10/-	Cash	
26/10/2006	1,85,37,600	10/-	2,48,35,840	10/-	Cash	Allotment pursuant to the BIFR order dated 28/08/2006
30/01/2007	1,37,14,400	10/-	3,85,50,240	10/-	Cash	
26/02/2007	40,79,250	10/-	4,26,29,490	10/-	Cash	
05/05/2007	1,37,60,238	10/-	5,63,89,728	10/-	Cash	Conversion of FCDs into equity shares

*The company was declared sick on 20/04/98 and ICICI Bank was appointed as the Operating Agency (OA) u/s 17(3) of the Act. Subsequently to rehabilitate the company, a draft rehabilitation scheme (DRS) was circulated by BIFR on 07/10/99.

In the hearing held on 31.01.2000, the Bench noted that the scheme was not acceptable in its present form and the company itself was seeking basic changes in the DRS. The OA was directed that if a one time settlement (OTS) proposal could be worked out, the OA would endorse the modified DRS to the Board.

However, it was noted that there had been significant delay in the making OTS payment to FIs and banks by the company and the DSCR was below 1.33. The OA also noted that no progress in respect of raising of funds to meet the OTS payment to FI's and banks would be feasible. Therefore, the Board vide order dated 15/06/2001 directed for change of management of the company. The OA issued the advertisement for change of management of the company on 05/07/2001 and out of three the two proposals received in response to the advertisement, the proposal of Asia Pacific Equity Holdings Ltd. (APEH) was found acceptable to the secured creditors. Based on this proposal the OA submitted its report to BIFR. BIFR then circulated a draft rehabilitation scheme (DRS) vide its order dated 11/09/2002 u/s 19 of the Act to all concerned.

As per the extracts of the above mentioned BIFR Order and vide resolution passed by the Board of Directors on 20/06/2003, there was a reduction in Equity Share capital of the Company. The Equity share capital of the Company consisting of 94,42,988 equity share of Rs.10/- each were reduced to 18,98,600 Equity Shares of Rs.10/- each.

All the allotments made after the company was declared sick by BIFR are pursuant to the scheme of rehabilitation sanctioned through BIFR order passed under Section 18 of Sick Industrial Companies Act, (SICA) which is exempted under Regulation 3(1)(j)(i) of SEBI (SAST) Regulations. There has not been any acquisition of shares by the promoters which would trigger the SEBI Takeover Code apart from the allotments to the promoters as per the scheme sanctioned by BIFR.

The company had allotted FCDs of Rs.100/- each, with zero coupon, carrying an entitlement to subscribe to an equivalent number of equity shares of Rs.10/- each to the high networth individuals and Overseas Corporate Bodies between October 2006 and February 2007. The persons / companies to whom such allotment was made are not related with the promoters of the issuer company and not "person acting in

concert” as per SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. These FCDs were converted into fully paid equity shares of Rs.10/- each on 05/05/2007.

2. Capital built up of Promoters

Name of the promoter	Date of allotment/ transfer	Consideration	No. of shares of face value Rs.10/-	Issue Price (Rs.)	% to the post issue capital
Mr. Padmakar Vallury	26/05/86	Cash	10	Subscription to the memorandum	0.00
	05/12/88	Cash	10,000	10	0.01
	20/05/91	Cash	50,000	10	0.05
	24/02/92	Cash	4,11,990	10	0.42
	Nov'98	Transfer	47,000	10	0.05
	Mar'99	Transfer	3,01,000	10	0.31
	Aug' 99	Transfer	65,500	10	0.07
	Dec' 99	Transfer	2,89,500	10	0.29
	Jun' 00	Transfer	2,000	10	0.00
	Dec '01	Transfer	72,000	10	0.07
	Holding as on Sep '02		1,24,9000		1.27
Reduction in the share capital pursuant to the BIFR order (Capital reduced to 1/5 th)			2,49,800	10	0.25
	2003	Allotment pursuant to BIFR order	10,004	10	0.01
	Nov' 04	Purchased	49,403	10	0.05
	16/11/04	Sold	1,31,681	10	0.13
Holding in the company as on date			1,77,526		0.18
Ms. Radha Vallury	05/12/88	Cash	4,000	10	0.00
	24/02/92	Cash	1,57,000	10	0.16
Reduction in the share capital pursuant to the BIFR order (Capital reduced to 1/5 th)			32,200		0.03
	16/11/04	Transfer	1,83,497	10	0.19
Holding in the company as on date			2,15,697		0.22
Mr. Nalinkant Rathod	26/10/06	Allotment pursuant to BIFR order dated 28/08/2006	54,39,220	10	5.53
Asia Pacific Investment Holding Ltd.	24/08/03	Allotment pursuant to the BIFR order dated 18/12/2002	24,71,900	10	2.52
	04/09/03		4,57,740	10	0.46
	29/10/05		14,70,000	10	1.50
	26/10/06	Allotment pursuant to the BIFR order dated 28/08/2006	87,15,480	10	8.87
	31/01/07		11,14,000	10	1.13
Holding in the company as on date			1,42,29,120		14.48

3. Promoters Contribution and Lock In

The present issue being a rights issue, provisions of promoters' contribution and lock in are not applicable.

4. Present Rights Issue and the shareholding pattern

Type of Instrument	Ratio	Face Value (Rs.)	No. of shares (Rs.)	Issue price	Consideration
Equity shares	26 : 35	10/-	4,18,89,511	10/-	Cash

Pre and Post issue shareholding pattern of the company assuming full subscription in the Rights Issue is given below:

	Particulars	Total shares	Pre Offer % of holding	Total shares	Post Offer % of holding
A	Shareholding of Promoter and Promoter Group				
A1	Indian				
a.	Individuals/Hindu Undivided family	3,93,223	0.70	6,85,332	0.70
b.	Central government/State Govt.	-	-	-	-
c.	Bodies Corporate	-	-	-	-
d.	Financial Institutions/Banks	-	-	-	-
e.	Any other(Specify)	-	-	-	-
	Sub Total	3,93,223	0.70	6,85,332	0.70
A2	Foreign				
a.	Individuals(Non resident Individuals/Foreign Individuals)	54,39,220	9.65	94,79,784	9.65
b.	Bodies Corporate	3,52,91,670	62.58	6,15,08,340	62.58
c.	Institutions	-	-	-	-
d.	Any other(specify)	-	-	-	-
	Sub total	4,07,30,890	72.23	70,98,8124	72.23
	Total A=A1+A2	4,11,24,113	72.93	7,16,73,456	72.93
B	Public Shareholding				
B1	Institutions				
a.	Mutual Funds/UTI	19,300	0.03	33,638	0.03
b.	Financial institutions/Banks	40	0.00	70	0.00
c.	Central government/State government	-	-	-	-
d.	Venture Capital Funds	-	-	-	-
e.	Insurance Companies	-	-	-	-
f.	Foreign Institutional Investor	-	-	-	-
g.	Foreign Venture Capital investors	-	-	-	-
h.	Any other(specify)- ADR/GDRs	-	-	-	-
	Sub Total	19,340	0.03	33,708	0.03
B2	Non-Institutions				
a.	Bodies Corporate	2,36,691	0.42	4,39,577	0.45

	Particulars	Total shares	Pre Offer % of holding	Total shares	Post Offer % of holding
	Individuals(1)Individual shareholders				
1	Holding nominal share capital upto Rs. 1 lakh	10,01,836	1.78	18,48,882	1.88
2	Holding nominal share Capital in excess of Rs.1 Lakh	2,01,968	0.36	2,96,332	0.30
c.	Any other(specify)-NRI/OCB	1,38,05,780	24.48	2,39,87,276	24.41
	Sub Total	1,52,46,275	27.04	2,65,72,075	27.04
	Total B=B1+B2	1,52,65,615	27.07	2,66,05,783	27.07
	Total A+B	5,63,89,728	100.00	9,82,79,239	100.00
C. Shares held by Custodians etc.					
	Shares held by custodians and against which depository receipts have been issued	-	-	-	-
	Grand Total=A+B+C	5,63,89,728	100.00	9,82,79,239	100.00

The total number of shareholders as on 30/06/2008 in the company is 24,778.

5. The shareholding of the promoter and the promoter group is as detailed below:

Name of the Shareholder	Pre-Issue		Post-Issue	
	No. of Shares	% age of holding	No. of Shares	% age of holding
Promoter				
<i>Indian</i>				
Ms. Radha Vallury	2,15,697	0.38	3,75,929	0.38
Mr. Padmakar Vallury	1,77,526	0.32	3,09,403	0.32
Sub Total (a)	3,93,223	0.70	6,85,332	0.70
<i>Foreign</i>				
Mr.Nalinkant Amrtlal Rathod	54,39,220	9.65	94,79,784	9.65
Sub Total (b)	54,39,220	9.65	94,79,784	9.65
Sub Total (a+b)	58,32,443	10.35	1,01,65,116	10.35
Promoter Group				
<i>Foreign Companies</i>				
Asia Pacific Investment Holdings Limited	1,42,29,120	25.23	2,47,99,324	25.23
Solomed Pte Limited	1,84,12,000	32.65	3,20,89,486	32.65
Radorm Technology Limited	26,50,550	4.70	46,19,530	4.70
Sub Total (c)	3,52,91,670	62.58	6,15,08,340	62.58
Total (a+b+c)	4,11,24,113	72.93	7,16,73,456	72.93

The promoters/ promoter group collectively intend to subscribe to their rights entitlement as well as the entire undersubscribed portion from public shareholders, if any, in this rights issue in full. The promoters/ promoter group and other major shareholders have already brought in an amount of Rs. 3034.80 lacs towards share application money as detailed hereinunder which will be adjusted towards their entitlement and subscription to un-subscribed portion if any by the public shareholders.

Name of the Share Holder	Amount brought in as advance against Share application money (Rs. In lakhs)	Rights entitlement	
		No. of Equity Shares	Amount @ Rs.10/-per share (Rs. In lakhs)
Asia Pacific Investment Holdings Limited	931.91	1,05,70,203	1057.02
Solomed Pte Ltd	1618.39	1,36,77,486	1367.75
Capital Carriers Limited	403.80	56,84,123	568.41
Sri Jaya Incorporated	80.70	8,19,186	81.92
TOTAL	3034.80		

Presuming no subscription is received from other shareholders and the promoters/promoter group subscribing to the entire unsubscribed portion, their shareholding shall increase to 84.47 % of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/promoter group may acquire shares over and above their entitlement in the issue which may result in their shareholding in the company being above their current holding. This subscription and acquisition of additional equity shares by the Promoter/promoter group, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

The promoters/promoter group have confirmed that in case the Rights Issue of the Company is completed with their subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Issue falls below the permissible minimum level as specified in the listing condition or listing agreement, they will make an offer for sale of their holdings so that the public shareholding is raised to the minimum level specified in the listing agreement or in the listing conditions within a period of 3 months, as per the requirements of sub-clause 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto. However, the said clause is not applicable for the Company as the rights issue offered in terms of this Letter of Offer is in pursuance to the revival scheme ordered by the Board for Industrial and Financial Reconstruction (BIFR).

6. Details of the ten largest shareholders of the Company

a. The top 10 shareholders of the Company as on the date of filing of the Letter of Offer are as follows:

Sr. No.	Name of Shareholders	No. of Equity shares held	% age of holding
1.	Solomed Pte Ltd	1,84,12,000	32.65
2.	Asia Pacific Investment Holdings Limited	1,42,29,120	25.23
3.	Capital Carriers Limited	76,51,704	13.57
4.	Mr. Nalinkant Amratlal Rathod	54,39,220	9.65
5.	Radorm Technology Ltd	26,50,550	4.70
6.	Springboard Pacific Enterprise Inc	26,45,960	4.69
7.	Sri Jaya Incorporated	11,02,750	1.96
8.	Ms. Saraswati Kuppuswamy	10,38,700	1.84
9.	Mr. Hariharan Sundaresan	6,61,134	1.17
10.	Ms. Mamta Singh	6,59,990	1.17
	TOTAL	5,44,91,128	96.63

- b. The top ten shareholders as on ten days prior to filing of this Letter of Offer, were as follows:

Sr. No.	Name of Shareholders	No. of Equity shares held	% age of Holding
1.	Solomed Pte Ltd	1,84,12,000	32.65
2.	Asia Pacific Investment Holdings Limited	1,42,29,120	25.23
3.	Capital Carriers Limited	76,51,704	13.57
4.	Mr. Nalinkant Amratlal Rathod	54,39,220	9.65
5.	Radorm Technology Ltd	26,50,550	4.70
6.	Springboard Pacific Enterprise Inc	26,45,960	4.69
7.	Sri Jaya Incorporated	11,02,750	1.96
8.	Ms. Saraswati Kuppuswamy	10,38,700	1.84
9.	Mr. Hariharan Sundaresan	6,61,134	1.17
10.	Ms. Mamta Singh	6,59,990	1.17
	TOTAL	5,44,91,128	96.63

- c. The top ten shareholders as on 2 years prior to the date of filing of this Letter of Offer, were as follows :

Sr. No.	Name of Shareholders	No. of Equity shares held	% age of holding
1.	Asia Pacific Investment Holdings Limited	29,29,640	60.67
2.	Ms. Radha Vallury	2,15,697	4.47
3.	Mr. Padmakar Vallury	1,77,526	3.68
4.	Andhra Pradesh Indl Dev Corp. Limited	1,00,000	2.07
5.	Hi Tech Trades Pvt Ltd	70,000	1.45
6.	Mr. Chirayush Pravin Vakil	25,510	0.53
7.	Akarsh Holdings Ltd	22,960	0.48
8.	Ms. S. Sangeetha	10,020	0.21
9.	Manibhai Babarbai Patel	9,280	0.19
10.	Mr. Sudhakar Damle	6,498	0.13
	TOTAL	35,67,131	73.88

7. There have been no transactions in the securities of the Company during preceding 6 months, which were financed / undertaken directly or indirectly by the promoters, promoter group and directors of the promoter group companies.
8. There are no partly paid up Equity Shares as on the date of filing of Letter of Offer with SEBI.
9. The details of the shares, which are locked in till the implementation of the BIFR Scheme is as under:

Sr. no	Name of the Shareholder	Number of Shares	% of Holding
1	Mr. Nalinkant Amratlal Rathod	54,39,220	9.65
2	Asia Pacific Investment Holdings Ltd	1,42,29,120	25.23
3	Solomed Pte Ltd	1,84,12,000	32.65
4	Radorm Technology Ltd	26,50,550	4.70
5	Ms. Saraswati Kuppuswami	10,38,700	1.84
6	Capital Carriers Limited	76,51,704	13.57
7	Sri Jaya Incorporated	11,02,750	1.96
8	Mr. Hariharan Sundaresan	6,61,134	1.17
9	Springboard Pacific Enterprise Inc	26,45,960	4.69
10	Ms. Mamta Singh	6,59,990	1.17
	TOTAL	5,44,91,128	96.63

10. The Equity Shares offered through this Issue shall be made fully paid-up or may be forfeited within twelve months from the date of allotment.
11. On the date of filing the Letter of Offer with SEBI, there are no outstanding financial instruments or any other rights, which would entitle the existing Promoters or shareholders, or any other person any option to receive equity shares after the Offer.
12. No further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner will be made by the Company during the period commencing from submission of the Letter of Offer with SEBI till the equity shares referred to in this Letter of Offer have been fully paid up and shares are listed or application money is refunded in case of failure of the Offer.
13. The Company presently does not have any intention or consideration to alter its capital structure for a period of six months from date of opening of the Offer, by way of split /consolidation of the denomination of Equity shares or further issue of Equity shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise. However, during such period or a later date, it may issue Equity Shares pursuant to the plan or issue Equity shares or securities linked to equity shares to finance an acquisition, merger or joint venture or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by its Board of Directors to be in the interest of the Company.
14. The Promoters and Directors of the Company and Lead Manager of the Offer have not entered into any "Buyback" or "Standby" or similar arrangement for the purchase of Equity Shares offered through the Letter of Offer.
15. The Company has not raised any bridge loans to be paid off from the proceeds of this Offer.
16. At any given point of time there shall be only one denomination for a class of Equity Shares of the Company, unless otherwise permitted by law and the Company shall comply with disclosures and accounting norms as may be specified by SEBI from time to time. The equity shares of the company are of face value of Rs. 10/- each. The marketable lot is 1 (one).
17. The company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

Objects of the Issue

The Company has its manufacturing unit for unglazed vitrified tiles at Malkapur Village, Narsapur Taluk, Medak District, Andhra Pradesh with an installed capacity of 4000 sq. mtrs. per day. The company proposes to increase the existing capacity to 14,40,000 sq. mtrs per annum.

Main Objects of the Issue:

- a) To increase the existing plant capacity of tiles
- b) To meet the margin money requirement for working capital
- c) To meet the Issue Expenses

The main object clause and the objects incidental or ancillary to the main objects clause of the Memorandum of Association; enable the Company to undertake the existing activity and the activities for which the funds are being raised by the Company in the Rights Issue.

Cost of Project:

On the basis of quotations received and the management's estimate, the requirement of the funds is as follows:

Particulars	Amount (Rs. In Lakhs)
1. To increase the existing capacity	
1a. Cost of Building ,civil works and utilities	1378.41
1b. Cost of Plant & machinery	4087.56
1c. Miscellaneous Fixed Assets and Other costs	65.20
2. Working Capital Margin	265.00
3. Issue Expenses	60.00
Total Cost	5856.17

Appraisal

The project has not been appraised by any banks/financial institutions.

Means of Finance:

The Company proposes to meet the above funds requirements through the following:

Particulars	Amount (Rs. In Lakhs)
Rights issue of Equity Shares	4188.95
Internal accruals	1667.22
Total	5856.17

The issue is pursuant to the BIFR order dated August 22, 2006 allowing the company to make a Rights Issue of Rs.4200 lacs.

Details of Utilization of the funds

1. To increase the existing capacity

The Company proposes to increase the existing capacity for manufacturing unglazed full body vitrified tiles from 14,40,000 sq. mtrs p.a. to 35,00,000 sq. mtrs p.a. The proposed expansion has already commenced at the existing land available at Malkapur Plant and the Company does not require any additional land for commencing the operations with increased capacities. The details of other cost are as under:-

1a. Building and civil works

The expansion of the Vitrified tiles facility will require extension of the existing building of the main plant. This extension would require construction of certain structures having a built-up area of approximately 12,000 sq. mts. The company has appointed M/s. Sunil Constructions as Consultants for the civil construction work for the expansion. As per the estimates received regarding the civil constructions, the estimated cost will be Rs. 1378.41 lakhs, details of which are as under:

S. No	Particulars of Construction	Name of Builder/ Constructor	Date of Quotations/ Pos	Total Cost (In Rs Lakhs)
1	Press & Kiln Building	HRH Constructions Pvt Ltd S.L.Engineers Indian Electric Company	11.10.2007 27.09.2007 10.09.2007	370.10
2	Finished Good Storage shed, WIP and Equipment	Godrej & Boyce Manufacturing Co. Limited HRH Constructions Pvt Ltd S.L.Engineers Indian Electric Company	20.10.2007 20.10.2007 11.10.2007 27.09.2007 10.09.2007	628.79
3	Roads and drains	HRH Constructions Pvt Ltd	11.10.2007	104.00
4	Compound walls and			33.75
5	barbed wire			2.00
6	Gardening works Land Development Works			2.00
7	Canteen & civic amenities	HRH Constructions Pvt Ltd Anand Electricals SL Engineers Indian Electric Company	October 11, 2007 September 14, 2007 RCL/SSE/Sc/07-08 dated September 27, 2007 Dated September 10, 2007	63.55
8	Utilities, LPG Bullet, Unloading Equipment	SL Engineers	RCL/SSE/Sc/07-08 dated September 27, 2007	25.00
9	Utilities: Transformer 2500 KVA including VCB	Endura Controls & Automation Pvt Ltd	Q-ECA/ RCL/SV/O-101/07-08 dated October 22, 2007	44.91

S. No	Particulars of Construction	Name of Builder/ Constructor	Date of Quotations/ Pos	Total Cost (In Rs Lakhs)
		HRH Constructions Pvt Ltd SL Engineers Indian Electrical Company	dated October 11, 2007 Qout No. RCL/SSE/Sc/07-08 dated September 27, 2007 dated September 10,2007	
10	Utilities :DG 625 KVA	Jaksons Limited HRH Constructions Pvt Ltd SL Engineers Indian Electrical Company	JLQ/07-08/8341/R1 dated October 22, 2007 dated October 11,2007 Qout No. RCL/SSE/Sc/07-08 dated September 27, 2007 dated September 10,2007	51.64
11	Utilities:Air compressor	Airospares & Equipments HRH Constructions Pvt Ltd SL Engineers Indian Electric Company	RVS/ AIF/052A dated October 19, 2007 dated September 27,2007 Qout No. RCL/SSE/Sc/07-08 dated September 27, 2007 dated September 10,2007	25.68
12	Utilities: Dust collection System	Alagappa Engineering Company	20.09.2007	26.99
	Total			1378.41

1b. Plant and Machinery

The main plant and machinery required for the expansion will consist of preparatory machines, Hydraulic Press, Drier, Roller Kiln, Polishing and Squaring Machine together with loading and unloading machines for which orders have already been placed. The estimated cost of plant and machinery including transportation has been estimated around Rs. 4087.56 lakhs, details of which are as under:

The machinery for which orders have been placed is as under:

S. No	Date of quotation	Particulars of Plant & machinery	Name of Supplier	Units	Total Cost (Rs. In Lakhs)	Status
1	CPIN 06239 Dt. 17.11.2006	Slip Preparation and Storage	Sacmi Imola S.C., Italy	1	162.25	Machineries already delivered to the company
2	CPIN 06239 Dt. 17.11.2006	Hydraulic Press & Drier	Sacmi, Italy Sacmi , Hongkong Limited, Hongkong	1	668.96	
3	CPIN 06239 Dt. 17.11.2006	Technology Tower & Powder Feeding	Sacmi, Italy	1	235.19	
4	CPIN 06239 Dt. 17.11.2006, HK 206 C007 Dt.31.05.07	Roller Kiln & Tile Handling	Sacmi, Italy Sacmi , Hongkong Limited, Hongkong	1	653.78	
5	CPIN 06239 Dt. 17.11.2006	Technical Know-how & Assistance	Sacmi, Italy	1	268.40	
6.	RCL/PRJ/ Dt 21.05.05	Spray Drier	Asia Pacific Investment Holdings Ltd. Singapore.	1	366.22	
7.	PRJ/L3/128 Dt.03.09.07	FDS Tooling and accessories	FDS Ettmar SPA Italy	1	80.03	
8.	PRJ/L3/140 Dt.10.09.07	Grinding Equipment	Modena Machinery,Hongkong	2	194.90	
9	PRJ/L3/190 Dt.20.10.07	Silos	SL Engineers	1 Set(24 No's)	29.09	
10	PRJ/L3/338 Dt.01.01.08	Lab equipment	Gabtech Srl,Italy			
11	PRJ/L3/097 Dt.07.05.07 PRJ/L3/215 Dt.20.06.07 PRJ/L3/269 Dt.21.01.08 PRJ/L3/439 Dt.11.02.08 PRJ/L3/510 Dt. 05.03.08	Electrical Distribution and change over Panels	Indian Electric Company	1	19.26	

S. No	Date of quotation	Particulars of Plant & machinery	Name of Supplier	Units	Total Cost (Rs. In Lakhs)	Status
	PRJ/139 Dt.09.09.07	Lab Equipment	Advanced Graphic Systems,Mumbai	1	8.5	
	PRJ/L3/190 Dt.20.10.07	Silos	Belcosys Technologies Pvt.Ltd	1 Set (24 No's)	202.90	Machineries already delivered to the company
9.	PRJ/L3/269 Dt.04.12.07	Glaze Lined Soluble salts Equipment	Foshan New King,China	1	121.62	Machinery Under Customs clearance
	PRJ/L3/336 Dt.31.12.07 PRJ/L3/335 Dt. 31.12.07	Polishing Machine	Foshan Sunrise Economic & trade Co.Ltd, China		313.03	
	PRJ/L3/304 Dt.18.12.07	Glaze Lined Soluble Salts Equipment	Sanshui Konven trading Co Ltd of Foshan , China	1	60.26	
13.	PRJ/L3/139 Dt.09.09.07	Tile Cutting Machine	Foshan Yogshengda Ceramic Machinery Co., Ltd., China	1	18.24	Awaited
	PRJ/L3/126 Dt.03.09.07	Spray drier Italy Make	Mojj Engineering,Pune	1	169.84	Awaited
14	PRJ/L3/339 Dt.01.01.08.	Lab Equipment	Nannetti Antonio Sauro, Italy	1	51.80	Awaited
	PRJ/L3/337D t.03.01.08		Kexinda Enterprise China			
16	PRJ/L3/276 Dt.06.12.07 PRJ/L3/275 Dt.06.12.07	Conveying Systems	Bevcoon Wayors Pvt ltd, Hyderabad	3	150.22	Awaited
	PRJ/L3/247 Dt.22.07.08	Sizing Machine	Kexindia Enterprise, China	1	37.32	Awaited
	PRJ/L3/261 Dt.26.08.08	Packing Machine	Good Will Engineering Stores	1	5.31	Awaited
	PRJ/L3/190 Dt.20.10.07	Silos	Belcosys Technologies Pvt.Ltd	1 Set (24 No's)	202.90	45 days
		TOTAL			3817.12	

Details of Plant and machinery for which orders have yet to be placed are as under :

S. No	Po.No/ Date	Particulars of Plant & machinery	Units	Name of the Supplier	Total Cost (Rs. In Lakhs)
1.	QTN 516/6 Dt. 30.10.06	FDS tooling and accessories	1	FDS ETTMAR S.P.A,Italy	32.91
2.		Tile Splitting Line	1	KEDA Industrial Co. Ltd.	122.49
3.	1 PA 12038 Dt 27.12.06	Box Feeder	1	IPA Pvt.Ltd	32.13
4.		Vats near Spray drier	1	Goodwill Engineering Stores	82.91
		Total			270.44

1c. Miscellaneous Fixed Assets and Other costs

The details of miscellaneous fixed assets and other costs wherein the company is yet to place orders are as under :

S. No	Po.No/ Date Quotation No	Particulars of Miscellaneous Assets	Name of Supplier	Units	Total Cost (Rs. In Lakhs)
1	QTN 10945/Dt 11/04/07	Office equipment	S.V Electronics Uttam Furniture	1	3.20
2	PRJ/L3/497 Dt. 03.03.08	Water tank, sump and toilets	OM Vinayaka	1	30.00
3		Security gadgets		1	2.00
4		APSEB costs for 4000 KVA	APSEB-Deposit	1	30.00
			Total		65.20

2. Working capital Margin

The Company is at present having existing sanctioned fund based and non-fund based limits of Rs 400 Lakhs and Rs. 250 lakhs respectively from State Bank of India, Somajiguda-Hyderabad. These limits and Company's internal resources are adequate to meet its existing requirement for working capital. However, the Company will utilize a part of the net proceeds of the issue to meet its margin money for working capital requirements arising out of its proposed expansion.

The details of working capital estimates are as under:

Year ended March 31, 2009	Holding Period in days	Amount(Rs. In Lakhs)
Raw Materials	15	80.00
Stocks in Process	7	50.00
Finished Goods	15	325.00
Total Inventories		455.00
Receivables	30	725.00
Other current assets		50.00
Total current Assets		1230.00
Less: Creditors	30	175.00
Net Working Capital requirement		1055.00
Funding Pattern		
Bank facilities already sanctioned		400.00
Additional facilities from bank (proposed)		390.00
Balance to be met out of the proceeds of the issue		265.00

The company shall apply for sanction of additional facilities to the bank at an appropriate time and foresee no difficulties in obtaining the same.

3. Issue Expenses

The expense for this issue includes Issue Management fees, Registrar fees, printing and distribution expenses, legal fees, advertisement expenses, stamp duty, depository charges and listing fees to the Stock Exchanges among others. The total expenses for this issue are estimated not to exceed Rs. 60.00 Lakhs.

The break-up of the same is as follows:

Particulars	Rs. In lacs
Fees to Lead Managers, Legal advisors, Registrar and Auditors	30.00
Printing, Postage, Stationery, Advertisement and Misc. Expenses	30.00
Total	60.00

Schedule of Implementation

Activity	Commencement	Completion
Building & Civil Construction	April 2007	November 2008
Plant & machinery	February 2006	November 2008
Miscellaneous Fixed Assets and Other costs	June 2007	November 2008

Year wise break up of funds to be deployed:

Rs. in Lakhs

Activity	Funds Deployed during 2007 -08	Funds to be Deployed during 2008-09	Total
1 Building & Civil Works	1209.17	857.67	1378.41
2 Plant and Machinery	3391.54	1483.47	4087.56
3 Misc. fixed assets		65.20	65.20
Total	4600.71	2406.34	5531.17

Funds Deployed Till Date and the Sources of Funds Deployed

As per the certificate dated August 31, 2008 issued by **M/s. Lalith Prasad & Co.,** Chartered Accountants the Company has spent Rs. 4600.71 lakhs upto August 31, 2008 on the expansion project. The details of the amount spent are as follows:

Particulars	Amount (Rs. In Lacs)
Building & Civil Works	1209.17
Plant & Machinery	3391.54
Total	4600.71
Sources of funds deployed	
Advance share application money received against rights issue	3034.79
Internal Resources	1565.92
Total	4600.71

An amount of Rs. 2020.00 lakhs was received as share application money as on 30.09.2007 and the share application money received as on 31.01.2008 was Rs.3034.79 lakhs out of which an amount of Rs.2082.64 lakhs was spent as on 31.01.2008 on the expansion project.

An amount of Rs.3034.79 lakhs has been received from the following share holders:

Name of the Share Holder	Amount Received (Rs. In lakhs)	No. of Equity Shares of Rs.10/- each @ par
Asia Pacific Investment Holdings Limited	931.91	93,19,100
Solomed Pte Ltd	1618.39	1,61,83,900
Capital Carriers Limited	403.80	40,38,000
Sri Jaya Incorporated	80.70	8,07,000
TOTAL	3034.80	

The money brought already brought in by the promoters towards the share application money will be adjusted against the shares allotted in the rights issue.

Interim Use of Proceeds

Pending use of funds as described above, the company intends to invest the proceeds of the issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorized by the Board of Directors of the Company or a duly authorized committee thereof. The Company may also use the same to fund its existing working capital requirement on a temporary basis.

Monitoring Of Utilization of Funds

There is no requirement for a monitoring agency in terms of clause 8.17 of the SEBI (DIP) Guidelines. The audit committee appointed by the Board of Directors will monitor utilization of Issue Proceeds. The Company will disclose the utilization of the proceeds of the Issue under a separate head in the Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. The Company will also, in the Balance Sheet, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

BASIS FOR ISSUE PRICE

The Equity shares now being offered on rights basis are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of association of the Company, the approvals from the Government of India , FIPB and RBI, if applicable, the Provisions of the Companies Act, FEMA, Guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for issue of capital and for listing of securities issued by the Government of India and/or other statutory authorities and bodies from time to time, listing agreement entered into by the company with the Stock Exchanges, terms and conditions as stipulated in the allotment advise.

Qualitative Factors:

a) Diversified Product Range

Within a few years of the presence in the Industry, the company has developed a diversified product range of Fully Vitrified Unglazed and Polished Monolithic Ceramic floor and wall tiles in smooth; rough as well as Mirror Polished finishes. Each of these categories of tiles are available in different shades, patterns and sizes suiting to the requirements of various categories of customers. The company manufactures floor tiles and availing the economies of scale is able to give more options to the customers to choose and finalize his selection according to their specific requirements ad budget.

b) Design capabilities

Design is a vital factor of Vitrified Ceramic Tiles Industry. The Company's capability to distinguish and stay abreast of evolving market trends that meet with customers' requirements allows us to enhance the company's market share with existing buyers and develop new customers. This is possible due to the in-house design and screen making department.

c) Timely Delivery

Meeting customer deadlines on a regular basis is crucial for success of the business. Activities involved during construction are time bound and any delay in meeting these deadlines results in consequential losses, hence the company has tie-ups with the fleet of trucks which ensures timely delivery of the tiles at any desired location all over the country.

d) Capabilities to manage multiple and large orders

The company's customers include corporate houses, institutional buyers, builders, architects, developers, etc who typically place large and multiple orders. Such large and multiple orders require capabilities to manage complex sourcing, production planning, large workforce and ability to ensure timely delivery to the customers. Within a short span, the company has developed skills to manage multiple and large orders, and today the company is serving to large number of clients nationally. The company's ability to manage multiple and large orders has helped in getting repeat orders for its products.

e) Marketing strategy

The company follows direct marketing through the sales force and dealer networks. The sales personnel approach directly to the large end users which include corporate houses, institutional buyers, builders, developers, etc. They create the long-term relations with the direct end users, which enhances the brand value. The wholesale market of the products of the compahy comprise of dealers and distributors who stock the products for distribution to ultimate consumers.

f) Technology

The existing plant located at Malkhapur Village comprises of imported machines from Italy and China. These imported machines give us better production efficiencies. The company intends to continue the same trend even for the proposed manufacturing facility expansion.

Quantitative Factors:**1. Adjusted Earning Per Share**

Period	Earning Per Share (Rs.)	Weight
FY 2005-06	(6.53)	1
FY 2006-07	(2.14)	2
FY 2007-08	0.05	3
Weighted Average	(1.78)	

- (i) Net Profit as adjusted as appearing in the summary statements of Profits and Losses has been considered for computing the above ratios.
- (ii) Earnings Per Share Calculation has been done in accordance with Accounting Standard 20- "Earning Per Share "issued by ICAI.

2. Price /Earning (P/E) ratio in relation to the Issue Price of Rs. 10

Based on the Adjusted EPS for the year ended 31/03/2008 : 200

Industry P/E*

The Company is into Ceramic Industry and therefore the comparable P/E multiples of the companies have been included hereunder to the extent similar in business.

Highest (Kajaria Ceramics Limited)	16.60
Lowest (Decolight Ceramics Limited)	2.60
Average	5.10

(Source: : Capital Market Issue Oct 06 – Oct 19, 2008; Segment- Ceramics tiles/sanitary ware)

3. Return on Net Worth (RONW)

Year	RONW %	Weight
2005-06	(47.37)	1
2006-07	(9.75)	2
2007-08	0.47	3
Weighted Average	(10.91)	

4. Minimum RONW required maintaining pre-issue weighted average EPS of Rs. (1.78) is (14.28)%

5. Net Asset Value Per Share (NAV)

Particulars	Adjusted NAV
As at March 31, 2008	Rs. 14.75
After the Issue	Rs. 12.53

6. Comparison with Industry Peers

The Company is in the Ceramic Industry, therefore the comparable ratios of companies in the ceramic Industry have been included hereunder to the extent similar in business.

Company Name	Face Value Per Equity Share (Rs)	Equity (Rs. in Crs.)	Book Value	Net Profit For 31/03/2008 (Rs. in Crs.)	EPS	Market price as on 14/10/08	P/E Ratio at the market price as on 14/10/2008
Asian Granito	10/-	21.06	74.70	26.50	12.60	33.20	2.63
Decolight Ceramics	10/-	18.34	40.00	8.80	4.80	10.56	2.20
Cera Sanitary	5/-	3.09	94.50	10.10	16.00	80.45	5.02
Kajaria Ceramics	2/-	14.72	21.0	15.0	2.00	29.90	14.95
Murudeshwar Ceramics Ltd.	10/-	17.51	153.20	26.60	15.20	30.00	1.97
Nitco Tiles Ltd.	10/-	32.12	154.70	51.00	15.90	60.65	3.81
Orient Ceramics & Industries Ltd.	10/-	10.53	45.60	2.50	2.30	19.00	8.26

(Source: : Capital Market Issue Oct 06 – Oct 19, 2008; Segment- Ceramics tiles/sanitary ware)

The face value of Equity Share of Restile Ceramics Limited is Rs. 10 and the Issue Price is Rs. 10 per Equity Share i.e. one time of the face value.

The Lead Manager believes that the issue price of Rs. 10/- per share is justified in view of the above qualitative and quantitative factors. Please refer to the section titled “Risk Factors” and “Financial Statements” beginning on page no. vii and 81 of this Letter of Offer, including important profitability and return ratios, as set out in the Auditors Report beginning on page no. 81, for further information

Statement of Tax Benefits

STATEMENT OF POSSIBLE GENERAL TAX BENEFITS AVAILABLE TO RESTILE CERAMICS LIMITED AND TO ITS SHAREHOLDERS

January 31st, 2008

The Board of Directors
Restile Ceramics Limited
Hyderabad

Dear Sirs,

Opinion on Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to Restile Ceramics Limited ("Company") and its shareholders under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance whether:

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been or would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Restile Ceramics Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Thanking you,
Yours faithfully,

For Lalith Prasad & Co
Chartered Accountants

Sd/-
(S Lalith Prasad)
Proprietor
M.No.23665

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO RESTILE CERAMICS LIMITED AND TO ITS SHAREHOLDERS

The Auditors of the Company, M/s. Lalith Prasad And Co., Chartered Accountants have advised the company vide their letter dated January 31, 2008 that under the current direct tax law, the following tax benefits *inter alia* will be available to the company and the shareholders of the company. A shareholder is advised to consider in his own case the tax implication of an investment in the shares. The statement of the benefits certificate from the Auditor of the Company is reproduced as below:

(I) SPECIAL TAX BENEFIT AVAILABLE TO THE RESTILE CERAMICS LIMITED AND ITS SHAREHOLDERS:

The company does not enjoy any "Special Tax Benefits". All the benefits as mentioned in the statement are as per the current tax laws amended by the Finance Act, 2007 and will be available only to the sole/ first named holder in case the shares are held by joint holders.

(II) GENERAL TAX BENEFITS AVAILABLE TO RESTILE CERAMICS LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS**1. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT"):**

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 Dividends exempt under Section 10(34)

As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is exempt from tax.

1.2 Income from units of Mutual Funds exempt under Section 10(35)

As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or Income received in respect of units from the Administrator of the specified undertaking; or Income received in respect of units from the specified company

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a company as referred to in section 2(h) of the said Act.

1.3 Computation of capital gains

1.3.1 As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

For this purpose, "Equity Oriented Fund" means a fund -

- a. where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and
- b. which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

1.3.2 As per the section 115JB, the Company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating "book profits" under the provisions of section 115JB of the Act and will be required to pay Minimum Alternate Tax @ 11.33% (including surcharge of 10%; education cess of 2% and 1% secondary and higher education cess on the overall tax) of the book profits determined.

1.3.3 As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge, education cess and secondary and higher education cess) without indexation benefits, at the option of the Company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

1.3.4 As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

Provided that the investment made on or after the 1st day of April, 2007 in the long-term specified asset by the assessee during any financial year does not exceed fifty lakh rupees.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

(i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or

(ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

1.3.5 As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

II Benefits to the Resident Shareholders of the Company under the Income-Tax Act, 1961:

2.1 Dividends exempt under Section 10(34)

As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.

2.2 Computation of capital gains

2.2.1 As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

2.2.2 As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profits and Gains of Business or Profession" for such amount paid on account of securities transaction tax.

2.2.3 As per section 112 of the Act, if the shares of the Company are listed on a recognised stock exchange, taxable long term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and secondary and higher education cess) without indexation benefits, whichever is less.

2.2.4 As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

Provided that the investment made on or after the 1st day of April, 2007 in the long-term specified asset by the assessee during any financial year does not exceed fifty lakh rupees.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

2.2.5 As per section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of a residential house property within a period of three years after the date of transfer.

2.2.6 As per section 111A of the Act, short term capital gains arising to the shareholder from the sale of equity shares of the Company transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

III Non-Resident Indians/Non Resident Shareholders (Other than FIIs and Foreign Venture Capital Investors).

3.1 Dividends exempt under Section 10(34)

As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.

3.2 Computation of capital gains

3.2.1 As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.

3.2.2 As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits & Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section.

No deduction will be allowed in computing the income chargeable to tax as "capital gains" or under the head "Profit and gains of Business or Profession" for such amount paid on account of securities transaction tax.

3.2.3 As per section 54E of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

Provided that the investment made on or after the 1st day of April, 2007 in the long-term specified asset by the assessee during any financial year does not exceed fifty lakh rupees.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

3.2.4 As per section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before or two years after the date on

which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

3.2.5 Under section 115-I of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:

(i) As per 115E of the Act, capital gains arising to the non-resident on transfer of shares other than specified assets held for a period exceeding 12 months, shall (in cases not covered under section 10(38) of the Act) be concessionaly taxed at the flat rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess) (without indexation benefit but with protection against foreign exchange fluctuation).

(ii) As per section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

(iii) As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

(iv) As per section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income, for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

3.2.6 The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

IV Foreign Institutional Investors (FIIs)

4.1 Dividends exempt under Section 10(34)

a. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.

4.2 Computation of capital gains

4.2.1 As per section 10(38) of the Act, long term capital gains arising to the FIIs from the transfer of a long term capital asset being an equity share in the Company where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.

4.2.2 As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the Section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Short Term Capital Gain covered by Section 111A	10
Any other short-term capital gain	30
Long Term Capital Gain	10
Other income (not applicable in the case of dividends referred to in section 115-O)	20

The above tax rates have to be increased by the applicable surcharge, education cess and secondary and higher education cess.

4.2.3 In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

4.2.4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

Provided that the investment made on or after the 1st day of April, 2007 in the long-term specified asset by the assessee during any financial year does not exceed fifty lakh rupees.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988 or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.

4.2.5 The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

V Venture Capital Companies/Funds

As per section 10(23FB) of the Act, all venture capital companies/funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the Company. However income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

VI Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds setup by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt

from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

VII Benefits to shareholders of the Company under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

VIII Benefits to shareholders of the Company under the Gift Tax Act, 1958.

Gift made after 1st October 1998 is not liable for gift tax, and hence, gift of shares of the Company would not be liable for gift tax.

IX. Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

Notes:

- (i) All the above benefits are as per the current tax laws.
- (ii) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investments in the shares of the company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Restile Ceramics Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

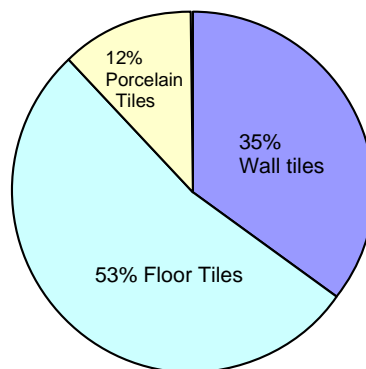
INDUSTRY OVERVIEW

Industry Overview

Ceramic Industry in India is about 100 years old. It comprises ceramic tiles, sanitaryware and crockery items. Ceramic products are manufactured both in the large and small-scale sector with wide variation in type, size, quality and standard. India ranks 5th in the world in term of production of ceramic tiles and produced 340 million sq. meters of ceramic tiles, out of a global production of 6400 million sq. meters during 2006-07. State-of-the-art ceramic goods are being manufactured in the country and the technology adopted by the Indian ceramic Industry is of international standard.

(Source: dipp.nic.in and www.icctas.com date:28/02/2008)

The key drivers for the ceramic tiles in India are the boom in housing sector coupled by government policies fuelling strong growth in housing sector. The retail boom in the Indian economy has also influenced the demand for higher end products. Overall the bullish growth estimates in the Indian economy has significantly influenced the growth of the Indian Ceramic tile industry.



The market shares for wall, floor and vitrified/ porcelain tiles as on January 2008

The main product segments are the Wall tile, Floor tile, Vitrified tile and Porcelain tile segments. The market shares are 35%, 53% and 12% respectively for Wall, Floor & Vitrified/Porcelain tiles. The tiles are available in a wide variety of designs, textures and surface effects. They cater to tastes as varied from rustics to contemporary marble designs in super glossy mirror finishes.

Both, traditional methods of manufacturing (tunnel) and the latest single fast firing methods are deployed in manufacturing. Some of the latest trends in manufacturing methods can be seen in India.

The investments in the last five years were approx. Rs 2000 crores. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw materials, technical skills, infrastructural facilities despite being fairly capital intensive. A total of over 5,50,000 people are employed in the sector. Out of this, 50,000 people are directly employed and 5,00,000 are indirectly associated. The potential is huge considering the per capita consumption of ceramic tiles in India. Currently it is at 0.30 square meters per person in comparison to over 2 square meters per person for like countries like China, Brazil and Malaysia.

Highlights of the ceramic tile industry in India

1. Ceramic Tiles today have become an integral part of home improvement. It can make a huge difference to the way your interiors and outdoors look and express.
2. The Indian tile industry, despite an overall slowdown of the economy, continues to grow at a healthy 15% per annum.
3. The Indian tile industry is divided into organized and unorganized sector.

4. The organized sector comprises of approximately 16 players. The current size of the unorganized sector is about Rs 3000 crores
5. The unorganized sector accounts for 55% of the total industry bearing testimony of the attractive returns from this sector. The size of the unorganized sector is approximately Rs 3500 crores.
6. Revenue earning industry - excise mops up over Rs. 350 crores annually from the organized sector itself.
7. With proper planning and better quality control our exports (presently insignificant) contribution can significantly increase.

Apart from their decorative looks, Ceramic Tiles are primarily hygiene products and that is how our broad spectrum of consumers view the product. This is fairly evident from its usage ranging from bathrooms and kitchens in average Indian households to medical centers, labs, milk booths, schools, public conveniences and countless other centers dotting our surroundings. A ceramic tile is basically a "utility product" and that remains our promotional slogan. Popular housing projects are increasingly switching over to Ceramic Tiles from the traditional mosaic and even granite or marble, owing to several factors viz. ease in laying ability, versatility, low price and most important hygiene.

Nevertheless, this decorative aspect of a Ceramic Tiles has forever been in the forefront. Heavy churning out of bolder and colorful designs by the industry are testament that most households regard a ceramic tile as an "adornment" for an otherwise "drab look" of their age-old floorings or an unfurnished wall. (Source: extracts from www.icctas.com date: 28/02/2008)

CERAMIC TILE INDUSTRY STATISTICS:		
1.	World production:	6900 Million sq.mt.
2.	India's Share:	340 Million sq.mt..
3.	World ranking (in production):	5
4.	Per capita consumption:	0.30 sq.mt.
5.	Global Industry Growth Rate:	6%
6.	Growth Rate (India Domestic Market):	15%
7.	Organized industry turnover (India):	Rs 3000 crores
	Glazed Wall Tile share:	40%
	Glazed Floor Tile share:	46%
	Unglazed Vitrified Tile share:	8%
	Glazed Porcelain Tile Share:	6%
	Unorganised Industry Turnover	Rs 3500 crores
	Glazed Wall Tile share:	57%
	Glazed Floor Tile share:	35%
	Unglazed Vitrified Tile share:	6%
	Glazed Porcelain Tile Share:	2%
8.	Investments in last 5 years:	Rs 2000 crores
9.	Organized sector:	
	Share of Production:	56%
	No. of units:	16
	Revenue (excise duty):	Rs 300 crores
10.	Unorganized sector:	
	Share of Production:	44%
	No. of units:	200 (approx..) (70% based in Gujarat region)
	Revenue (excise duty):	Rs 350 crores per annum or less

CERAMIC TILE INDUSTRY STATISTICS:		
11.	Job Potential:	50,000 direct 500,000 indirect

(Source: <http://www.icctas.com/ceramicindustry.htm>)

Position of Indian Tiles Industry And International Competition

As a foreign exchange earner or a global player, Indian Tile industry has captured the attention of the world in the ceramic tiles segment. India is projected to figure in the top 5 countries manufacturing ceramic tiles by 2010. This however is subject to policies favorable for the tile industry to compete with international players on an even ground.

To compete internationally, our plants must be geared up to large plants like in China and Turkey based on economies of scale. These will also help us in lowering our cost of production significantly. Also, infrastructural support is a key factor that determines the speed of growth. The better the infrastructure, the better is the growth in terms of consistency and sustenance. Supply of power and gas remain the key issues. Availability, consistent supply and reasonable rates are extremely important for the growth of the ceramic tile industry.

Also, the policies pertaining to Basic Customs Duty on import of ceramic tiles and raw materials need to be reviewed periodically to prevent dumping of tiles from international suppliers. Rural thrust should be enhanced by favorable excise duty and MRP structure.

(Source: Official website of Indian Council of Ceramic Tiles and Sanitary ware www.icctas.com)

Current status of the Industry

The ceramic tiles industry in India has followed similar trends as is seen internationally which have been characterized by excess capacities and falling margins. Countries like Malaysia, Thailand, Indonesia, Sri Lanka and Vietnam are setting up their own plants. China has emerged as a major competitor. Producers from Spain and Italy have the advantage of lower transportation costs while exporting to USA and Germany. In India, the per capita consumption is as low as 0.30 sq.mt. compared to China (2 sqm), Europe (5 to 6 sqm) or Brazil (2.5 sqm). Rising disposable incomes of the growing middle class and 40 million units of housing shortage hold out a great potential.

A major change that took over the ceramic tiles industry, was the introduction of vitrified and porcelain tiles. These new entrant product types are said to be the tiles of the future. Internationally these tiles are already the major sellers. These category of products account for 13% of all organized sales in this industry.

These new products and the conventional wall & floor tiles have together made the organized industry grow to a formidable Rs. 3000 crores industry. This coupled with a spate of expansions by many players make the industry look very promising in the future.

The Indian Industry has developed an export market although at the lower end. In volume it constitutes less than half a percent of the global market. But this reality could change as Indian exports are rising at the rate of 15% per annum. The top-end of the global export market is presently dominated by Italy (40.8%) and Spain (26.4%).

(Source: Compiled using information from Corporate Catalyst India, ASCER and other associations.)

OPPORTUNITIES AND CHALLENGES FACING THE INDUSTRY

Opportunities

Low Per capita Consumption- Indian Ceramic tile production has been growing at the rate of 12-15%p.a India's per Capita consumption of ceramic tiles is around .25sqm/per annum compared with figures of 10.6 sq.ft for USA. As such significant scope exists for long term growth given rising incomes in India combined with low per capita consumption.

Strong Growth of Construction

The Indian Construction Industry has witnessed strong growth in the recent past. Commercial construction has been bolstered by a rising demand for office space (BPOs, IT/ITES companies), retail(Malls).

Rising Incomes

Annual Personal Incomes are set to rise annually by 8-10%, given the strong underpinnings of India's Economic Growth. India's NCAER (National Council for Applied Economic Research) estimates a further 180 million people to join the middle classes by 2010, thus reaching a total of 300 million individuals. This factor is expected to improve affordability and drive demand for various consumer products including ceramic tiles.

Factors affecting the growth and sustenance of the Ceramic Tiles Industry

The Ceramic Tiles are extensively used in the household sector and at homes, and also for industrial applications. The ceramic Tile Industry, whose fortunes depend on the construction industry, has been seeing a lot of activity recently. Due to the following reasons:

a) Construction and housing boom

The softening interest rate regime and the real estate and construction boom have played key roles for the increasing demand for Ceramic Tiles. Apart from the retail segment, comprising primarily of residential housing, the demand has picked up from the institutional segment as well. The increased activity in retailing business along with the economic growth has propelled the institutional segment.

b) Increasing affordability

In the last few years, there has been a change in the income patterns of urban housing consumers consequently there has been sharp increase in real as well as disposable income. This has led to the increasing affordability of property.

c) Continued tax sops to housing

The extension of tax sops for housing loans, reduction in interest rates on housing loans, and rise in real income levels have increased the affordability of houses for the rising urban Indian middle-class population. Also, property costs have increased at 5.8% CAGR in the last five years, while the average annual income has increased by a sharp 11.7%. Therefore, the affordability (property cost/annual income) has improved.

d) Lower rates on housing finances

The domestic interest rates have remained easy for better part of the last three years at around 8%-9%. This makes home finance more attractive. Also, there is another added advantage of easily available housing finance. This is also led to investment in housing sector by high net worth individuals and high-income group.

h) NRI/PIO/OCB Investment in Housing and Real Estate Sector

The housing sector suffers from lack of funds. The available domestic funds leave a huge “resource gap” resulting in increase of housing shortage. To pass benefits of the ongoing economic reforms and liberalization process to NRIs/PIOs/ OCBs, GoI introduced a scheme in 1993 for NRI investment in housing and real estate development covering the following areas:

- Development of serviced plots and construction of built-up residential premises.
- Construction of residential and commercial premises.
- Development of townships.
- City and regional level urban infrastructure facilities.
- Investment in manufacturing of building materials.
- Investment in participating ventures in the above mentioned areas.
- Investment in financial housing institutions.

i) Foreign Direct Investment in Housing

Complementing the thrust being given to housing, the Government permitted 100% Foreign Direct Investment (FDI) in housing through integrated township development. FDI is now allowed in townships, housing, built-up infrastructure and construction development projects, which could include *interalia* housing and commercial premises. This has opened the sector to the professional expertise of international developers and facilitated introduction of new technology and inflow of capital.

FDI in townships, housing, built-up infrastructure and construction-development projects is allowed under the automatic route, subject to the conditions mentioned in Press Note. 2 of 2005 issued by the Government of India. The investment has a minimum lock-in period of three years in respect of repatriation of profit in the original capital invested. Few such projects have already been approved and are under way. As the developers starts to exploit this route more intensely, some of these clauses may need amendments to suit the requirement of the sector.

(Source: Press Note. 2 of 2005 and Report on Trend and Progress of Housing in India, June 2004 by National Housing Bank)

The growth in demand for housing is a primary indicator of economic growth. The increase in construction activity in the country is also an indicator of increase of disposable income which leads to higher demand for new houses

BUSINESS OVERVIEW

Overview of the Company

The Company was incorporated in the year 1986 for manufacturing of unglazed heavy-duty vitrified tiles in India. The commercial production commenced from September 1991 with an installed capacity of 5,40,000 sq. mts. per annum at Malkapur Village, Medak District in the State of Andhra Pradesh. The manufacturing facility was subsequently increased to 14,40,000 sq. metres per annum in 2002.

In the year 1991, the Company commenced production of premium vitrified tiles and during this year, the Company launched three products under the name “GRANAMITE”, “MIRRORSTONE” and “IMPACTA” in the year 1991. The Company introduced another product in the name of “PEARLROCK” in the year 2006. The Company is currently engaged in the manufacture of unglazed Vitrified tiles.

Location of the Manufacturing Unit

The manufacturing unit of the Company is located at Malkapur Village, Narsapur Taluk, Medak District, Andhra Pradesh. The unit is located over an area of 12,860 sq. mts.

Products

Vitrified Tiles

As flooring material, tiles have to compete with carpet, hardwood, laminate, rugs, vinyl, stone, marble and granite. A tile is a thermal product that absorbs both heat and cold, depending on the room temperature. The tile stays cool in summer and warm in winter. The surface of the tile is naturally harder than carpet, but no harder than vinyl or wood.

Vitrified tiles are ceramic tiles which have been subject to a higher degree of vitrification leading to less absorption of water. Vitrification is a process of converting a material into a glass-like amorphous solid which is free of any crystalline structure, either by the quick removal or addition of heat, or by mixing with an additive.

A vitrified tile is a homogeneous body and does not have a separate coat of gloss as distinct from ceramic tiles. Further, since vitrified tiles are subjected to a higher degree of vitrification, they are less porous and hence they have less percentage (approximately 0.5%) of water absorption. This helps in reducing the porosity of the tiles and hence increases their stain resistance. Vitrified tiles are as tough as granite or marble, but yet elegant and slip resistant. The hardness of tiles is measured in terms of MOH. This scale has 10 minerals namely Talc, Gypsum, Calcite, Fluorspar, Apatite, Orthoclase, Quartz, Topaz, Corundum and Diamond with respective hardness numbers from 1 to 10 respectively. Vitrified tiles have a hardness quotient of 7-8 MOH while that of Italian marble averages around 4 and Granite around MOH scale of 6.

Vitrified tiles can easily be cleaned, are resistant to wear, impervious to water, acid (except hydrofluoric acid), alkalis and grease and are visually attractive. The non-slip property of vitrified tiles may be increased by the introduction of raised areas on the surface of the tiles or by applying silicon carbide.

Types of Vitrified Tiles

Porcelain or Fully Vitrified Tiles

Fully vitrified tiles or porcelain tiles can either be unglazed or glazed and are characterized by the tile's low water absorption which remains at and below 0.5% and considered under Class B1a. Fully vitrified tiles or

porcelain tiles are normally dry pressed using a body made from kaolin clay, feldspar, silica and coloring oxides fired to around 1200° C.

Vitrified and Semi-Vitrified Tiles

These tiles may also be either unglazed or glazed. Tiles in this category can be either dry pressed or extruded and have water absorption between 0.5% and 3% i.e. of class B1b – dry pressed for vitrified tiles, and 3% to 6% i.e. of Class B2a – dry pressed for semi vitrified tiles.

Ful Body Vitrified Tiles

Ful Body Vitrified Tiles (FBVT), popularly called porcelain stoneware in Europe, can be described as an unglazed ceramic tile, made by pressing and characterized by water absorption of less than 0.5% (UNI EN 176), which is the lowest for all floor and wall tiling material.

FBVT are homogeneous in colour and composition in their surface layer and rest of the tile. An ordinary vitrified tile (soluble salt vitrified tile) has two distinct layers – the surface, which has the design penetration of 1-2mm in the body and the rest of the body is plain in same or different colour. On the contrary, in the case of a FBVT, there is no such layering through the thickness. Tile surface and mass are one and the same. The material the tile is made from is the same colour and composition throughout and this offers distinct advantage both in technical performance and the working life of the tiled surface. As the surface layer is worn down from use, the new layer forming the surface is exactly the same as the previous with all the aesthetic and functional performance of the floor tiling.

FBVT uses raw materials like superior clay, feldspar, quartz sand and metal oxide base pigments. The tiles are fired between 1230°C & 1300°C, so as to achieve a water absorption level of less than 0.5%. A good quality FBVT achieves a water absorption rate of as low as 0.02 – 0.10%.

The products manufactured by the company under different brands are as detailed herein under:

PEARL ROCK



Pearl Rock is the latest brand of the Company which has non-slippery surface yet the uniqueness and smoothness of a silky surface. This product has been widely accepted at International Airports, Resorts, Banks etc.

GRANAMITE



This product is generally used at unconventional places like courtyard, porch, pathways of gardens, small parking areas, subways etc. This product is preferred in high traffic & wet areas due to its high abrasion resistance and anti-skid properties.

MIRRORSTONE



Full vitrification leads to perfect and long lasting surface. Hence, it makes an ideal substitute to natural granite with added advantage of little maintenance and low cost. This product is preferred in mega malls, main display areas and airport waiting areas.

IMPACTA



A product suitable for medium & light industry which provides solutions for spillage of chemicals due to chemical resistance property, minimizes constant maintenance of industrial floor and high abrasion resistance to suit industrial tear & wear.

Technology

The Company has adopted the “single firing technology” in its plant for the manufacture of vitrified tiles. Single firing technology is characterized by a highly automated continuous line production system. This technology was invented and adopted by the industry overseas in the mid-seventies. It was the introduction of single firing technology with the use of fast firing cycles, which led to substantial changes, especially in firing technology and machinery (kilns), in this industry.

Firing is the most important stage of the whole production process. The vitrification process takes place during the firing process. The peak temperatures are in the order of 1200 degree Celsius. The flux in the body melts fines to form Porcelain stoneware. Due to this vitrification process the key properties of the tile like very low water absorption, high strength, wear resistance and resistance to acids, alkalies and household chemicals.

As firing progresses and temperature increases, the material passes through a number of critical thermal zones, generally defined by the chemical reactions that take place within them. Fired tiles from the kiln are transported to the polishing line after cooling.

Capacity and capacity Utilization during the last 3 years:

(Sq.Mtrs in Lakhs)

Product	FY 2005-06	FY 2006-07	FY 2007-08
Full body Vitrified unglazed ceramic tiles			
Installed Capacity	14.00	14.00	14.00
Actual Production	3.47	4.39	6.49
Capacity Utilization (%)	24.79	31.36	46.36%

The capacity utilization was low on account of imbalanced capacities of various processes and manufacture of large size tiles. The balancing equipment installed during third quarter of 2006-07 has to an extent improved the capacity utilization of the products of the company.

Proposed Capacity Utilization for the next 3 years:

Product	FY 2008-09	FY 2009-10	FY 2010-11
Full body Vitrified unglazed ceramic tiles			
Installed Capacity	35.00	35.00	35.00
Capacity Utilization (%)	90%	90%	90%

The capacity utilization has been increasing year after year due to the various balancing equipments being installed by the company. Further the Company is also making necessary arrangements for the required working capital for achieving higher level of production. As such the Company proposes to achieve higher level of production in the next 3 years .

Production process:

Ceramic tiles can be either glazed or unglazed. In unglazed tiles, the surface is covered with a relatively thin layer of a glassy material, (the glazing), whose composition differs from that of the body of the tile (the bisque). The function of the glazing is to lend aesthetic properties (like color, shine, design) and technical ones (like impermeability and hardness) that the body alone cannot insure to the required degree. To better achieve these properties, glazed tiles are composed of two layers of differing composition, namely the surface glaze and the underlying body.

The preparation of the mixture consists in a series of operations that homogenize the material, with the appropriate grain size distribution so as to be relatively fine, and with enough water for the subsequent molding process. At the end of this phase, the mixture may consist of a powder with a certain percentage of water content for pressure molding & extrusion molding. In both cases, the basic operations of this production phase are Grinding, Mixing-blending and regulating the water content.

Shaping

Most ceramic tiles produced are molded by 'dust pressing'. During the dust pressing process, the mixture – a powder with the required humidity is compressed between two surfaces, with high pressure that causes the reorganization and partial deformation of the grains, so as to produce a sufficiently dense and resistant tile. Some products, (terracotta and clinker tiles), are molded by the 'plastic method', starting with a mixture with required humidity content, depending on the type of product. A continuous ribbon of material is emitted by the extrusion machine, which is then cut as required.

Drying

Drying and removing water after the molding process is critical to the integrity of the product. The most commonly used dryers in the ceramic tile industry today are hot air rapid dryers. These are used in such a way as to both heats the material (to draw the water from the interior to the exterior), and evaporate and remove the water from the surface of the tiles.

Glazing

Glazes are mixtures of different minerals and composites such as prefabricated glass, kaolin, siliceous sand, various oxides, coloring pigments that are applied to the surface of the tile and then fused to it. During the subsequent cooling phase, the fused layer hardens to form a layer of glass, which gives the tile surface the specific properties noted above.

Firing

Tiles emerge from the firing process with the physical properties required for their various specific uses. The firing takes place in continuous ovens consisting of tunnels where the tiles are moved along on special transportation systems, which lead them to be first preheated and then brought to required firing temperature, (depending on the required qualities of the product). The firing binds all the particles firmly together and provides the required attributes of the final product, (impermeability, hardness etc.).

The tiles are kept at firing temperature for some time, after which they are gradually cooled, (while still inside the oven), to temperatures that allow them to be safely removed from the oven.

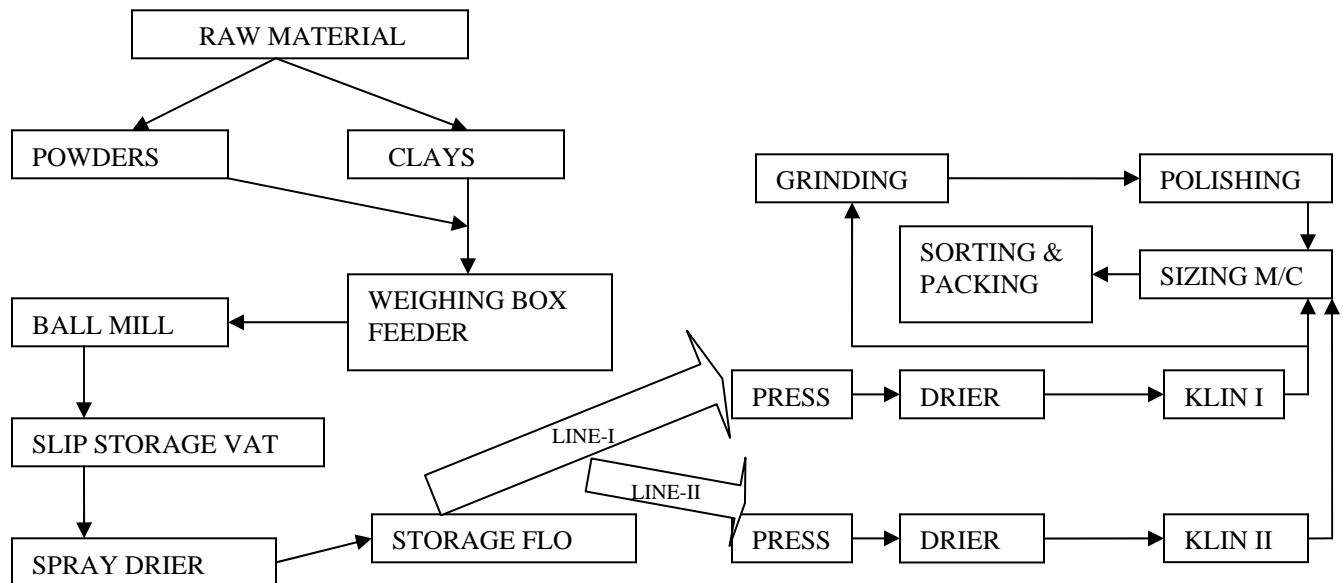
In the 1970s, most ceramic tile ovens were tunnel ovens in which tiles were loaded and moved in piles or boxed in special refractory supports. These ovens featured firing cycles of 12 to 24 hours, depending on the type of product and the type of loading.

The firing process has greatly evolved in the last ten to fifteen years. Toward the end of the 70s, the single-layer rapid firing method was introduced, where the material to be fired is loaded in a single layer and moved on rolls. The firing cycles for rapid firing range from 40 to 70 minutes, depending on the type of product, with further basic benefits regarding energy conservation, evenness of firing, temperature regulation, consistency, flexibility and automation.

Sorting

The firing is the concluding technical phase of the production cycle of a ceramic tile. The material that emerges from the oven is the final product, with the exception of specific surface treatments for some types of products, like the polishing of porcelain tiles. Before they are sent to be packed and stored, tiles undergo a careful selection. The sorting process seeks to, (i) eliminate defective pieces, and (ii) grade the tiles depending on the quality achieved.

Manufacturing Process chart



Raw materials:

The major raw materials used in the process are Clay, Powders, Colorants and Fuel. Clay forms the basic raw material consisting of major component of the finished product. Its function is primarily to give the humidified mix the plasticity needed to obtain (through a shaping process) tiles which in their unfired state have the physical properties that will allow them to be manipulated, transported and moved. Clay includes Ball Clay and China Clay.

The other important raw material is powder consisting of major component of the finished product. The important powders used are Feldspar, quartz sand and talk powder. These are used for reducing the size variations, facilitating the glossy finishes etc. The main colorants used in the process are zirconium silicate and Ceramic colors.

The primary material namely clay is available from various mines located in India. The major locations where the Company sources ball clay are Andhra Pradesh and Rajasthan whereas feldspar and quartz and all the

other raw material are available within Andhra Pradesh only. All the varieties of clay used in the manufacturing process are available in India. These materials are dispatched from the mines on a regular basis. The Company holds a minimum inventory of 3 months for these clays to allow natural drying and homogeneity which improves the quality of the body. Adequate stocking of these materials is also required prior to the monsoon season to take care of the production requirements during the monsoon period when the mining activity is generally at a low level.

Based on the reorder levels, orders are placed on the respective suppliers from time to time. Certain glazes, pigments and frits are imported from Spain and Italy and adequate stocks are maintained to take care of the lead time for supply.

Utilities:**Power Consumption**

The requirement of power is 1500 KVA. The entire requirement of power is currently met out of power supply from APSEB. The standby DG sets of 250 KVA and 625 KVA are also available for uninterrupted power supply.

Water

The requirement of water in ball mills is at 89 KL / day which is met through water supply through bore wells dug in the plant area.

Fuel

The company has 100 ton capacity of LPG storage installation to meet the gas requirement for manufacturing upto 3.5 mil sq. mts. per annum. The component of LPG in the variable cost is almost 1/3rd of the total cost. Presently the company has power input from the state owned power corporation, APCPDCL, through the 33kV power infrastructure and has a backup of DG facility of 1375kVA. The company sources LPG from both private and public sector suppliers.

Business Strengths***Proximity to raw material sources and end product***

The main raw materials used in production processes comprise, amongst others, ball clay, feldspar, quartz, talc powder, and china clay. These are available in large quantities in Andhra Pradesh and Rajasthan. The Company's unit is based in Malkapur Village, Medak District, Andhra Pradesh, which is easily accessible by road. These materials are dispatched from the mines on a regular basis. The unit is also close to the markets of major cities viz. Hyderabad, Chennai, Mumbai and Bangalore.

Innovation and product excellence

The Company has R&D team comprising of 5 persons headed by Mr. G. Subramanya Shetty who focus on producing new designs and concepts for tiles. During the year 2006 the R&D team of the Company introduced PearlRock as a new design in the vitrified tiles industry. The Company has also introduced its new logo as new corporate identity into the market. The Company is now manufacturing large number of colours, designs and size variations of tiles in the Indian tile market and believe that it will continue to do so in the future.

Modern and efficient manufacturing facilities

The company has set up its plant with the technical assistance of Mori SpA, Italy and continues to enjoy the technical support from its foreign suppliers who are the largest and most experienced companies in the field. The company also uses the latest equipment and technology, constantly monitoring the product and productivity.

Efficiency in production processes

The Company uses the latest equipment and technology, constantly monitors the product and productivity and has adopted a policy of constant improvement. In addition, the Company uses Management Information Systems (MIS) tools for operating at optimal efficiency. The trained and experienced manpower has also helped in streamlining the production process and increasing the output by focusing on areas of logistics and materials outsourcing.

Experienced Management Team

The Company has an experienced management team comprising of Promoter Directors and key managerial personnel. The main Promoter of the Company (Mr. V Padmakar, a promoter since inception) has an average experience of 20 years in this industry. The business is conducted under the supervision of the Promoters who take an active interest in the day-to-day operations with the help of experienced professionals in their respective areas of specialization. In addition to the Promoters, the Company also has a core management team which assists the top level management in identifying new opportunities and in the implementation of the business strategies of the Company.

Business Strategy

The Company's vision is to prove its existence in the national market as one of the major player in the ceramic industry specialized in vitrified tiles by offering various innovative products and designs to cater the need of the industry.

a) Enhancing Customer Base

The Company intends to grow business continuously by adding new customers both in existing as well as in the new countries. The Company aims to do this by effective leveraging of its marketing skills & relationships and enhancing customer satisfaction.

b) Quality Products

The Company intends to produce the best quality ceramic products, which are readily acceptable. For that, it shall be deploying better technologies in production as well as in R&D Departments. R&D Department will find out better avenues to enhance the quality of its products while at the same time reducing the cost of production.

c) Maintain Operational Efficiencies and Cost Competitiveness

The Company intends to maintain operational efficiencies to levels comparable with its peers in the industry. Further, the Company intend to reduce its operational costs to maintain competitiveness and offer the quality products at reasonable prices.

d) Expansion of the Existing Capacities

The proposed project is a part of business strategy to expand overall production capacity by expanding its capacity to produce vitrified tiles and to meet the increasing and newer demands from customers. The Company also aim to widen the existing products range, which will enable to meet the growing demands of the existing market segments.

SWOT of the company

Strengths:

- The company has a brand name to reckon with among the influencer group including Architect, interior decorator as a superior quality product.
- The tiles manufactured by the company are considered as a premium product by the traders and producers for specialty product like superior industrial tiles;
- The company is approved with many public and private institutions on account of its long presence in the market with its quality product.

Weakness

- The company has a small base due to which it is difficult to be competitive in the fiercely competitive market.

Opportunities

- The company has good overall demand and a growing market to cater to.
- The company will move up the value chain on completion of the expansion plans.
- Due to the growth in retail segment; the company has bright prospects.

Threats

- Competition from the new capacities being set up all over the country.
- Increased imports, especially from China, are a potential threat.
- As the company operates in the unorganized sector; there are no strict laws on pricing the product and hence the company has to face the pressure on pricing.

Effluent treatment Facilities

There is no effluent generated in respect of air and water. Solid Waste is generated in the form of cakes which is disposed for land filling and again it is not a hazardous waste as it is generated from clay. The Company has received Consent Order for Operation from Andhra Pradesh Pollution Control Board vide their letter dated January 16, 2006, which was valid till September 30, 2007. The Company has made an application for renewal on October 12, 2007.

Existing Marketing set up:

The Company has its headquarters at Hyderabad with offices across the country to cater to the needs of the customers. This is supported by a marketing team of 107 sales and marketing professionals. The team interacts with the architects, consultants, builders, Interior Designers, dealers and Corporates on regular basis to promote the Company's product range.

The market across the country is serviced through Company's stock points located at Mumbai, Delhi, Ahmedabad Bangalore, Chennai, Kolkata, Cochin. The company has its presence in the states of Andhra Pradesh, Delhi, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Tamil Nadu, Chandigarh, Uttar Pradesh and West Bengal.

Export Obligations

The Company as on the date of this Letter of Offer has no pending export obligations.

Competition

The competition primarily comes from players from the organized sector and regional players from the unorganized sector.

Organized Sector

Major players from the organized sector are RAK Ceramics, H&R Johnson, Kajaria Ceramics, Murdeshwar Ceramics, SPL, Asian Granito, Euro Ceramics, Varmora Granito, and Ajanata Mnfg. Ltd. Indian Council of Ceramic Tiles and Sanitaryware (ICCTAS) estimates that organized sector has a market share of 56% and has 15 major players.

Unorganized sector

The ceramic industry was highly unorganized since inception and organizational levels in the industry are still not comparable to other industries in India and the ceramic industry in foreign countries. The Company has an informal understanding with most of its suppliers, including those supplying its raw materials, dealers and distributors, and even builders, who place orders for large quantities of the tiles produced. There are very few formal / written agreements / contracts regarding the purchase of the raw materials / finished products. If any of these parties fail to commit on these informal understandings production capabilities of the Company will be adversely affected.

The unorganized and small players have captures some part of the market share due to the cost advantage offered to the customers. These unorganized players face capacity constraints and hence are restricted to increase their market share.

Indebtedness

The aggregate amount of term loan sanctioned to the company from ICICI Bank Limited is Rs.248.40 lacs and as on March 31st, 2008 the amount outstanding, is Rs. 40.90 lacs . The other details of the term loan is as follows:

Name of Bank	Type of Loan	Santioned amount (Rs. In lacs)	Amount outstanding as on 31/03/2008 (Rs.in lacs)	Rate of interest	Security
ICICI Bank Limited	Term Loan	248.40	40.90 (due on 27/01/08)	12%p.a	<ol style="list-style-type: none"> 1. First Charge on the whole of the movable properties situated at Malkapur Village, Narsapur Taluk, Medak district including the Company's movable plant and machinery spares, tools and accessories and other movable (both present and future) 2. Joint Mortgage was executed by the Company jointly in favour of the lead institutions and the other lenders by deposit of title deeds in respect of the Company's immovable property situated at Malkapur Village, Narsapur Taluk, Medak District.

Name of Bank	Type of Loan	Santioned amount (Rs. In lacs)	Amount outstanding as on 31/03/2008 (Rs.in lacs)	Rate of interest	Security
					3. The loan together with the interest thereon is further secured by creating mortgage by deposit of title deeds of the Company's immovable property situated at Malkapur Village ,Medak district. 4. All the pieces and parcel of land in survey No.43,3 acres 15 cents ,Sy. No. 42,3 acres 4 cents and Sy. No. 38, 2 acres and 22 cents situated at Malkapur Village,Narsapur Taluk,Medak district.

The company has defaulted in payment of the last instalment of Rs.40.90 lacs towards the OTS to ICICI Bank Limited. The due date for the payment was 27/01/2008 and the same has not been paid till date. The company proposes to make the payment by the month of November 2008.

Manpower

The Company has a total of 339 employees as on 31/08/2008. The details of which are as under:

Particulars	Factory	Admn. Office/Sales Staff	Total
Managers	15	47	62
Staff	117	23	140
Workmen	77	0	77
Contractual Labour	60	0	60
Total	239	70	339

The company would increase its strength by 28 more employees on completion of the expansion exercise. There would be an addition of 8 skilled employees and 20 semi-skilled employees.

Insurance

The Company maintains a comprehensive insurance package policy and stock policy for its assets. The details are as follows:

Property Insurance:

Sr. No	Policy No. and validity	Nature of policy	Particulars
1.	612800/11/08/11/ 00000035 Valid upto April 30, 2009	Fire Policy for Varun Towers	Property situated at 1-10-177, Varun Towers, 3 rd Floor, Begumpet, Hyderabad. (a) Building (b) Furniture, Fixtures and Fittings.
2.	612800/11/08/11/ 00000037 Valid upto April 30, 2009	Standard Fire & Special Perils Policy for Furniture and Fixtures at Aditya Trade Centre	Property situated at 301 & 302, Aditya Trade Centre, Aditya Enclave Road, Ameerpet, Hyderabad. Furniture, Fixtures and Fittings.
3.	612800/11/08/11/ 00000034 Valid upto April 30, 2009	Standard Fire & Special Perils Policy for Factory assets	Property situated at Malkapur Village, Hatnoor, Ismail Khan Pet, Medak District. <ul style="list-style-type: none"> ▪ Building ▪ Plant/machinery and Accessories ▪ Electrical Installations ▪ Furniture, Fixtures and Fittings ▪ Other Stocks
4.	612800/11/08/13/ 00000036 Valid upto April 29, 2009	Standard Fire & Special Perils policy for Stocks	Property situated at Malkapur Village, Hatnoor, Ismail Khan Pet, Medak District & 6 different locations. <ul style="list-style-type: none"> • Stock of raw materials, WIP, stores, spares, consumables, packing material and finished goods
5.	612800/21/08/02/ 00000020 Valid upto April 30, 2009	Marine Cargo Policy for Stocks	Goods (ceramic tiles) transported from anywhere in India to factory/warehouse/godown anywhere in India and vice versa. The mode of transport is either by rail or road.

Property:

The details of Property owned by the company are as under:

Sr. No.	Location	Purpose
1.	5 th Floor, Varun Towers, Begumpet. Hyderabad	Administration
2.	3 rd Floor, Varun Towers, Begumpet. Hyderabad	Corporate Office
3.	Land admeasuring 2.22 ac.gt bearing sy. No. 38 in Malkapur Gram Panchayat, Sadullanagar Revenue Mandal, Hathnoora Medak District.	Factory
4.	Land admeasuring 3 ac bearing sy. No. 43 in Malkapur Gram Panchayat, Sadullanagar Revenue Mandal, Hathnoora Medak District.	Factory
5.	Land admeasuring 3.15 ac. gt bearing sy. No. 43 in Malkapur Gram Panchayat, Sadullanagar Revenue Mandal, Hathnoora Medak District.	Factory
6.	Land admeasuring 3.04 ac. gt bearing sy. No. 42 in Malkapur Gram Panchayat, Sadullanagar Revenue Mandal, Hathnoora Medak District.	Factory
7.	Land admeasuring 4.00 ac. Gt bearing sy.No. 37 in Malkapur Village, Nasthipur Gram Panchayat, Revenue Mandal, Hathnoora, Medak District.	Factory

The details of properties taken on lease by the company are as follows:

Sr. No.	Location	Ownership & other details	Purpose	Monthly Rent
1.	H. No. 111, Gala No. 3, Navdurga Compound, Anjur Road, Village Val, Bhiwandi, Thane	Lease from Mr. Devchand H.Cheeda (HUF) for a period of 33 months upto December 30,2008	Godown	Rs.9,500/-
2.	N-136, Greater Kailash ,Part - I,New Delhi	Lease from Mr. Rajinder Kishen Jetley for a period of 4 years upto August 1,2008 and the same is presently being renewed.	Office	Rs.8,000/-
3.	N-136, Greater Kailash, Part - I,New Delhi	Lease from Ms. Tripta Jetley for a period of 4 years upto August 1,2008 and the same is presently being renewed.	Office	Rs.8,000/-
4.	Flat No. 109, Bhavya's Varun Sargam Villa, Somajiguda, Hyderabad.	Lease from Mr. K.Keerthi was for a period upto March 1, 2008 and is presently under renewal process.	Guest House	Rs.25,000/-
5.	301, Aditya Trade Centre, Ameerpet, Hyderabad	Lease from Mr. S.Balakrishna Murthy for a period upto June 7,2010.	Admn. Office	Rs.21,528/-
6.	302, Aditya Trade Centre, Ameerpet, Hyderabad	Lease from Mr. P.K.S. Rayudu & Mr. P.V Subramanyam for a period upto June 7,2010	Admn. Office	Rs.18,808/-
7.	#3, Shreyas, Compld, B/h, Income Tax Office, Near Dinesh Hall, Ashram Road, Ahmedabad	Lease from Mr. Ramchandra P.Saraf for a period of 11 months and 29 Days i.e upto July 30, 2008 and the same is presently being renewed.	Office	Rs.9,250/-
8.	606, Mugapair Industrial Estate Road, Chennai-600037	Lease from Mr. K Alagan for a period of 11 months ending August 31, 2008 and the same is presently being renewed.	Godown cum sales office	Rs.27,000/-
9.	506/507, Acme Plaza, Andheri - Kurla Road (E), Mumbai 400 059	Lease from M/s. Bell Granito Ceramic Limited for a period of 10 years ending July 1, 2017	Business Centre Office	Rs.15,000/- plus service tax
10.	#16, 1 st Cross, Godown Area, APMC Yard, Yeshwantpur, Bangalore - 560 022	Lease from Mr. B. Narayana Reddy for a period ending Nov. 15, 2013	Office and godown	Rs.37,500/-

TRADEMARKS

The following is the list of Company's Trade Marks registered in India

Sr. No.	Trademark	Registration No.	Class	Registered Date	Valid upto	Description of Goods
1.	Restile Ceramics Limited	562342 B	19	November 22, 2005	November 22, 2015	Ceramic tiles for buildings
2.	Mirrorstone	1261889	19	January 19, 2004	January 19, 2014	Building materials, natural and artificial stones especially tiles
3.	Impacta	1120183	19	July 22, 2002	July 22, 2012	Industrial floor tiles

The status of various trade marks applied for in the name of the Company are as follows:

Sr. No.	Trademark	Application No.	Class	Application date	Description of goods	Stage
1.	Granamite	1507358	19	May 25, 2006	Building materials-natural and artificial stones-especially tiles including unpolished, matt and rustic surfaces in vitrified and Ceramic tiles.	Examination report received and reply sent.
2.	Pearl rock	1457843	19	November 24, 2006	Building Materials-natural and artificial stones-especially tiles	Examination report received and reply sent.

Regulations and Policies

The tiles manufacturing industry, being a part of the unorganized sector, is largely an unregulated industry and there are no specific statutes, rules or regulations governing the same. However, the laws relating to customs, sales tax, pollution control, factory and labour related matters etc., are applicable to the Company as they are applicable to other manufacturing establishments.

The chief raw materials that are used in the manufacture of tiles are various types of clay (such as Bikaner clay, GDV clay, white clay, etc.), feldspar, quartz, zirconium silicate, pebbles, talcum and certain polishing abrasives. These raw materials fall under the category of minerals.

The primary legislation dealing with minerals is the Mines and Minerals (Regulation and Development) Act, 1957 (the “MMRDA”) and the Mineral Concession Rules, 1960 framed thereunder. The object of the MMRDA and the rules made thereunder is the conservation of important minerals and the efficient and economic working of mines in the national interest. Restrictions are imposed controlling the price of basic minerals needed for industrial development. The relevant state governments are empowered under the MMRDA to make rules for regulating the grant of quarry leases, mining leases or other mineral concessions in respect of minor minerals and other purposes connected therewith. Thus any change made in the rules and regulations governing the procurement of the above minerals would have an impact on the tiles industry.

Import of Vitrified Tiles

Pursuant to complaints received from domestic manufacturers of porcelain / vitrified, the Designated Authority in the Commerce Ministry vide Notification No. 37/1/2001-DGAD dated February 4, 2003, in the interest of the domestic industry and to promote open and fair competition, imposed anti-dumping duties on all imports of vitrified / porcelain tiles from China and UAE.

However, on a case by case basis, the relevant authorities have exempted certain foreign producers from the imposition of anti-dumping duty where after an investigation, the authorities have concluded that the export price of the tiles was above its normal value.

Environment Regulation

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 (“WPA”), the Air (Prevention and Control of Pollution) Act, 1981 (“APA”) and the Environment Protection Act, 1986 (“EPA”).

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The EPA has been enacted for the protection and improvement of the environment. The Act empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

Employee Regulations

The Factories Act, 1948 applies to all such premises where ten or more workers work and where a manufacturing process is carried on with the aid of power. The Factories Act, 1948 regulates the conditions of work for workmen in a factory.

The Employees' Provident and Miscellaneous and Provisions Fund Act, 1952 deals with the statutory contribution to be made by an employer towards the provident fund that is to be maintained for the benefit of the employees. In addition to the provident fund scheme, the Employees' Provident and Miscellaneous and Provisions Fund Act, 1952 stipulates that the Central Government may also frame an Employee's Pension Scheme and an Employee's Deposit linked Insurance Scheme whereby the employer shall be liable to make certain contributions towards such Schemes.

The Employees State Insurance Act, 1948 mandates compulsory insurance of all employees (who earn less than Rs. 6,500) in establishments, as notified by the Government. Under the aforesaid Act, the employer as well as the employees have to make contributions towards the Employees State Insurance Fund. The contributions made are disbursed upon an application from the employee or his/her dependants as sickness benefits, maternity benefit and disablement benefits by the Employees State Insurance Corporation.

In accordance with the Income Tax Act, 1961 any income earned by the way of the profit by a company incorporated in India is subject to Tax levied on it in accordance with the tax rate as declared as part of annual finance Act. The Company, like any other company, avail of certain benefits available under the Income Tax, Act 1961.

HISTORY AND CORPORATE MATTERS

The Company was incorporated as a Private Limited Company on May 26th, 1986 to carry on the business of manufacturing of all kinds of structured ceramic and heavy clay industrial products, bricks and tiles. On January 23, 1989 the Company was converted into a public limited Company. The Company started the manufacture of unglazed heavy-duty vitrified tiles in India from 1991 with the installed capacity of 540,000 sq. metres per annum at Malkapur Village, Medak District in the State of Andhra Pradesh and commenced the manufacture of value added premium vitrified tiles during August 1991.

During 1991, the Company released two products under the name “GRANAMITE” and “MIRRORSTONE” and another vitrified tile was introduced by the name “IMPACTA” in the same year.

Sequence of events since 1991:-

<ul style="list-style-type: none"> The Company incurred operating losses for the year 1991-92 to 1998-99, except for the year 1993-94 when it made marginal operating profit.
<ul style="list-style-type: none"> On account of continuous losses and based on the audited accounts for the year ended March 31, 1997 the Company had filed a reference u/s 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).
<ul style="list-style-type: none"> The Company was declared sick u/s 3(1)(o) of the Act in the hearing held on April 20, 1998.
<ul style="list-style-type: none"> ICICI Bank was appointed as the Operating Agency (OA) u/s 17(3) of the Act to prepare a rehabilitation scheme for revival of the Company. The rehabilitation scheme was prepared under Section 18(1)(a) of SICA.
<ul style="list-style-type: none"> It was noted by the OA that there had been significant delay in making OTS payment to FIs and banks by the company and the DSCR also was below 1.33. Accordingly, a show cause notice (SCN) for change of management was issued vide Board's letter dated 18/12/2000. In reply to the Board's SCN the company vide their letter dated 2/1/2001 reported that they were trying very hard to company working fully but the OA in their letter dated 8/1/2001 reported that the company could not clarify how they would raise the funds from the proposed lenders. The OA also stated that no progress in respect of raising of funds to meet the OTS payment to FIs and banks would be feasible. Therefore, the Board vide order dated 15/06/2001 directed for change of management of the company.
<ul style="list-style-type: none"> Out of two proposals received in response to the advertisement, the proposal of Asia Pacific Equity Holdings Limited (APEHL) was found acceptable to the secured creditors.
<ul style="list-style-type: none"> Mr. M.V. Subba Rao (formerly Technical Director of the Company) and Mr. P.V.L.N. Raju (formerly Executive Director of the Company) who were part of the original promoter group, resigned from the Board of Directors of the Company on August 30, 1996 and June 16, 1998 respectively.
<ul style="list-style-type: none"> The other promoters Mr. Padmakar Vallury and Mrs. Radha Vallury continued in the company.
<ul style="list-style-type: none"> The infusion of funds as per the BIFR order was done by Mr. Nalinkant Rathod, Asia Pacific Investment Holding Ltd and other associate companies by means of which they were inducted as new Promoters and accordingly there was a change in Management.

As per the BIFR order dated 18/12/2002, the following payments were to be made by the new promoters:

- I. OTS amount to be crystallized at Rs. 1109.7 lacs (100% of principal outstanding). The OTS amount would be payable as follows:
- Down payment of Rs.100 lacs within 45 days of acceptance of the proposal by institutions.
 - Rs. 500 lacs to be paid in 5 equal annual installments with interest @12.0% p.a. compounded annually. The interest would be payable on a quarterly basis while the principal installments would be payable at the end of each year from the date of approval of the DRS by BIFR.
 - Rs.300 lacs to be converted into Fully Convertible Debentures (FCDs) with coupon @ 2% p.a, to be bought back by APEHL within 36 months from the date of issue. The interest would be payable on a quarterly basis. The FCDs would be convertible into equity at par at the end of 3 years from the date of issue.
 - Rs.209.7 lacs to be converted into zero coupon FCDs, to be bought back by APEHL within 48 months from the date of issue. The FCDs would be convertible into equity at par at the end of 4 years from the date of issue.
- II. The security offered for the payments/undertakings for the above OTS amount was as follows:
- existing securities as per loan documents viz. fixed assets of the company and personal guarantees of promoters
 - personal guarantee of Nalinkant Rathod
 - pledge of entire equity of APEHL in RCL; and
 - bank guarantee covering one year's installment (alongwith interest) of 1(b) above.

Mr. Nalinkant Rathod , APIHL and other associate companies had infused funds for the expansion programme of the company. The company vide their letter dated 27/07/06 to BIFR sought permission from the Hon'ble BIFR for the allotment of shares to the promoter Mr. Nalinkant Rathod, APIHL and other associate companies to the tune of Rs. 3632.21 lacs.

The table below denotes the provisions laid down by BIFR and their present status:

Sr.No	Original BIFR order dated 18 th December 2002	Current status (as per progress report for the quarter ended December 2007)
1.	<p>Waiver of entire interest charges and liquidated damages outstanding to institutions and crystallization of OTS amount at Rs.1109.7 lakhs (Dues from various banks being: ICICI – Rs.460.0 lakhs, IDBI – Rs.319.8 lakhs and IFCI – Rs.329.9 lakhs). The total amount was decided to be paid as follows:</p> <ol style="list-style-type: none"> APEH to pay Rs. 100 lakhs as upfront payment to the institutions within 45 days of acceptance of the proposal. Rs.500 lakhs to be paid in 5 equal annual installments with interest @ 12% p.a. compounded annually and payable quarterly. 	<p>The Company has paid a total of Rs.1039.06 to various institutions. The balance principal amount outstanding to the institutions as on June 30, 2007 were:</p> <ol style="list-style-type: none"> ICICI – Rs.40.90 lacs (payable on January 27, 2008) IFCI – Rs.29.74 lacs (paid November 29, 2007) IDBI – Nil <p>The aforementioned payments were made as follows:</p> <ol style="list-style-type: none"> Upfront payment of Rs.100.06 lacs was made in May 2003 by APIHL. Principal amount of Rs.428.96 lakhs paid on the due dates each year. Rs. 509.7 lakhs were paid to the institutions by The Company from the funds infused by APIHL.
2.	<p>Capital expenditure of Rs.200 lakhs was also sanctioned for the years 2001-02 and 2002-03. This was to be funded from the infusion of Rs. 100 lacs from APEH and remaining from cash accruals. The contribution from APEH could be in the form of equity or unsecured loans.</p>	<p>More than Rs.2500 lakhs have been invested in fixed assets. The infusion of Rs.100 lakhs to be was made by APIHL.</p>

Sr.No	Original BIFR order dated 18 th December 2002	Current status (as per progress report for the quarter ended December 2007)
3.	Reduction of the then share capital of Rs.944.30 lakhs to Rs.189.86 lakhs before the implementation of the scheme.	The equity capital was reduced to Rs.189.86 lakhs on June 20, 2003.
4.	Company to form a management committee consisting of Company's CEO, a special director of BIFR and ICICI Bank (the monitoring agency).	Management committee was constituted and meetings were conducted on a regular basis upto 22 nd November 2004. After the transfer of ICICI's nominee in November 2004, meetings could not be continued.
5.	Any shortfall in funds including cash losses to be brought in by the promoters as interest free unsecured loan. Any unsecured loan brought in by the promoters / APEH would not be withdrawn during the rehabilitation period without the prior approval from the institutions and BIFR.	The Company took an interest free unsecured loan of Rs.70 lakhs from Mr. Sanjeev Gupta on June 15, 2006 and June 22, 2006 was repaid in April 2007. However, no prior approval from the institutions and BIFR was taken to repay the unsecured loan.
	<p>The company had vide their letter dated 27/07/2006 to BIFR furnished the present status of various provisions wherein it was stated that the company had paid to FIs an amount of Rs.533.03 lakhs with the then outstanding amount of Rs.576.67 lakhs. The company had invested in the fixed assets an amount to the tune of Rs.2500 lakhs as against the stipulated investment of Rs.200 lakhs and that the company had cleared the long overdue statutory liability to the tune of Rs.120 lakhs with the help of the promoters' infusion of funds. It was further submitted that the company had paid long overdues amounting to Rs.65.81 lakhs to ten suppliers out of the funds infused by the promoters and that the company was maintaining working capital limits within the sanctioned limits with the SBI, Hyderabad and servicing the interest regularly. Further, the company sought permission from the Bench that permission for allotment of shares to the promoter (APEH), Mr. Nalinkant Rathod, and other associate companies to the tune of Rs.3632.21 lakhs, permission for the issue of FCDs with zero coupon to high networth individuals/ OCBs to the tune of Rs.1379.49 lakhs and approval of Rights issue for Rs.4200 lakhs.</p> <p>In the amendments to the original order, BIFR, on 28th August 2006, allowed the Company:</p> <ol style="list-style-type: none"> 1. to allot shares to promoters and associate companies to the tune of Rs.3632.21 lakhs 2. to issue FCDs with zero coupon to high networth individuals/OCBs to the tune of Rs.1379.49 lakhs 3. to go ahead for Rights Issue of Rs.4200 lakhs. 	<ul style="list-style-type: none"> • The Company has issued equity shares of Rs.3633.13 lakhs to the promoters and associate companies. • The Company has issued zero coupons FCDs worth Rs.1376.02 lakhs to high networth individuals.

Cost of the Scheme and Means of Financing

The cost of the rehabilitation scheme was Rs. 1109.70 lakhs towards payment of dues to the institutions under OTS and Rs. 200 lakhs is the cost towards capital expenditure. This was to be financed as under:

(Rs. in lacs)	
Scheme	Amount
Equity Share Capital	709.70
Cash Accruals	600.00
Total	1309.70

Further, it was decided on December 4, 2002 by BIFR that the Company would go for reduction of its existing share capital of Rs. 944.30 lakhs to Rs. 189.86 lakhs i.e. to 20% of its existing equity share capital.

The Company approached BIFR in July 27, 2006 for further allotment of equity shares to the Promoter viz. APHIL and other associate companies to the tune of Rs. 3632.21 lakhs, grant of permission for issue of FCDs to high networth individuals / OCBs to the tune of Rs. 1379.49 lakhs and issue of equity shares on rights basis to the extent of Rs. 4200 lakhs, for which BIFR gave their approval vide their order dated August 22, 2006.

Milestones achieved by the Company since incorporation

Year	Milestone
1986	Incorporation of the Company as Restile Ceramics Private Limited on May 26, 1986 in the State of Andhra Pradesh.
1989	Conversion of the Company to a public limited Company with effect from January 23, 1989
1991	Commencement of commercial production for the 5,40,000 sq. meters p.a plant
	Release of its branded vitrified tile with the name "GRANAMITE"
	Release of its branded vitrified tile with the name "MIRRORSTONE"
	Release of its branded vitrified tile with the name "IMPACTA"
2002	Increase of its installed capacity to 14,40,000 sq. mtrs p.a
2006	For the first time in the Country Restile introduced satin surface with the name "PEARLROCK" in vitrified tiles.
2006	Increase of its installed capacity to 35,00,000 sq.mtrs.p.a
2006-07	Restile participated in 6 major Inside Outside Megashow Exhibitions and added reputed companies to its client list.
2007-08	The top ten customers /clients /project for which the company supplied its products during 2007-08 were Aditya Birla Retail Ltd., Reliance Retail (I) Ltd., Hyper City Retail (I) Ltd., Rajiv Gandhi International Airport - Shamshabad, HCL Technologies Ltd., Chattrapati Shivaji International Airport - Mumbai, Delhi International Airport, Bengal Ambuja, Bharati Retail Pvt. Ltd. and Benetton India Ltd.

Main Objects of the Company

The main objects as contained in the Memorandum of Association of the Company are:

1. To do the business or businesses as manufacturers, importers and exporters, dealers and distributors in all kinds of structural ceramic and heavy clay industrial products, solid bricks, perforated bricks, acid resistant, scratch resistant, wear resistant, acid and alkali resistant tiles, heavy duty tiles, glazed, unglazed, wet glazed tiles, vitrified ceramic tiles, lining tiles for chemical tanks, ceramic products for

petro-chemical, fertilizers and other industries ceramic giftware and other allied products with imported or indigenous technology.

2. To do the business or businesses as manufacturers, fabricators, producers, builders, assemblers, importers, exporters, hirers and repairers and dealers of various machineries, used in brick and tile making industries.
3. To do the business or businesses as manufacturers, importers and exporters, dealers and distributors, stockist and agents of all chemicals and other raw materials which are essential for making of bricks and tiles of various kinds.
4. To do all the business or businesses as manufacturers and mine operators as lessors, lessees or sub-lessors, sub-dealers and distributors, stockists and agents in minerals, mineral rocks, metals and metal ores, all clays and special clay stones and powders.
5. To carry on the business as dealers, exporters, importers and agents of all kinds of merchandise, goods, products, articles, equipments and other raw materials, semi-finished or finished goods either manufactured or otherwise including natural products of all kinds and to act as selling agents, purchasing agents, deal by way of agency or otherwise and to act as sub-agents or distributing agents for products of any nature and to act as manufacturers' representatives both in India and abroad.

The main objects clause and the objects incidental or ancillary to the main objects of the Memorandum of Association enables the Company to undertake the existing activities and the activities for which funds are raised through this issue.

Changes in the Memorandum of Association

Since incorporation the following changes have been made in the Memorandum of association:

Date of Change	Particulars of change
19/05/1986	Registered Office of the Company being Plot No. 1247, R.No. 62, Jubilee Hills, Hyderabad at the time of Incorporation.
05/12/1988	Change in Registered Office Address of the Company from Plot No. 1247 , RNo.62 , Jubilee Hills, Hyderabad to 1-8-1/A/2A -C , Top Floor, Ambedkar College Road, Baghlingampally, Hyderabad
08/12/1988	Increase in Authorized Capital from 2 Lakhs to 20 lakhs
01/03/1989	Change in Registered Office Address from 1-8-1/A/2/A-C , Top Floor, Ambedkar College Road, Baghlingampally, Hyderabad to 6-3-655/12 Civil Supplies Bhavan Lane, Somajiguda, Hyderabad to Malkapur Village, Hatnoora Mandal , Medak district.
21/08/1989	Increase in Authorized Capital from 20 Lakhs to 4 Crores
22/09/1990	Increase in Authorized Capital from 4 Crores to 7 Crores.
12/10/1991	Increase in Authorized Capital from 7 Crores to 10 Crores.
20/02/1996	Alteration of Main objects and other objects
01/04/1996	Change in Registered address of the Company from 6-3-655/12 Civil Supplies Bhavan Lane, Somajiguda, Hyderabad to Malkapur Village, Hatnoora Mandal , Medak district.
22/07/1996	Increase in Authorized Capital from 10 Crores to 15 Crores.
28/09/2006	Increase in Authorized Capital from 15 crores to 100 Crores.

Listing and Delisting of Equity Shares

The Equity Shares of the Company are presently listed and traded at Bombay Stock Exchange Limited (BSE). The Equity shares of the Company were also listed on Stock Exchanges at Hyderabad and Ahmedabad but the Company has voluntarily got its equity shares delisted from the said Exchanges in terms of provisions of SEBI (Delisting of Securities) Guidelines, 2003 vide their letters dated 04/04/2005 and 28/02/2005 respectively.

Subsidiary of the Company

The company presently has one subsidiary company named M/s. Restile Marketing Pvt. Ltd. (RMPL) and the details of RMPL are as under:

Restile Marketing Pvt. Ltd. was incorporated on 19/03/2008 and has its registered office at 301 & 302, Aditya Trade Center, Aditya Enclave Road, Ameerpet, Hyderabad 500 038. The company has been set up with the main objective of carrying on business of importers and exporters, dealers and distributors in all kinds of structural ceramics and heavy clay industrial products. the company presently has not started any business activity. The company is an unlisted company. The directors of the company are Mr. Nalinkant Rathod and Mr. Rajesh Khanna. Since the company is incorporated only during March 2008, no financials have been prepared.

Shareholders Agreement

At present the Company has no shareholders agreement.

Strategic Partners

At present the Company has no strategic partner.

Other Agreements

At present the company has not entered into any other Strategic or Financial agreements.

MANAGEMENT**Board of Directors**

The Board of Directors of the Company comprises of the following members:

Name, Designation, DIN, Father's Name, Address and Occupation	Age	Qualification	Date of appointment and term	Other Directorships
Mr Nalinkant Amratlal Rathod Chairman & Managing Director S/o Mr. Amratlal Harilal Rathod Jalan Terogong Kecil Block A1, Pondok Indah Jakarta-Indonesia-12310 Business DIN No: 00272129	57	Bachelors in Commerce from Andhra University, Chartered Accountant	January 27, 2003 Appointed as Chairman and Managing Director for a period of five Years on May 21, 2005	<ul style="list-style-type: none"> • Kelly Holdings Limited, BVI • Macropower Development Ltd • Asia Pacific Equity Holdings Ltd • Asia Pacific Investment Holdings Limited • Radorm Technology Ltd • Far East Capital & Investment Ltd • Asia Pacific Finance & Investment Ltd • Multimedia Investments Ltd • Omni Capital Asia Ltd • CMA Fund Management Ltd • Stepscale Ltd • Springtrend Ltd • Far East Financial Services Ltd • Far East Canning Industries Ltd • Far Eastern Fisheries Ltd • Far Eastern Realty Ltd • Far Eastern Fertilizers Ltd • Far East Marketing ltd. • Far East Mining Ltd • Far Eastern Brahman Co. Ltd. • Far Eastern Brahman Trading Co. Ltd • Great Asian Holdings Pte Ltd.

Name, Designation, DIN, Father's Name, Address and Occupation	Age	Qualification	Date of appointment and term	Other Directorships
				<ul style="list-style-type: none"> • Great Asian Commodity Pte Ltd. • Capital Managers Asia Pte Ltd. • Great Asia Shipping Pte Ltd. • Solomed Pte Ltd. • Elitser IT Solutions (S) Pte Ltd. • Times Watch Investments Ltd • Timeswitch Corporation Ltd. • Northsea Services Ltd. • Pt. Elitser IT Solutions , Indonesia • Pt CMA, Indonesia • SCI Bosques Des Collins, France • Prima Javasoftech Dubai Ltd • Elitser It Solutions Pvt Ltd, India
Mr Sunderesan Hariharan Independent Director S/o Mr N. Sunderesan 9, Tanjong Rhu Road, #07-04 The Waterside, Singapore. Business DIN No: 02337770 (provisional)	38	PGDM Indian Institute of Management Grad. CWA, All India Institute of Cost & Works Accountancy BCom.- University of Madras	August 30, 2008	
Mr K.Rajendra Prasad Independent and Non-executive Director - Nominee APIDC S/o Mr K. Chanti Abbay Flat No.201,Harihara Apartments, Vijaya Nagar Colony, Hyderabad Business DIN No: 00143653	50	Masters in Commerce from Nagarjuna University, Bachelor in Law from Kakatiya University	January 31, 2005	<ul style="list-style-type: none"> • Vista Pharmaceuticals Limited-Nominee Director

Name, Designation, DIN, Father's Name, Address and Occupation	Age	Qualification	Date of appointment and term	Other Directorships
Mr. T.R. Seetha Raman Independent Director S/o Mr.T.S. Ramanarayanan Flat 3B, Palm Terrace, 4, South Mada Street, Srinagar Colony, Chennai – 600 015 Business DIN No: 02337738 (provisional)	60	BCom, Chartered Accountant	August 30, 2008	
Mr Ramachandran N.S. Independent Director S/o Mr. Narasimhachariar Srinivasa Rao Flat no: 101, J.K.M Avenue, Street No.8,3-6-573 Himayat Nagar, Hyderabad Business DIN No.: 00089348	60	Science Graduate in Chemistry, Chartered Accountant	August 30, 2008	
Mr Raghavan R.S. Independent Director S/o Mr. A.P. Rangachari Plot No: 550, Sri Ram Nagar, Sretriate Colony, Puppalaguda, Hyderabad Business DIN No: 00362555	61	Bachelors in Commerce, Chartered Accountant, Company Secretary	August 30, 2008	<ul style="list-style-type: none"> • Avineon India Pvt. Ltd. • Supradeepa Management Consultants Pvt. Ltd.

Brief Profile for Directors

Mr. Nalinkant Amratlal Rathod, aged 57, is a Commerce Graduate from Andhra University and Member of the Institute of Chartered Accountants of India. He started his career with Precision Products Limited. He has around 35 years of experience in the fields of finance, trade and industry. Earlier he worked with Visram Automotive service before joining the Company in January, 2003. He has worked with Precision Products Limited, ICICI Limited, Ashok Leyland Limited, Texmaco Limited, Tripatra Engineering Limited, Bakrie Group and Capital Managers Asia Pte Ltd, Singapore in various capacities. Presently he is associated with Capital Managers Asia Pte Limited as Managing Director, PT CMA Indonesia as director, PT Arutmin Indonesia as President Director, PT Cakrawala Andalas Television as Commissioner, CMA Indonesia as Director, PT Bakrie Telecom,Tbk as Commissioner , PT Bumi Resources as Commissioner and Kaltim Prima Coal as President Director.

Mr.Sundaresan Hariharan, aged 38 years, is a qualified Cost Accountant and PGDM from IIM. He has around 14 years of experience in investment banking, Forex treasury management, capital structuring and credit assessment, working with SCICI Ltd., peregrine Fixed Income Ltd., Fleet Boston Financial and Common Wealth Bank of Australia. He is not a director in any other Company incorporated in India. He holds 6,61,134 equity shares of the Company.

Mr.Rajendra Prasad aged 50 years is a post Graduate from Nagarjuna University and a Law Graduate from Kakatiya University and has around 24 years of Experience In Finance and Projects. He worked with Neyveli Lignite Corporation Limited, Tamil Nadu from 1984 to 1987 as Accountant in Internal audit Department. In the year 1987 he joined Andhra Pradesh Industrial Development Corporation as Assistant Manager and presently he is working as Manager .He is a nominee Director on the board of the Company.

Mr.Seetharaman TR, 51 years, is a qualified Chartered Accountant having post qualification experience of 28 years in Finance Accounts functions, working with various multinational companies in India and abroad. He is the proprietor of the firm T R Seetharaman Chartered Accountants.

Mr.Ramachandran N.S. aged 57 years is a qualified Chartered Accountant and a Management Accountant of the Institute of Chartered Accountants of India. He has around 24 years of post qualification experience in Finance & Accountants functions, worked with Indian Oil Corporation, IBP, GEC OF India Ltd., Hindustan Zinc Ltd and AP Gas Power Corporation Ltd.,

Mr.Raghavan R.S. aged 60 years, is a qualified Chartered Accountant and Company Secretary having around 36 years of rich experience in Finance & Accounts functions in large industrial houses namely Zuari Industries Limited, Steel Authority of India Limited and DCM Limited. Presently, he is a director in the Companies: Avineon India Pvt Ltd., and Supradeepa Management Consultants Pvt Ltd.

Relationship among Directors:

There exists no relationship amongst the directors of the company.

Changes in the Board of Directors during the last three years

Sr. No	Name	Date of Appointment	Date of Resignation
1	Mr Raj Mitta	25/03/2006	--
2	Mr Nalinkant Amratlal Rathod	21/05/2005	--
3	Mr GV Ramanamurthy	21/05/2005	30/05/2008
4	Mr V. Padmakar	21/05/2005	--
5	Mr Dharendra Singh	08/10/2007	27/01/2008
6	Mr. Sunderesan Hariharan	30/08/2008	--
7	Mr. T.R. Seetha Raman	30/08/2008	--
8	Mr. Ramachandran N.S.	30/08/2008	--
9	Mr. Raghavan R.S.	30/08/2008	--
10	Mr. P.V. Lakshmipathy	--	30/08/2008
11	Mr. V. Padmakar	--	30/08/2008
12	Mr. G. Padmanabhan	--	30/08/2008
13	Mr. Rajsekar Kuppuswami Mitta	--	30/08/2008

Details of Shareholding by Directors:

Sr.no	Name of Director	Designation	No. of Shares held
1.	Mr Nalinkant Amratlal Rathod	Chairman cum Managing Director	54,39,220
2.	Mr. Sunderesan Hariharan	Independent Director	6,61,134
3.	Mr. Rajendra Prasad	Director- Nominee APIDC	NIL
4.	Mr. T.R. Seetha Raman	Independent Director	NIL
5.	Mr. N.S. Ramchandran	Independent Director	NIL
6.	Mr. R.S. Raghavan	Independent Director	NIL

Borrowing Powers

In respect of borrowing powers Article 54 of the Articles of Association of the Company provides that Subject to the provisions of Section 58A, 292 and 370 of the Act, the Board may from time to time raise or borrow, from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the payment of the Company.

Provided that the Board shall not, without the sanction of the Company in General Meeting borrow any sum of money which together with monies already borrowed by the Company (apart from temporary loans obtained) from the Company's bankers in the ordinary course of business. Pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956 the Company at the AGM authorized the Board to borrow a maximum of Rs. 3000 Lakhs. (Rupees Three Thousand Lakhs).

Interest of Directors

Except for Mr. Padmakar Vallury and Ms. Radha Vallury none of the promoters / directors are interested in the promotion of the issuer company. None of the directors are interested in any property acquired by the issuer company within two years from the date of the letter of offer or proposed to be acquired by the company.

All the Directors of the company may be deemed to be interested to the extent of fees, is any, payable to them for attending meetings of the Board and reimbursement of expenses. All the directors may also be deemed to be interested to the extent of equity shares, if any, held by them and/ or by their friends/ relatives in the Company that may be subscribed for or allotted to them in the present offer and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares. All the directors may also be deemed to be interested to the extent of normal transactions if any, with the company. The Directors may also be regarded as interested in the equity shares, if any, held or that may be allotted to the companies, firms and trust in which they are interested as directors, members, partners and or trustees.

Compensation of Directors

Name & Designation	Terms of appointment and Remuneration
Mr. Nalinkant Amratlal Rathod, Chairman and Managing Director	<p>Appointed for a period of five years from 21/05/2005.</p> <p>The remuneration payable to the Managerial Personnel shall not exceed : Re 1/-p.m</p> <p>Further the Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors.</p>

Corporate Governance

The Company has complied with the requirements of the applicable regulations including the Listing agreement with the Stock Exchanges and the SEBI(DIP) Guidelines in respect of corporate governance especially with respect to the broad basing of the board, constitution of the committees such as the shareholders/ Investor grievance committee.

The Board of the Company consists of Six Directors, of which four are independent directors in accordance with the requirements of Clause 49 of the Listing Agreement. The Chairman of the Board is an Executive Director.

Committees of the Board have been constituted in order to look into the matters in respect of audit and shareholders/ investors grievance redressal.

The following committees are formed in compliance with the corporate governance norms:

AUDIT COMMITTEE

The Audit Committee was constituted on 31/01/2001. The present committee was reconstituted on 30/08/08. The Audit Committee comprises of the following members.

Name of Director	Status in Committee	Status
Mr. Raghavan R.S.	Chairman	Independent
Mr. Seetharaman T.R	Member	Independent
Mr. Sundareshan Hariharan	Member	Independent

The audit committee for current financial year was held on 28/06/2008 and 30/07/2008.

The powers and role of the audit committee include:

Scope

- Review of the Company's financial reporting process, the financial statements and financial/risk management policies.
- Ensuring the adequacy and compliance of the internal control systems in the Company.
- Review of the internal audit reports.
- Should have discussions with the auditors periodically and review of quarterly/half yearly and annual financial statements before submission to the board.
- Review of the statutory and internal auditors Remuneration.

Powers

- The committee shall have the authority to investigate into any matter and shall have full access to information contained in the records of the Company and external professional advice, if necessary.
- The recommendations of audit committee on any matter relating to Financial Management including the audit committee Report shall be binding on the Board of Directors.

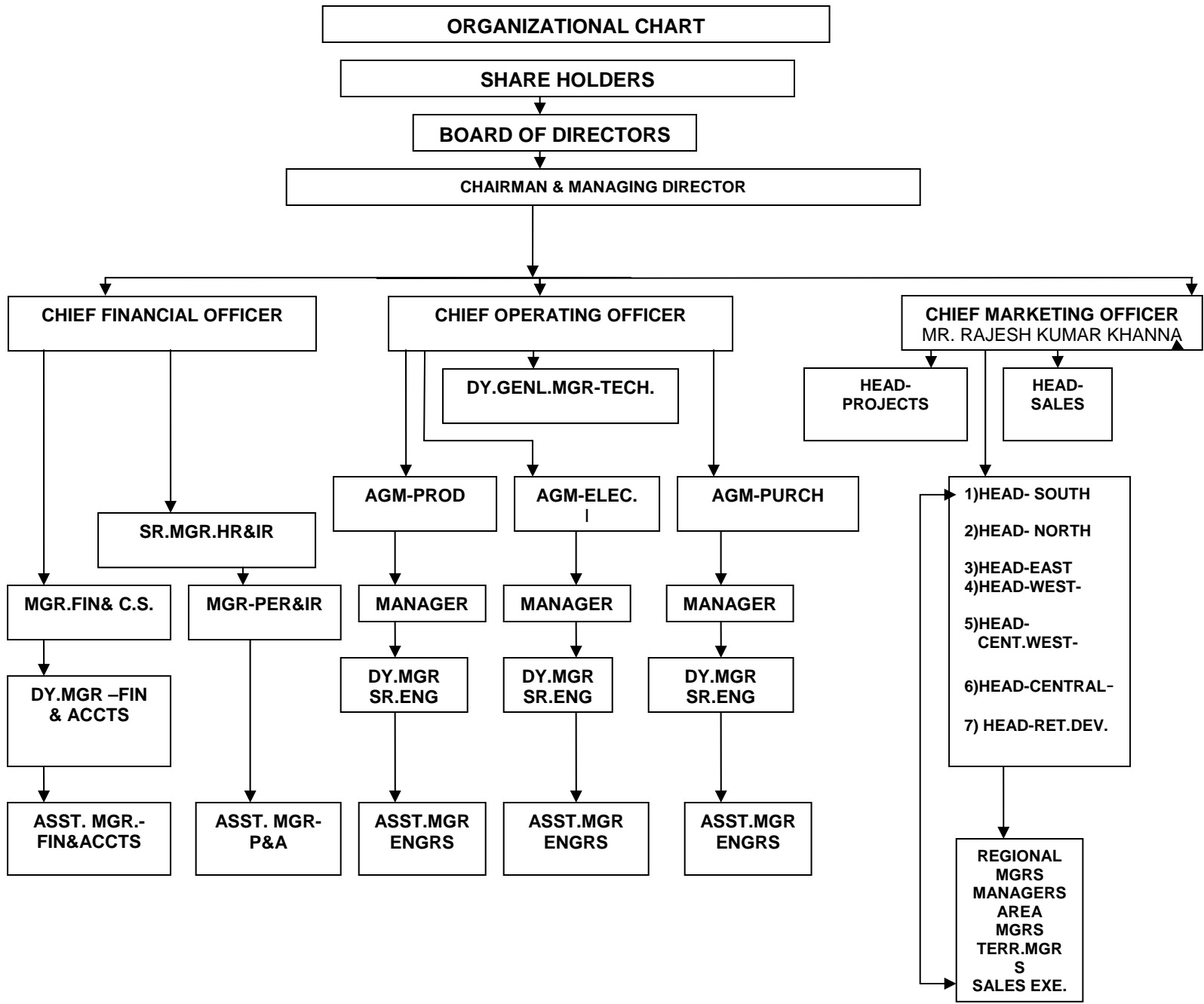
SHAREHOLDERS AND INVESTORS GRIEVANCES COMMITTEE

The Shareholders and Investors Grievances Committee was constituted on 27/01/2003 and the present committee was reconstituted on 30/08/2008 with the following members:

Name of Director	Status in Committee	Status
Mr. Ramchandran N.S.	Chairman	Independent
Mr. Raghavan R.S.	Member	Independent
Mr. Seetharaman T.R.	Member	Independent

The Shareholders and Investors Grievances Committee is responsible for remedying of all investor and shareholder grievances. This Committee will also oversee the performance of the Registrars, transfer agents and the depository related services. This Committee will also undertake all such acts, deeds and things relating to share transfer, transmission, splitting of share certificates, issuance of duplicate shares certificates and other related matters as may be considered necessary in this behalf.

The Committee also oversees the implementation and compliance of the Code of Conduct adopted by the Company for Prevention of Insider Trading for Listed Companies as specified in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended on 29/11/ 2002.



Key Managerial Persons

The Company has following key managerial personnel:

Name of the employee and qualification	Age (years)	Industry Experience	Date of Joining	Designation	Previous Employer	Remuneration per annum
Mr. V V Chenulu Qualification: B. Com. , Chartered Accountant	55	29	March 28, 2007	Chief Financial Officer	Goldstone Group of Companies	Rs.11.00 lacs
Mr. G. Maheshwara Rao Qualification: BTech – Chemical Engg., Warangal	55	31	August 18, 2008	Chief Operations Officer	Reliance Cellulose Ltd.	Rs. 7.7 lacs
Mr. Rajesh Khanna Qualification: B.Sc, MBA	43	20	May 15, 2006	Chief Marketing Officer	Gujarat Gold Coin Ceramics Limited	Rs.7.00 lacs

Brief Details of Key Managerial Personnel

Mr. V V Chenulu, aged 55, is a Commerce Graduate and Fellow Member of the Institute of Chartered Accountants of India. He has around 29 years post qualification professional experience in corporate finance, accounts, budgeting, costing, taxation, project implementation, commercial, manufacturing operations and general management. He started his career with Andhra Pradesh State Financial Corporation in November 1977 and was responsible for appraisal of projects and Accounting. From 1980 to 1990 he worked with Tata Iron and Steel Company Limited. He has worked with UB Group from April, 1991 to April, 1992. He was associated with Mishra Dhatu Nigam Limited from 1992 to 1998. He joined Sujana Group of Companies in March 1998. He joined Goldstone Group of Companies in January 2003. He joined Restile during on 28 March 2007 and is presently serving as Chief Financial Officer. He is responsible for preparation of annual budgets in line with the corporate goals, growth plans and raise, utilize optimally, cost effectively the Company's funds.

Mr. Rajesh Khanna, aged 43, is a B.Sc. (Physics) Graduate from B.N.College, Patna and MBA from BIT, Ranchi. He has around 20 years post qualification professional experience in marketing, commercial and general management having worked in Madhusudan Ceramics from the year 1988 till the year 1991. In the year 1991-92 he worked as a Sales Executive where & from 1992-1994 Dabur India Limited and from the year 1992 till 1994 as an Area Manager in Dabur India Limited. From the year 1994-1997 he worked as Regional Manager in Madhusudan Ceramics. He worked with Gujarat Goldcoin Ceramics Limited from the year 1997 and has been associated at various levels as Deputy General Manager, General Manager and Vice President. He joined the Company in May 2006 and is presently serving us Chief Marketing Officer.

Mr.G.Maheswara Rao, aged 55 years , has done his B.Tech – Chemical engineering form Warangal, Andhra University at Andhra Pradesh. He has 31 years of experience in Techno-Commercial Functions, Business Start Ups, Profit Centre management, Business Turn around and plant operations in assignments in India and abroad. He had worked in Grindwell Norton Ltd., Bangalore/Tirupathi From 1977-1987, from the year 1987 to 1996 with Bakelite Hylam ltd Hyderabad. From 1996-1997 worked for Restile Ceramics Limited. From 1997-2000 with Gujarat Perstorp

Electronics Ltd. From 2001 to 2004 with Aurobindo Pharma Limited, China as Unit head (manufacturer of intermediates for bulk drugs). From 2005 to 2007 worked with Minwool Rockfibres Ltd. He joined the company in August 2008 and is presently serving the company as Chief Operations Officer.

Shareholding of Key Managerial Personnel

No Key Managerial Persons are holding any shares in the Company.

Bonus or Profit sharing plan for Key Managerial Personnel

No bonus or Profit sharing plan exists for Key managerial Persons.

Changes in Key Managerial Personnel in last three years

Name of Employee	Date of Appointment	Date of Resignation
Mr. V Ramachandra Murthy	05/01/ 2005	24/06/2008
Mr. Rajesh Khanna	15/05/2006	--
Mr. K.Krishna Rao	--	06/12/2006
Mr. P.Ramachandran	01/01/2007	31/05/2008
Mr. V V Chenulu	28/03/2007	--
Mr. G. Maheshwara Rao	18/08/2008	--

Employees Stock Option Scheme

Presently the Company has not adopted any Employee Stock Option plan.

Payment or benefit to officers of the Company (non Salary related)

Except as stated in section titled 'Management' on page 65 of this Letter of offer, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of the officers of the Company except the normal remuneration or sitting fees for services rendered as directors, officers and employees.

PROMOTERS

The present Promoters of the Company are:



Mr. Nalinkant Amratlal Rathod, aged 57, is a Commerce Graduate from Andhra University and Member of the Institute of Chartered Accountants of India. He started his career with Precision Products Limited. He has around 35 years of experience in the fields of finance, trade and industry. Earlier he worked with Visram Automotive service before joining the Company in January, 2003. He has worked with Precision Products Limited, ICICI Limited, Ashok Leyland Limited, Texmaco Limited, Tripatra Engineering Limited, Bakrie Group and Capital Managers Asia Pte Ltd, Singapore in various capacities. Presently he is associated with Capital Managers Asia Pte Limited as Managing Director, PT CMA Indonesia as director, PT Arutmin Indonesia as President Director, PT CakrawalaAndalas Television as Commissioner, CMA Indonesia as Director, PT Bakrie Telecom,Tbk as Commissioner ,PT Bumi Resources as Commissioner and Kaltim Prima Coal as President Director.

Passport No. : Z1114532
Permanent Account No. : AKJPR0332D



Mr. V Padmakar aged 56 years is a Bachelor Science (Engineering) from Sambalpur University, Orissa. He has 30 Years of experience in marketing, production, Commercial, administration etc. He worked with Nagarjuna Steels Limited as Sales Manager (1977 to 1983), Novopan India Limited as Marketing Manager (1984 to 1987), Kera Sinter Limited as General Manager (1988 to 1991). He joined Restile Ceramics limited in 1992 and is also serving as Director of Autoform Engineering.

Passport No. : F3611191
Permanent Account No. : AANPV3403D



Mrs Radha Vallury, aged 50 years is a promoter of the Company. She has done Masters in Arts from Annamalai University.

Passport No. : Z1289665
Permanent Account No. : AAVPV8282C

It is hereby confirmed that the permanent account number, bank account number and passport number wherever available of all the above Promoters were submitted to the Stock Exchanges at the time of filing the offer document with the Stock Exchanges.

APEH had submitted a proposal to BIFR for Takeover of Restile Ceramics Ltd. Mr. Nalinkant Rathod, present promoter of Restile was also a Director in APEH. At the time of infusion of funds as per BIFR scheme the funds were infused by Mr. Nalinkant Rathod, APHIL and other associate companies. Thus Mr. Nalinkant Rathod has been named as the promoter and the associate companies have been included in the promoter group.

Interest of Promoters

Promoters are interested to the extent of their shareholding for which they are entitled to receive dividend declared, if any by the Company. Further, since Promoters are also Directors of the Company, they are interested to the extent of their remuneration from the Company as disclosed under the section "Management" appearing from page no. 65 of this Letter of Offer.

Common Pursuits

None of the promoter group companies are involved in the same activities as carried out by the issuer company.

Interest of Promoters

Except as stated in the Related Party information on page no. 92 this Letter of Offer, to the extent of reimbursement of expenses incurred or normal remuneration or benefits and their shareholding in the Company as stated under section titled "Capital Structure of the company" appearing on page no. 11 of this Letter of Offer, the Promoters of the Company have no interest in the business of the Company.

Payment or benefit to Promoters

There is no payment or benefit to be given to the promoters of the Company other than being a shareholder or remuneration as a Director of the Company.

The promoters have not dissociated from any Company during the last three years.

PROMOTER GROUP COMPANIES / ENTITIES

Foreign companies

1. Solomed Pte Limited

Solomed Pte Limited was incorporated on 11/07/1998 as a Pvt. Ltd. Company under the Companies Act (Cap.50) incorporated with the Registrar of Companies & Businesses, Singapore. The registered office of the company is situated at 90, Cecil Street, #08-03, Singapore – 069531.

Nature of activities carried on by the company: The company is into the business of Investments

The shareholding pattern of the company as on 30/06/2008 is:

Shareholder	Number of shares held of SGD 1	% of the shareholding
Mr. Nalinkant Amratlal Rathod	2,54,732	99.99
Mr. Sanjeev Gupta	5	00.01
TOTAL	2,54,737	100.00

The Board of Directors of the company as on 30/06/2008 are:

Name	Designation
Mr. Nalinkant Amratlal Rathod	Director
Mr. Sanjeev Gupta	Director

The audited financial performance of the company for the last three years:

(Rs.in lacs)

Particulars	December 31, 2007	December 31, 2006	December 31, 2005
Total income	141.28	293.24	413.84
Profit After Tax	38.58	371.51	1.59
Equity capital	67.51	73.28	69.12
Reserves & Surplus	13750.99	1903.38	1215.00
Earning per share (Rs.)	15.15	141.73	0.62
Net Asset Value (Rs.)	204.70	776.07	504.17

The conversion rates used to convert one Singapore Dollar (SGP) into Indian Rupees are as follows:

December 31, 2005	1 SGP = Rs. 27.14
December 31, 2006	1 SGP = Rs. 28.77
June 30, 2007	1 SGP = Rs. 26.60
December 31, 2007	1 SGP = Rs. 26.50

The company has not declared any dividends.

2. Asia Pacific Investment Holdings Limited

The company was incorporated on 12/07/1996 as a Public Ltd. Company under the International Business Companies Act, (Cap. 291) with the Registrar of Companies, British Virgin Islands.. The registered office address of the company is P O Box No. 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin of Islands.

Nature of activities carried on by the company: The company is into the business of Investments

The shareholding pattern of the company as on 30/06/2008 is:

Shareholder	Number of shares held of USD 1	% of the shareholding
Mr. Nalinkant Amratlal Rathod	1	100.00
TOTAL	1	100.00

The Board of Directors of the company as on 30/06/2008 are:

Name	Designation
Mr. Nalinkant Amratlal Rathod	Director
Smt. Bharati Nalin Rathod	Director

The audited financial performance of the company for the last three years:

(Rs.in lacs)

Particulars	December 31, 2007	December 31, 2006	December 31, 2005
Total income	1971.83	1543.36	1445.03
Profit After Tax	1971.83	1096.79	1000.85
Equity capital	14118.40	14118.40	14462.40
Reserves & Surplus	5338.19	3366.36	2431.49
Earning per share (Rs.)	5.26	3.47	3.08
Net Asset Value (Rs.)	65.79	54.64	52.79

The conversion rates used to convert one US Dollar (USD) into Indian Rupees are as follows:

December 31, 2005	1 USD = Rs. 45.20
December 31, 2006	1 USD = Rs. 44.12
June 30, 2007	1 USD = Rs. 40.74

The company has not declared any dividends and the figures mentioned above are unaudited figures.

3. Radorm Technology Ltd

The company was incorporated on 28/02/2000 as a Private Limited company under the International Business Companies Act, (Cap. 291) with the Registrar of Companies, British Virgin islands. The registered address of the company is P O Box No. 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin of Islands.

Nature of activities carried on by the company: The company is into the business of Investments

The shareholding pattern of the company as on 30/06/2008 is:

Shareholder	Number of shares held of USD 1	% of the shareholding
Mr. Nalinkant Amratlal Rathod	1	50.00
Mr. Sanjeev Gupta	1	50.00
TOTAL	2	100.00

The Board of Directors of the company as on 30/06/2008 are:

Name	Designation
Mr. Nalinkant Amratlal Rathod	Director

The audited financial performance of the company for the last three years:

(Rs.in lacs)

Particulars	December 31, 2007	December 31, 2006	December 31, 2005
Total income	NIL	NIL	NIL
Profit After Tax	NIL	NIL	NIL
Equity capital	265.05	253.69	NIL
Reserves & Surplus	NIL	NIL	NIL
Earning per share (Rs.)	NIL	NIL	NIL
Net Asset Value (Rs.)	40.70	40.70	NIL

The conversion rates used to convert one US Dollar (USD) into Indian Rupees are as follows:

December 31, 2005	1 USD = Rs. 45.20
December 31, 2006	1 USD = Rs. 44.12
June 30, 2007	1 USD = Rs. 40.74

The company has not declared any dividends.

Indian Companies

Elitser IT Solutions Private Limited (formerly known as: Java Softech Private Limited) was incorporated on 27/10/1999 as a private limited company. The Registered Office of the company is situated at 303, Aditya Trade Centre, Ameerpet, Hyderabad - 500 038.

Nature of activities carried on by the company: The company is into the business of software development

The shareholding pattern of the company as on 31/03/2008 is:

Shareholder	Number of shares held of Rs.10/- each	% of the shareholding
Mr. G.V. Ramana Murthy	2,59,100	7.97
Mr. G. Satyanarayana	52,400	1.61
Mr. Nalinkant Amratlal Rathod	16,72,000	51.44
Mr. M.V.K. Mohan	1,000	0.03
M/s. Java Industries Pvt. Ltd.	12,65,500	38.93
TOTAL	32,50,000	100.00

The Board of Directors of the company as on 31/03/2008 are:

Name	Designation
Mr G.V. Ramana Murthy	Director
Mr. G. Satyanarayana	Director
Mr. Nalinkant Amratlal Rathod	Director
Mr. M. V.K. Mohan	Director

The audited financial performance of the company for the last three years:

(Rs.in lacs)

Particulars	June 30, 2008	March 31, 2008	March 31, 2007	March 31, 2006
Total income	26.53	131.02	209.74	209.75
Profit After Tax	(16.97)	(76.65)	(36.12)	1.39
Equity capital	443.78	433.81	325.00	325.00
Face Value	10	10	10	10
Reserves & Surplus	(335.84)	(335.87)	(259.22)	(233.10)
Earning per share (Rs.)	(0.52)	(2.36)	(1.11)	0.04
Book Value (Rs.)	2.43	2.26	2.02	2.83

Though Mr. Nalinkant Rathod is a director in 30 companies only 4 companies are holding more than 10% shares in the issuer company. Hence the same are included in the promoter group.

FINANCIAL STATEMENT

Auditor's Report

The Board of Directors,
Restile Ceramics Limited
Hyderabad

Dear Sirs,

We have examined the Books of Accounts of **Restile Ceramics Limited** for the financial years ended 31st March 2004, 2005, 2006, 2007, 2008 and for the period upto 30th June 2008, which is the last date to which the accounts of the Company have been made up. Financial statements for the year ended 31st March 2004, 2005, 2006, 2007, 2008 and for the period up to 30th June 2008 have been recast in accordance with Schedule VI of the Companies Act, 1956 and in accordance with accounting standards of the Institute of Chartered Accountants of India.

As required by Part II of Schedule II of the Companies Act, 1956 and as per guidelines issued by the Securities and Exchange Board of India ("SEBI") in pursuance of sub-section (1) of Section 11 of the Securities and Exchange Board of India Act, 1992, we have examined the financial information contained in Annexure to this report which is proposed to be incorporated in the Draft Offer Document of **RESTILE CERAMICS LIMITED** ("THE COMPANY") in connection with the rights issue of Equity Shares of Rs.10/- each at par.

Based on our examination of the above financial statement, we confirm that the relevant extracts of Balance Sheet and Profit & Loss Account as enclosed in **Annexure I** and this report has been made after giving effect to the following:-

- The impact of changes in accounting policies adopted by the Company has been disclosed with retrospective effect
- The impact of qualification in the auditor's report where applicable has been adjusted
- The impact of extra ordinary items has been disclosed separately in the financial statements.

The significant Accounting Policies and Notes to Accounts are enclosed in **Annexure II** to this report.

Other Financial Information

- Accounting ratios relating to Earnings Per Share, Net Asset Value per share and Return on Net Worth are given in **Annexure III**.
- The capitalization statement of the Company as at 30th June, 2008 is enclosed as **Annexure IV**.
- The taxation statement for the preceding financial years of the Company is enclosed as **Annexure V**.
- The transactions with companies in the promoter group and details and transaction with Group Company/promoters including Outstanding Loans taken by the Company are enclosed in **Annexure VI**.
- Restated statement of Cash Flows for the year ended 31st March 2004, 2005, 2006, 2007, 2008 and Quarter ended 30th June, 2008 are enclosed in **Annexure VII**

RESTILE CERAMICS LIMITED



In our opinion the financial information as per 'audited financial statements' and 'other financial information' mentioned above is in accordance with the relevant requirements of Part II of Schedule II of the Companies Act, 1956 and as per guidelines issued by the Securities and Exchange Board of India.

For LALITH PRASAD AND CO

Chartered Accountants

Sd/-

S LALITH PRASAD

Proprietor

M.No. 23665

Dated: 06.10.08

Annexure-I

The Financial highlights for Restile Ceramics Limited for the Five Financial years ended 31st March 2004, 2005, 2006, 2007, 2008 and Quarter ended 30th June, 2008.

STATEMENT OF PROFITS AND LOSSES - RESTATED

(Rs in lakhs)

Particulars	June 30,2008	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
INCOME						
Sales (Net of Excise Duty)						
a. Of products manufactured by the Company (Tiles)	592.12	3181.49	2034.84	1148.02	1219.33	1467.40
b. Of products traded in by the Company	0.00	0.00	0.00	0.00	0.00	1.66
c. Total	592.12	3181.49	2034.84	1148.02	1219.33	1469.06
Other Income	4.88	26.83	26.61	33.33	12.19	13.31
Increase / (Decrease) in Inventories	209.57	71.79	284.24	126.03	(22.63)	(9.06)
TOTAL INCOME	806.57	3280.11	2345.69	1307.38	1208.89	1473.31
EXPENDITURE						
Raw Material Consumed	142.71	684.82	610.98	311.46	257.74	335.26
Staff Costs	63.42	402.00	320.13	197.69	192.78	172.42
Other Manufacturing Expenses	286.59	1147.43	948.16	606.04	547.40	527.57
Administration Expenses	71.72	236.21	192.87	157.70	93.62	95.52
Selling and Distribution Expenses	70.46	277.65	216.74	67.27	117.44	148.22
Interest & Financial Charges	71.15	113.66	94.78	63.08	101.56	87.23
Depreciation	69.88	273.64	235.82	144.34	110.40	95.31
Amortization	26.40	105.62	82.69	106.09	0.00	0.00
Total	802.33	3241.03	2702.17	1653.67	1420.94	1461.53
Net Profit/(Loss) before tax and extraordinary items	4.24	39.08	(356.48)	(346.29)	(212.05)	11.78
Taxation						
Deferred tax (expense) / benefit	0.00	0.00	(1.36)	9.21	0.00	0.00
Fringe benefit tax	1.65	8.99	4.82	0.00	0.00	0.00
Net Profit/(Loss) after tax and After Extraordinary items	2.59	30.09	(359.94)	(355.50)	(212.05)	11.78

STATEMENT OF ASSETS AND LIABILITIES - RESTATED

(Rs. In Lakhs)

	Particulars	June 30, 2008	March 31, 2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
A.	<u>Fixed Assets:</u>						
	Gross Block	5529.39	5528.11	5256.77	3870.86	2786.72	2785.16
	Less : Depreciation	1972.89	1903.00	1633.45	1394.34	1249.99	1139.60
	Net Block	3556.50	3625.11	3623.32	2476.52	1536.73	1645.56
	Capital Work in Progress	2465.97	2465.97	626.90	784.46	1029.78	731.75
	Total Fixed Assets	6660.22	6091.08	4250.22	3260.98	2566.51	2377.31
B.	Investments	0.99	0.99	0.00	0.00	0.00	0.00
C.	<u>Current Assets, Loans & Advances</u>						
	Inventories	1275.11	1056.99	912.35	557.32	404.27	454.12
	Sundry Debtors	784.89	858.98	600.39	257.28	225.89	342.95
	Cash and Bank Balances	327.79	737.75	421.52	159.30	22.41	26.46
	Loans and Advances	2690.53	1898.14	505.33	277.87	62.84	74.05
	Total Current Assets	5079.31	4552.85	2439.59	1251.77	715.41	897.58
D.	Total Assets (A+B+C)	11739.53	10643.93	6689.81	4512.75	3281.92	3274.89
E.	<u>Liabilities & Provisions</u>						
	Secured Loans	2441.21	1522.86	1851.65	793.49	1024.00	1189.83
	Unsecured Loans	0.00	0.00	70.00	517.82	0.00	0.00
	Current Liabilities and Provisions	813.20	658.93	737.89	411.51	517.86	477.98
	Deferred Tax	337.26	337.26	337.26	338.62	329.40	342.26
	Total Liabilities & Provisions	3591.67	2519.05	2996.80	2061.44	1871.26	2010.07
F.	Net Worth (D-E)	8147.86	8124.88	3693.01	2451.31	1410.66	1264.82
G.	<u>Represented by Shareholder's Fund :</u>						
	Share Capital	5638.97	5638.97	4262.95	629.82	482.82	482.82
	Share Application Money	3034.79	3034.79	0.01	1700.76	484.98	139.96
H.	Reserves and Surplus	800.57	800.57	800.57	800.57	767.19	767.19
I.	Miscellaneous Expenditure (to the extent not written off or adjusted)	(319.37)	(339.77)	(330.74)	0	0	0
J.	Profit & Loss Account	(1007.10)	(1009.68)	(1039.77)	(679.84)	(324.33)	(125.15)
	Net Worth (G+H-I-J)	8147.86	8124.88	3693.01	2451.31	1410.66	1264.82

Annexure-II**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 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 major refurbishment extending the life 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

Research & Development expenses of capital nature are capitalized. The revenue expenditure identifiable for development activities, resulting in long term future economic benefits, are treated as intangible asset, to be amortized over a reasonable period based on the technical assessment in line with AS 26 of ICAI. The other expenditure of revenue nature is charged to Profit and Loss Account under the natural head of expenses.

l. Brand Building Expenses

All identifiable amounts spent on Brand Building resulting in long term future benefits are to be amortized over a reasonable period depending on the estimated life of the brand, on the expert opinion and in line with AS26 of ICAI.

m. Preliminary/Capital Issue Expenses:

The Preliminary expenses and Capital Issue expenses are amortized over a period of 5 years.

n. 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.

2. Notes to Accounts & Restated Financial Statements:

- 2.1.** An amount of Rs.42.85 lakhs as advance outstanding from Asia Pacific Investment Holding Limited on March 31, 2007 and March 31, 2008 is regrouped under CWIP since advance was of capital in nature.
- 2.2** The Capital Work in Progress (CWIP) amount is shown separately under the head "Fixed Assets" in the Balance Sheet and the same is not included in the gross block of fixed assets.

2.3 Contingent Liabilities:

(Rs in lakhs)

Particulars	Financial Year					
	June 30, 2008	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Letters of Credit	141.00	153.65	158.85	62.90	77.03	33.63
Bank Guarantees	41.00	55.07	63.05	16.00	16.00	8.00

2.4 Auditors Remuneration

(Rs in lakhs)

Particulars	Financial Year					
	June 30,2008	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
I. Auditors Remuneration:						
Audit Fees	0.00	0.99	0.83	0.83	0.50	0.44
Legal & Professional Fees	0.00	0.00	0.00	0.00	0.00	0.00
Out of Pocket Expenses	0.00	00.0	0.00	0.00	0.00	0.00
Other Services	0.00	0.30	0.30	0.33	0.00	0.06
Total	0.00	1.29	1.13	1.16	0.50	0.50

2.5 Remuneration Paid to Executive Director

(Rs in lakhs)

Particulars	June 30 2008		2007-08		2006-07		2005-06		2004-05		2003-04	
	CMD	JMD & CEO	CM D	JMD& CEO	MD	JMD &CE O	MD	JMD	MD	JM D	MD	JMD
Salary	0.00	3.34	0.00	12.99	0.00	23.31	1.68	9.53	12.00	9.53	12.00	9.53
Contribution to PF	0.00	0.28	0.00	1.19	0.00	0.00	0.20	0.91	1.44	0.91	1.44	0.91
Perquisites	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.58	0.11

2.6 Secured Loans:**A. Term Loans**

(Rs. In Lakhs)

Name of the Bank	Nature of Loan	Sanctioned Amount	Amount outstanding as on June 30,2008	Amount outstanding as on March 31, 2008	Rate of Interest (%) p.a.	Repayment Schedule
ICICI Bank Limited	Term Loan	248.40	40.90	40.90	12%	40.90 lakhs payable on 27.01.2008

B. Working Capital Facilities

Name of the Bank	Nature of Loan	Sanctioned Amount	Amount outstanding as on June 30, 2008	Amount outstanding as on March 31, 2008	Rate of Interest (%) p.a.	Repayment Schedule
State Bank of India, IFB Branch, Somajiguda, Hyderabad	Cash Credit	440.00	577.23	478.63	13.50% (2% above State Bank of India Advance Rate)	Renewable every year
C. Vehicle Loan						
State Bank of India	Car Loan	6.00	3.08	3.34	9.75%	60 Monthly Installments.
D. Others						
Athreya Finance	Secured Loan	2500.00	1820	1000	14%	Out of rights issue Proceeds
	TOTAL		2441.20	1522.86		

Principle Terms of Sanctioned Loans and Assets Charged as Security**ICICI BANK LTD. : on Term loans sanctioned**

- (1) First charge on the whole of the movable properties situated at Malkapur Village, Narsapur Taluq, Medak District including the Company's movable plant and machinery, machinery spares, tools and accessories and other movable both present and future (save and except book debts).
- (2) Joint Mortgage was executed by the Company, jointly in favour of the Lead Institutions and the other lenders by deposit of title deeds in respect of the Company's Immovable property situated at Malkapur Village, Narsapur Taluq, Medak District.
- (3) The loan together with interest thereon is further secured by creating mortgage by deposit of title deeds of the Company's immovable property situated at Malkapur Village, Medak Dist.
- (4) All the pieces and parcel of land in Survey No.43, 3 acres 15 cents; Sy.No.42, 3 acres 4 cents and Sy.No.38, 2 acres 22 cents situated at Malkapur Village, Narsapur Taluq, Medak District.

STATE BANK OF INDIA, IFB, SOMAJIGUDA, HYDERABAD

Primary : (a) First Charge on Company's Current Assets i.e., Stock of Raw Materials, Stores & Spares, Consumables, Finished Goods etc located at the borrower's godown or factory & hypothecation of book debts, outstanding monies, receivables, etc

Collateral: (b) 1. Second charge on Company's Fixed Assets and immovable property situated at Malkapur Village, Narsapur Taluq, Medak District

2. Equitable mortgage of Admn. Office Building of the Company admeasuring 7200 sqft at IIIrd Floor at Varun Towers, Begumpet, Hyd.

2.7 Installed Capacity and Actual Production

S.no.	Class of Goods	Financial Year	Unit	Licensed Capacity	Installed Capacity	Actual Production
01	Unglazed Fully Vitrified Ceramic Floor Tiles	2002-03	Sq.mts	1400000	1400000	294705
02	-DO-	2003-04	Sq.mts	1400000	1400000	396017
03	-DO-	2004-05	Sq.mts	1400000	1400000	334998
04	-DO-	2005-06	Sq.mts	1400000	1400000	347090
05	-DO-	2006-07	Sq.mts	1400000	1400000	439219
06	-DO-	2007-08	Sq.mts	1400000	1400000	648505
07	-DO-	30-Jun-2008	Sq.mts	350000	350000	157487

2.8 Opening and Closing Stocks

Details of Opening Stock and Closing Stocks of Unglazed Fully Vitrified Ceramic Floor Tiles					
Financial Year	Unit	Opening Stock		Closing Stock	
		Qty	Rs in lacs	Qty	Rs in lacs
30-Jun.2008	Sqmt	180593	739.34	221460	915.53
2007-08	Sqmt	158428	662.87	180593	739.34
2006-07	Sqmt	115664	384.46	158428	662.87
2005-06	Sqmt	70712	229.87	115664	384.46
2004-05	Sqmt	81918	240.25	70712	229.87
2003-04	Sqmt	100036	258.24	81918	240.25

2.9 Raw Material Consumed

(Unit in tones)

Particulars	June 30 2008		2007-08		2006-07		2005-06		2004-05		2003-04	
	Qty	Rs.in Lacs	Qty	Rs in lacs	Qty	Rs in lacs	Qty	Rs in lacs	Qty	Rs in lacs	Qty	Rs in lacs
Ball Clay	1184.78	31.92	5395.00	133.10	4855.00	127.24	3737.15	58.00	3865.77	67.48	4710.84	70.19
Feldspar	1988.26	29.03	8383.00	101.31	3061.00	37.66	3647.17	46.39	3047.81	36.12	3628.50	42.38
Zirconium	62	30.09	185.00	54.16	205.00	58.30	137.375	67.18	197.15	72.95	241.85	89.45
Silicate	44.96	22.82	57.00	101.49	176.00	108.88	87.035	26.27	8.34	37.98	27.46	48.29
Ceramic												
Body												
Colours												
Others		99.12		439.44		414.74		201.18		160.71		206.82
Total		213.01		829.50		746.82		399.02		375.24		457.13

2.10 Value of Imports on C.I.F. Basis

(Rs in lakhs)

CIF VALUE OF IMPORTS AND CONSUMABLES				
Sr. No.	Financial Year	Capital Goods	Consumables	Total CIF Value of imports
1	April'08-June'08	0.00	0.00	0.00
2	2007-08	358.57	16.03	374.60
3	2006-07	449.09	7.406	456.50
4	2005-06	516.37	25.51	541.88
5	2004-05	19.54	19.31	38.85
6	2003-04	53.80	23.72	77.52

2.11 Expenditure in Foreign Currency

(Rs in lakhs)

Particulars	Upto June 30, 2008	2007-08	2006-07	2005-06	2004-05	2003-04
Traveling Expenses	0.00	8.26	10.96	7.19	4.21	20.29
Interest on FCNRBDL	0.00	6.47	15.74	7.87	8.53	2.45
Technical Know-how fee	0.00	0.00	0.00	0.00	0.00	54.93

2.12 Earnings in Foreign Currency

(Rs in lakhs)

Particulars	Upto June 30, 2008	2007-08	2006-07	2005-06	2004-05	2003-04
FOB Value of Exports	0.00	86.88	5.84	0	0	0

2.13 Small Scale Industrial Undertaking**Due to Small Scale Industries as on 30.06.2008 in excess of Rs. 1.00 lakh :**

Maini Abrasives (P) Ltd. - Rs. 1.4 lacs

Sree Venkata Sai Packaging (P) Ltd. - Rs. 6.48 lacs

Annexure-III

ACCOUNTING RATIOS

Ratio	Financial Year					
	June 30,2008	March 31,2008	March 31,2007	March 31,2006	March 31,2005	March 31,2004
Earning Per Share (Rs.) (Basic)	0.005	0.05	(2.14)	(6.53)	(4.39)	0.31
Earning Per Share (Rs.) (Diluted)	0.003	0.04	(2.14)	(1.58)	(2.19)	0.23
Return on net worth (%)	0.05	0.47%	(9.75%)	(47.37%)	(22.91%)	1.05%
Net Asset Value per share (Rs.)	14.45	14.75	21.92	45.02	29.22	33.07
Return on Capital Employed (%)	0.86%	1.79%	(4.72%)	(7.45%)	(3.31%)	2.97%

Notes:

- 1) Earnings per share (Rs) = Restated Profit available to equity shareholders / Weighted no. of paid up equity shares.
- 2) Earnings per share (Rs) Diluted = Restated Profit available to equity shareholders / Weighted no. of diluted equity shares.
- 3) Return on Net Worth (%) = Restated profit after Tax / Net Worth *100
- 4) Net asset value/Book value per share (Rs.) = Net worth / Weighted no. of paid up equity shares.
- 5) Return on Capital Employed = PBIT * 100/ Average Capital Employed
 - a. Capital employed = Tangible net worth + Long term total borrowings
 - b. Average capital employed = Average of capital employed last year and current year
- 6) AS-20 has been Complied in computation of EPS.

A. Transaction Between promoters and the Associates of Promoters for the period 01.04.2003 to 30.06.2008
STATEMENT OF RELATED PARTY TRANSACTION
As per Accounting Standard 18 of the ICAI

- (I) Holding Company : NIL
- (II) Joint Venture : NIL
- (III) Relationships:
1. Related Parties where Control Exists: Nil
 2. Related parties which exist control over our Company.
 - a) Asia Pacific Investment Holdings limited.
 3. Key Management Personnel with whom transactions have taken Place.
 - a) Mr.Nalin A. Rathod
 - b) Mr.G.V.Ramana Murthy
 - c) Mr. V.Padmakar
 - d) Mrs. G.Sujatha (Wife of Mr.G.V.Ramana Murthy)
 - e) Mrs. V Radha (Promoter and Wife of Mr.V.Padmakar)
 4. Enterprises over which any of the above mentioned person is able to exercise significant influence.
 - a) Solomed Pte Ltd
 - b) Radorm Technology Ltd
 - c) Asia Pacific Equity Holdings limited
 - d) Elitser IT Solutions India Private Limited
 - e) Java Industries Private Limited.
- (IV) Transactions Carried out with related parties Referred in III Above, in ordinary course of business:

(Rs. in Lakhs)

Name of Related Parties	Nature of Transaction	June 30,2008	March 31,2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Asia Pacific Investment Holdings Limited							
Opening Balance		0.00	0.00	(517.82)			
Availed/ Adjustment during the year	Purchase of Fixed Assets	0.00	0.00	(547.02)	(517.82)	0.00	0.00
	Recorded under Capital work in progress			(42.85)			
Repaid during the year	(Short Term credit through ECB)	0.00	0.00	1107.69			
Closing Balance		0.00	0.00	0.00	(517.82)	0.00	0.00
Opening Balance		0.00	34.21	19.50	20.64	6.06	0.00
Mrs. G.Sujatha	Vehicle Hire Charges	0.77	3.09	3.03	2.77	2.70	2.70
	Goods Sold	0.00	0.00	0.00	0.11	0.00	0.00
Mrs. V.Radha	Vehicle Hire Charges	0.00	0.00	0.00	0.45	2.70	2.70

Name of Related Parties	Nature of Transaction	June 30,2008	March 31,2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
Mr. G.V.Ramana Murthy	Remuneration	3.24	12.99	14.14	10.44	10.44	10.55
Mr.V.Padmakar	Remuneration	0.00	0.00	23.31	1.88	13.44	14.02
Amount paid / adjusted during the year		4.01	50.29	25.77	16.79	14.70	23.91
Closing Balance		0.00	0.00	34.21	19.50	20.64	6.06

Note: Part of the office furniture in the name of our Company, amounting to Rs.15.22 lakhs is being used by Elitser IT Solutions India Private Limited for which no consideration is received from them.

B. Closing Balance of Unsecured Loans from promoters and associate promoters as on 30th June 2008:

The outstanding balance of unsecured loans in the respective years was as under:

(Rs in lakhs)

Description	Financial Year					
	June 30, 2008	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005	March 31 2004
Asia Pacific Investment Holdings Ltd, Singapore	0.00	0.00	0.00	517.82	0.00	0.00
Sanjeev Gupta, Singapore	0.00	0.00	70.00	0.00	0.00	0.00
Total	0.00	0.00	70.00	517.82	0.00	0.00

Note:

- Unsecured loan taken from Asia Pacific Investment Holdings Limited, Singapore was in the form of short term credit facility used for purchasing Fixed Assets.
- Unsecured Loan from Mr. Sanjeev Gupta was used for business purpose and meeting project commitments.

STATEMENT OF TAX SHELTER

(Rs. In lakhs)

	Particulars	Financial Year				
		June 30, 2008	2007-08	2006-07	2005-06	2004-05
A	<u>Tax Rates</u>					
	Normal Tax Rates	30% + 10.0% surcharge+ 3% Edn Cess	30% + 10.0% surcharge+ 3% Edn Cess	30% + 10.0% surcharge + 2% Edn Cess	30% + 10.0% surcharge + 2% Edn Cess	35% + 2.50% surcharge+ 2% Edn Cess
	Minimum Alternative Tax (MAT) u/s 115JB of the Income-tax Act, 1961	11.33	11.33	11.22	8.41	7.84
B	<u>Tax payable on Normal Income</u>					
	Profits before tax as per Audited Accounts	0.00	39.08	(356.48)	(346.29)	(212.05)
	Adjustments on account of Timing Differences	0.00	0.00	326.39	176.65	125.10
	Set-off of Unabsorbed Losses/depreciation to the extent utilised	0.00	735.20	735.20	154.37	152.74
	Tax on Normal Income	0.00	0.00	0.00	0.00	0.00
C	Minimum Alternative Tax (MAT) paid as per the provisions of Section 115JB as per rates applicable	0.00	0.00	0.00	0.00	0.00
D	Normal Tax Paid	0.00	0.00	0.00	0.00	0.00
E	MAT Credit available	0.00	0.00	0.00	0.00	0.00
F	Refund Due	0.00	0.00	0.72	0.52	0.42

CAPITALISATION STATEMENT**(Rs. in Lakhs)**

Particulars	Pre-issue as at June 30,2008	Post-issue
Borrowing		
Short term Debt	577.23	577.23
Long Term Debt	1863.97	1863.97
Total Debt	2441.20	2441.20
Shareholders' Funds:		
Share Capital	5638.97	9827.92
Reserves & Surplus	800.57	800.57
Total Capitalisation	6439.54	10628.49
Long Term Debt/Shareholders funds	0.29	0.18
Total Debts/ Shareholders	0.38	0.23

Notes:

1. The above amounts have been considered from the restated statement of Assets and Liabilities.
2. Long term debt include current portion of the long term debt payable over the next twelve months from March 31, 2008.
3. Short term debt includes unsecured loans, foreign currency short term demand loan and cash credit from SBI, Hyderabad.

Annexure-VII

STATEMENT OF CASH FLOW - RESTATED

(Rs. in Lakhs)

	Particulars	June 30, 2008	2007-08	2006-07	2005-06	2004-05	2003-04
A							
	Net profit before tax	4.24	39.08	(356.48)	(346.29)	(212.05)	11.78
	Adjustment for :						
	Depreciation	69.88	269.55	235.82	144.34	110.40	95.31
	Interest	15.44	113.88	94.78	63.08	101.56	87.23
	Amounts written back	26.40	105.62	82.69	0.00	0.00	0.00
	Operating Profit before Working Capital changes	115.96	528.13	56.81	(138.87)	(0.09)	194.32
	Adjustment for :						
	Trade and other receivables	74.09	(258.60)	(343.11)	(31.39)	117.06	(38.10)
	Inventories	(218.12)	(144.65)	(355.02)	(153.05)	49.85	15.44
	Loans and Advances	(792.38)	(1349.96)	(313.16)	(215.03)	11.22	85.82
	Current liabilities and provisions	98.54	(97.28)	245.03	414.47	42.27	0.75
	Cash from Operations	(721.91)	(1322.36)	(709.45)	(123.87)	220.31	258.23
	Interest Paid	40.28	(95.56)	(93.80)	(53.22)	(111.58)	(75.62)
	Direct Taxes paid	(1.65)	(8.99)	(3.83)	0.00	0.00	0.00
	Net Cash from Operating Activities (A)	(683.28)	(1426.91)	(807.08)	(177.09)	108.73	182.61
B							
	Purchase of fixed assets	(645.03)	(2157.81)	(1473.40)	(838.81)	(299.59)	(498.26)
	Sale of fixed assets	0.00	3.58	0.00	0.00	0.00	0.00
	Investments	0.00	(114.65)	0.00	0.00	0.00	0.00
	Net Cash used in Investing Activities (B)	(645.03)	(2268.88)	(1473.40)	(838.81)	(299.59)	(498.26)
C							
	Proceeds/(Repayment) of Unsecured loans	0.00	(70.00)	(447.82)	0.00	0.00	0.00
	Proceeds from/(Repayment of) long term borrowings	918.35	(328.79)	1058.15	(243.36)	(158.20)	(61.60)
	Proceeds from share capital	0.00	4410.81	1932.37	1396.15	345.01	361.54
	Net Cash used in Financing Activities (C)	918.35	4012.02	2542.70	1152.79	186.81	299.94
	Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(409.96)	316.23	262.22	136.89	(4.05)	(15.71)
	Cash & Bank Balance - End of the period	327.79	737.75	421.52	159.30	22.41	26.46
	Cash & Bank Balance - Beginning of the period	737.75	421.52	159.30	22.41	26.46	42.17

DIVIDEND POLICY

The declaration and payment of dividends on the company's equity shares will be recommended by the Board of the directors and approved by the shareholders, at their discretion and will depend on a number of factors including but not limited to the profits, capital requirements and overall financial condition.

The company has not declared any dividends since inception.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Industry Structure and Developments: Globally, the ceramic tile industry has grown at rates of around 8.5% per annum in the past few years. The global ceramic tile industry size is close to \$32.5 billion. China dominates with 33.5% of world production, followed by Spain at 9.7%, Italy 9%, Brazil 8.6% and India at 4.1%. The largest exporters are Italy, China and Spain, while the USA, Germany and France are major importers.

At present, there are 33 units in the organized sector, with an installed capacity of 851.5 lakhs metric TPA. The unorganized sector accounts for a significant chunk of the industry (44% of total production). Annual turnover of the industry is in the region of Rs.45 billion.

The company's product brand "RESTILE" has earned good reputation in the tiles market and the market potential for the products of the company are very encouraging. Keeping this in view, the installed capacity has been expanded to 2.10 million sq. mtrs. per annum and a further expansion program with an investment of approx. Rs. 5310.50 lakhs is being implemented on completion of which program the installed capacity would be 3.50 million sq. mtrs. per annum.

The market for vitrified tiles has been growing at around 15% per annum in India on account of strong growth of construction industry under booming Indian Economy and rising personal incomes.

The competition for the product's of the company is from a few other Indian companies and from imports. However, the company's brand name, quality, price competitiveness enables consistent year after year growth in the market share for its product.

The issue is pursuant to the BIFR order dated August 22, 2006 allowing the company to make a rights issue of Rs.4200 lacs.

In the opinion of the directors of the company there have not been any circumstances since the date of the last financial statement which materially and adversely affect or is likely to affect the trading or profitability of the company, or value its assets, or its ability to pay its liabilities within the next twelve months

Factors that may affect the results of operations:

1. Unusual or infrequent events or transactions

There are no unusual infrequent events or transactions in the company that may affect the income and expenditure of the company.

2. Significant economic changes that materially affected or are likely to affect income from continuing operations

There are no significant economic changes that materially affected or are likely to affect income from continuing operations

3. Known trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

There are no known trends or uncertainties that may have material adverse impact on the operations of the company.

4. Future changes in relationship between costs and revenues, in case of events such as future increase in labor or material costs or prices that will cause a material change are known.

There are no changes foreseen in relationship between costs and revenues that will cause a material change.

5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

There are no new products to be launched which would affect the sales volume of the company drastically.

6. Total turnover of each major industry segment in which the Company operated

The company is only engaged in manufacturing of ceramics tiles.

7. Status of any publicly announced new product

Company's R&D department continuously and successfully works to develop new products and the following new products were developed during the year: ACCU Series, PATH Series, CHIPS Series, introduction of new plain colours and new clours in Granite Series.

8. The extent to which the business is Seasonal

The business of the company is not seasonal in nature.

9. Dependence on single or few suppliers / customers

The company does not depend on single or few suppliers/ customers for its business operations.

10. Competitive conditions

The competition primarily comes from players from the organized sector and regional players from the unorganized sector. For further details refer page. 52 of the letter of offer.

The results of operations could potentially be affected by the following factors:

- 1. Supply of raw materials:** For the manufacturing of the products, the both imported as well as indigenous raw materials are required. Amongst the indigenous raw materials clay, zirconium silicate, feldspar, etc which are obtained from mining which in turn are regulated by the government and any adverse change in regulation or control thereof may affect the operational activity accordingly.

Although the prices of raw materials have not varied significantly, the company has witnessed a wide fluctuation in the cost of transportation of raw materials. This may affect our results of operation to a great extent.

- 2. Cost of power and fuel:** Cost of power and fuel constitutes about 40% of the total cost and thus this plays a significant role. Presently, the company consumes power and fuel from the local sources but due to instability of crude prices in the International market, the prices of fuel are a concern for the company.

3. **Demand:** The demand for the products is mainly from the construction sector (Malls, BPOs, Commercial Complexes, etc). The company has expanded its customer base in domestic markets and the hence the prospects and earnings growth to which we serve, will have an impact on the sales.
4. **Competition:** Selling prices of the products may be affected if competition intensifies. The competitors are adopting the aggressive pricing strategies in order to gain market share; which will adversely affect the incomes and demand for the tiles.

Discussions on Financial/Operational performance: The details of financial performance from the year 31/03/2005 to 30/06/2008 as per the audited financial results are given in the below table:

STATEMENT OF PROFITS AND LOSSES - RESTATED

(Rs. In Lacs)					
Particulars	June 30, 2008	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
INCOME					
Sales (Net of Excise Duty)					
Of products manufactured by the Company (Tiles)	592.12	3181.49	2034.84	1148.02	1219.33
Of products traded in by the Company	0.00	0.00	0.00	0.00	0.00
Total	592.12	3181.49	2034.84	1148.02	1219.33
Other Income	4.88	26.83	26.61	33.33	12.19
Increase / (Decrease) in Inventories	209.57	71.79	284.24	126.03	(22.63)
TOTAL INCOME	806.57	2415.00	2345.69	1307.38	1208.89
EXPENDITURE					
Raw Material Consumed	142.71	684.82	610.98	311.46	257.74
Staff Costs	63.42	402.00	320.13	197.69	192.78
Other Manufacturing Expenses	286.59	1147.43	948.16	606.04	547.40
Administration Expenses	71.72	236.21	192.87	157.70	93.62
Selling and Distribution Expenses	70.46	277.65	216.74	67.27	117.44
Interest & Financial Charges	71.15	113.66	94.78	63.08	101.56
Depreciation	69.88	273.64	235.82	144.34	110.40
Amortization	26.40	105.62	82.69	106.09	0.00
Total	802.33	3241.03	2702.17	1653.67	1420.94
Net Profit/(Loss) before tax and extraordinary items	4.24	39.08	(356.48)	(346.29)	(212.05)

Comparison of recent financial years with the previous financial years

Comparison of period till 30/06/2008 over 2007-08

As figures mentioned are not for the complete financial year, the figures cannot be compared on point to point basis.

Net Sales: Net sales for the period ended 30/06/2008 were Rs.592.12 lacs as compared to Rs.3189.41 lacs for the year ended 31/03/2008.

Other income: The other income was Rs.4.88 lacs for the period ending 30/06/2008 as compared to Rs.26.83 lacs for the period ended 31/03/2008.

Total Expenditure: The total expenditure of the company is Rs.802.33 lacs as on 30/06/2008.

Manufacturing Expenses: The manufacturing expenses incurred are Rs.286.59 lacs for the quarter ended 30/06/2008.

Administrative selling and other expenses: The administrative and selling expenses incurred are Rs.142.18 lacs for the quarter ended 30/06/2008.

Interest and financial charges: The interest and financial charges were Rs.71.15 lacs for the period ended 30/06/2008.

Comparision of Financial Results for the year 2007-2008 with 2006-2007

The production during the year was 6,48,505 sq. mtrs. and the sales were 6,31,097 sq. mtrs. The capacity utilization and sales quantity were higher during the year.

Net Sales: Net sales for the year 2007-08 were Rs.3181.49 lakhs as compared to Rs.2034.84 lakhs in the previous year. The increase of 56.35% was due to higher production and higher volume of sales.

Other Income: The other income for the year stands at Rs.26.84 lakhs.

Increase in stocks: The closing stock in trade as on 31.03.2008 has increased by only Rs.71.79 lakhs from the previous year in comparison with the increase of Rs. 284.24 lakhs as on 31.03.2007 on account of higher sales.

Total Expenditure: Increase in the expenditure in the year 2007-08 was due to revised product mix, new product development and higher production.

Manufacturing Expenses: Manufacturing expenses were Rs.1832.26 lakhs in the year 2007-08 compared to Rs. 1559.14 lakhs during the previous year. The increase has been on account of richer product mix and higher production quantities.

Administrative, Selling & Other Expenses: There has been an increase of Rs.186.12 lakhs on account of general rise in prices, increase in work/sales force and increased marketing activity.

Interest and Financial Charges: An amount of Rs.113.66 lakhs was incurred in the year 2007-08 against Rs.94.78 lakhs in the previous year due to utilization of enhanced working capital facilities and higher level of business activity.

Net Profit: An amount of Rs. 30.09 lakhs net profit was earned by the company during the year 2007-08 as against a net loss of Rs.359.93 lakhs during the year 2006-07, on account of higher production, sales and better sales realization.

Comparison of financial results for the year 2006-2007 with 2005-2006:

Net Sales: Net sales for the year 2006-07 were Rs.2034.84 lakhs as compared to Rs.1148.02 lakhs in the previous year. The increase was due to increased capacity utilization of the production facilities & introduction of new products into the market.

Other Income: Decrease in other income from Rs.33.33 lakhs in the year 2005-06 to Rs.26.61 lakhs in the year 2006-07 was mainly due to writing back of very old unclaimed credit balances lying in the books of accounts in 2005-2006.

Total Expenditure: Increase in expenditure in the year 2006-07 was due to corresponding increase in sales.

Manufacturing Expenses: Manufacturing expenses were Rs.1559.14 lakhs in the year 2006-07 compared to Rs. 917.50 during the previous year. The increase has been on account of increase in sales coupled with change in the product mix and product development costs incurred.

Administrative, Selling & Other Expenses: There has been an increase of Rs.149.47 lakhs on account of general rise in prices, increased marketing activity.

Net Profit / (Loss): The loss during the year 2006-07 increased due to realization of the benefits of capital expenditure during second half of the year.

Comparison of financial results for the year 2005-2006 with 2004-2005:

Net Sales: Net sales for the year 2005-06 were Rs.1148.02 as compared to Rs.1219.33 in the previous year. The marginal decrease was due to utilization of the production facilities for product development work for some part of the year.

Other Income: Increase in other income from Rs.12.19 lakhs in the year 2004-05 to Rs.33.33 lakhs in the year 2005-06 was mainly due to writing back of very old unclaimed credit balances lying in the books of accounts.

Total Expenditure: Increase in expenditure in the year 2005-06 was due to expenditure incurred on revised product mix and utilization of production facilities for development of new products.

Manufacturing Expenses: Manufacturing expenses were Rs.917.50 lakhs in the year 2005-06 compared to Rs.805.14 lakhs during the previous year due to increase in the production capacities.

Administrative, Selling & Other Expenses: There has been a marginal increase of Rs.18.82 lakhs on account of general rise in prices.

Interest and Financial Charges: An amount of Rs.63.08 lakhs was incurred in the year 2005-06 against Rs.101.56 lakhs incurred in the previous year as major part of the term loans and FCDs were paid during the year 2005-06.

Net Profit / (Loss): The loss during the year 2005-06 increased due to realization of the benefits of capital expenditure only during second half of the year. The capacity utilization and the yields were low.

Comparison of financial results for the year 2004-2005 with 2003-2004:

Net Sales: Net sales for the year 2004-05 were Rs.1219.33 as compared to Rs.1469.06 in the previous year. The decrease was due to imbalances in production facilities and low yields.

Other Income: Decrease in other income to Rs.12.19 lakhs in the year 2004-05 from Rs.13.31 lakhs in the year 2003-04 was mainly due to lower interest income.

Total Expenditure: A decrease in the total expenditure in the year 2004-05 was on account of lower production and lower raw material consumption

Administrative, Selling & Other Expenses: The marginal decrease from 2003-04 is on account of cost control measures implemented during the year 2004-05.

Interest and Financial Charges: The increase of Rs. 14.33 lakhs in the year 2004-05 is due to increase in bank charges and interest on Term Loans & FCDs.

Net Profit/(Loss): The loss during the year 2004-05 of Rs. 212.04 lakhs against a net profit of Rs.11.77 lakhs in the year 2003-04 is on account of lower level of production and sales in 2004-05.

Working Results

Information relating to the company sales, gross profit, etc., as required by the Ministry of Finance vide circular No.F2/5/SE/76 dated February 5, 1977 read with the amendments of even no. dated March 8, 1977 as under:-

The results of the company for the period from 01/07/2008 to 31/08/2008:-

Particulars	Rs. In lacs
Net Sales	762.82
Other Income	147.71
Total Income	910.53
Total Expenditure	883.54
Interests & Financial charges	13.56
Depreciation	11.64
Net Profit/ (Loss) after tax	1.79
Paid-up equity share capital	5638.97

LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND DEFAULTS

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its directors or Promoters or companies promoted by promoters that would have a material impact on the business of the Company and there are no defaults, non payment or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the Company or its directors, its Promoters or companies promoted by its promoters.

Against the Company

S. No	Case Title	Nature of Case	Case No.	Pending Before	Amount involved	Matter in Brief	Present Status
1.	Referred Case	Sales Tax, Central Excise & Customs	169 of 2001	High Court of Andhra Pradesh	Rs. 9,50,877/-	The State of Andhra Pradesh has filed an appeal before the High Court of Andhra Pradesh against the order passed by the Sales Tax Appellate Tribunal in T.A. No. 313 of 2001 setting aside the provisional assessment imposing tax at 10% on the turnover of Rs. 95,08,775/- made by the Assistant Commissioner (CT) (Intl)	The Trial has not yet commenced
2.	Original Suit	Injunction suit	1030 of 1997	V Assistant Judge, City Civil Court, Hyderabad	Rs.89,00,000/-	M/s. Seshasayee Paper and Boards Limited has filed a case against the Company before the V Assistant Judge, City Civil Court, Hyderabad seeking a permanent injunction against the Company from disputing the sale of equipment by the Company to M/s. Seshasayee Paper and Boards Limited under the hire purchase agreement and the subsequent lease by M/s. Seshasayee Paper and Boards Limited to the Company by way of a lease agreement dated March 29, 1996.	The next date of hearing is awaited.

By the Company

S. No	Case Title	Nature of Case	Case No.	Pending Before	Amount involved	Matter in Brief	Present Status
1	Execution Petition	Money Recovery suit	490 of 2002	V Senior City Civil Judge, Hyderabad	Rs. 2,98,148.73/-	The Company has filed a case against M/s. Parkerknol Ventures before the Vth Senior City Civil Judge, Hyderabad for the recovery of a sum of Rs. 2,98,148.73 (Rupees Two Lakhs Ninety Eight Thousand One Hundred Forty Eight and Seventy Five Paise Only) due and payable by M/s. Parkerknol Ventures. An out of court settlement has been arrived at and M/s. Parkerknol Ventures has made part payment to the tune of Rs. 217000/-	The company to receive the balance amount from the party
2	Writ Petition	Industrial Disputes compensation	12811 of 2002	High Court of Andhra Pradesh	Rs. 2,00,550	The Company has filed an writ petition before the High Court of Andhra Pradesh against the order passed by the Appellate Authority and Assistant Commissioner of Labour Hyderabad - II in S.A. 1 of 2001 directing the Company to pay a sum of Rs. 200,550/- (Rupees Two Lakhs Five Hundred and Fifty Only) to Mr. K. M. Jacob, a former employee of the Company. The High Court has passed orders granting interim suspension of the order passed by the Appellate Authority and Assistant Commissioner of Labour Hyderabad	The case is not posted for final hearing till now
3.	Writ Petition	Industrial Disputes compensation	12795 of 2002	High Court of Andhra Pradesh	Rs.1,20,750	The Company has filed an appeal before the High Court of Andhra Pradesh against the order passed by the	The case is not posted for final hearing till now

S. No	Case Title	Nature of Case	Case No.	Pending Before	Amount involved	Matter in Brief	Present Status
						Appellate Authority and Assistant Commissioner of Labour Hyderabad - II in S.A. 2 of 2001 directing the Company to pay a sum of Rs. 120,750/- (Rupees One Lakh Twenty Thousand Seven Hundred and Fifty Only) to Mr. C. Venkataramana, a former employee of the Company. The High Court has passed orders granting interim suspension of the order passed by the Appellate Authority and Assistant Commissioner of Labour Hyderabad on a condition that a sum equivalent to 1/3rd of the amount i.e., Rs. 40,250/- (Rupees Forty Thousand Two Hundred Fifty Only) be paid by the Company. The Company has complied with the orders passed by the Hon'ble High Court of Andhra Pradesh	
4.	Criminal Complaint	Misappropriation of funds	2194 of 2003	XI Metropolitan Magistrate at Secunderabad	Rs.4,00,000	The Company has filed a criminal complaint under Section 120, 403, 408, 420 and 471 read with Section 34 of IPC and Section 200 Cr.P.C before the XI Metropolitan Magistrate at Secunderabad against its erstwhile employees Mr. K. M. Jacob and Mr. C. Venkataramana for misappropriating the funds of the Company. The police investigation report has been filed and the matter is now at the state of chief examination.	The next date of trial is awaited

Against the Directors

NIL

Against the Promoters

NIL

Against the Promoter Group

NIL

Government and Other Approvals

The Company has received all the necessary permissions and approvals from the Government and various government agencies. In view of this the company can undertake the issue and no further material approvals are required from any government authority.

I. RBI/ FEMA

Sr. No.	Licence No	Authority	Purpose	Validity
1	1012(89) DLR dated November 15,1989	Department of Industrial Development, Secretariat for Industrial Assistance	For the manufacture of 'Vitrified Acid/Alkali Resistant Medium and Heavy Duty Floor and Wall Tiles' Registration NO.R-1012(89)	Valid
2	ITC/IEC/R-17/AM.89/HYD/295 dated July 21, 1989	Deputy Chief Controller of Imports and Exports	Allotting 'Importer Exporter Code (IEC) no. 0989002217.	Valid
3.	Letter dated August 25, 1989	Reserve Bank of India	Allotting Exporter Code number HR000143	Valid
4.	Industrial License No.83(2007) dated 31 st December, 2007	Department of Industrial Policy & Promotion	Expansion of the 'Unglazed Fully Vitrified Ceramic Floor And Wall Tiles' to 35,00000 sq. meters.	Valid

II. Environmental Approvals

Sr. No.	License No	Authority	Purpose	Validity
1	CSE/183/91-10 dated February 28,1991	Government of Andhra Pradesh, Office of the Collector, Medak District	To carry upto 15000 litres barrels of diesel per month from any petrol pump in the Medak District and to further store the same at its premises at Malkapur.	Valid
2	NOC dated May 24,1990	Government of India, Department of Explosives	For the commissioning of 25 KL underground tank for storage of Petroleum Class 'C' (LDO) at Malkapur Village	Valid
3.	Consent for Establishment dated February 19,2005 bearing	Andhra Pradesh	for the expansion of the existing	Valid for a period

Sr. No.	License No	Authority	Purpose	Validity
	No.145/PCB/ZO/RCP/CFE/2003-12	Pollution Control Board	vitrified tiles unit from 5,40,000, sq. mts per years to 1.2 million sq. mtrs per year	of 5 years from the date of issue.
4.	Consent for Establishment dated February 19,2005 bearing No.145/PCB/ZO/RCP/CFE/2005-471	The Andhra Pradesh Pollution Control Board	for the expansion of the existing vitrified tiles unit from 1.2 million Sq. mts per years to 1.4 million sq. mtrs per year.	Valid
5.	Consent order for operation bearing No.APPCB/PTN/BLM/154/RO/2003/A/681-1229	Andhra Pradesh Pollution Control Board	for the manufacture of 1.40 million Sq Mtrs of vitrified, unglazed, polished and unpolished ceramic tiles.	Renewal awaited
6.	S/HO/AP/03/61(3541)	Ministry of Commerce and Industry, and Explosives Safety Organization	Storage of liquefied petroleum gas 100 M under the Explosive Act, 1884.	Valid
7	7/1(C00729)/2005-PSU/LPRO/ZSO-00988	Department of Atomic Energy	to procure 480 MT of Zirconium Silicate Opacifier for the manufacture of ceramic tiles.	Valid
8	Consent order for operation bearing No.APPCB/PTN/BLM/154/RO/W/2003/681-1228	Water (Prevention and Control of Pollution) Act, 1974	For the manufacture of vitrified unglazed polished and unpolished ceramic tiles.	Valid upto 30.09.09.
9	P/SC/AP/15/127(P37167)	Ministry of Commerce and Industry, Department of Explosives	License to Import and store Petroleum Installation for the storage of 25KL of Petroleum Class B.	Applicati on for renewal made on 30/11/20 07

III. Tax Related Approvals

Sr. No.	License No/ Registration	Authority	Purpose	Validity
1	PJT/07/1618/89-90	ACTO (RA) Khairatabad, Andhra Pradesh	Certificate of Registration under the Central Sales Tax (registration and Turnover Rules)1957	Valid
2	23192274	The Sales Tax office, 1 st Circle, Ernakulam	Certificate of Registration as a dealer under Kerala General Sales Tax Act,1963	Valid
3	23192274	Additional Sales Tax Officer - II, Commercial Taxes, Ernakulam	Certificate of Registration as a dealer under the Kerala General Sales Tax Act,1963 as per Central Sales Tax (registration and Turnover Rules)1957	Valid
4	400001 S 4500	The Sales tax Department Maharashtra	Certificate of registration as a dealer under the Bombay Sales Tax Act,1959	Valid
5	PJT/07/2/Sec. 5B/102/93-94	Office of Commercial Tax, Khairtabad Circle -Hyderabad	Certificate of Registration as a marketer under the Andhra Pradesh General Sales Tax Act	Valid
6	PJT/07/2/1866/89-90	Sales Tax Authority, Andhra Pradesh	Certificate of Registration as a dealer under the Andhra Pradesh General Sales Tax Act	Valid
7	28160129878	Commercial Taxes Department	Value Added tax Registration Certificate	Valid
8	AABCR1336G	Income Tax Department, Andhra Pradesh	Permanent Account Number	Valid
9	AABCR1336GST001	Commissioner of Central Excise	Service Tax Code Number	Valid
10	AABCR1336 GXM001	Asst Commissioner of Central Excise Hyderabad- 'C' Division, Ramkoti-Hyderabad	Certificate of Registration as a manufacturer	Certificate is valid till there is no change in management of the firm

Sr. No.	License No/ Registration	Authority	Purpose	Validity
11	ST/78/02/7/97-N	Ministry of Finance, Department of Revenue, Assistant Commissioner of Central Excise	for complying with the conditions prescribed in the Service Tax Rules, 1994 for collecting service tax on 'Goods Transport'	Valid
12	PJT/SMG/12/2/1140/2005-2006 dated	The Commercial Tax office Somajiguda Circle	Certificate of Registration 2005 as an employer under the Andhra Pradesh Tax on Professions, Trades, Callings and Employments Rules, 1987	Valid
13	AABCR1336GXM001 vide Letter dated December 22,1999	Deputy Commissioner of Central Excise	Excise Control Code Number	Valid
14	PJT/07/2/Sec.5-B/102/93-94	The Commercial Tax office, Khairtabad Circle, Hyderabad	Certificate of Registration as a manufacturer under Section 5 B of Andhra Pradesh General Sales Tax Act.	Valid
15	PJT/SMG/12/2/1140/2005-2006	The Commercial Taxes office, Khairtabad, Circle Hyderabad.	Certificate of Registration under the Andhra Pradesh State Tax on Professions, Trades, Callings and Employment Act, 1987.	Valid

IV. Labour Related Approvals

Sr. No.	License No	Authority	Purpose	Validity
1	43704	Government of Andhra Pradesh, Factories Department	License to Work a Factory	Valid
2		The Asst. Commissioner of Labour Circle II, Hyderabad	Shops and establishments renewal certificate	Renewal Application Submitted on 10.01.2007. Awaiting for Renewal Certificate from Labour Department.
3.	Certificate of Incorporation dated May 26,1986	Registrar of Companies	Pursuant to Change of Name	Valid
4	400001 C 3747	Additional Sales Tax officer, Commercial Taxes Mumbai	Certificate of Registration as a dealer under the Central Sales Tax 1956 Section 7(1)	Valid
5.	PJT/07/2/Sec. 5B/102/93-94	The Commercial Tax office Khairtabad Circle Hyderabad	Amendment-inclusion of some more goods in G-2 Certificate of Registration as marketer under the Andhra Pradesh General Sales Tax Act,	Valid
6	2021886	Sales Tax Authority, Bangalore, Karnataka	Certificate of Registration as a dealer under the Central Sales Tax (Registration & Turnover) Rules, 1957	Valid

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the present Issue

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on 23/07/2006 it has been decided to make the following offer to the Equity Shareholders of the Company with a right to renounce by the existing shareholders. This was approved as per the meeting of the Shareholders held on 14/05/2007.

Issue of 4,18,89,511 equity shares of Rs.10/- each at par aggregating to Rs.4188.95 lacs on rights basis to the existing shareholders of the company in the ratio of 26(twenty six) equity shares for every 35 (thirty five) equity shares on Friday 19/09/2008 (Record Date). The face value of the equity share is Rs.10/- per share and the issue price is one time the face value. The Board of Directors of the Company have approved the Letter of Offer in the board meeting held on 22/03/2008.

Other approvals:

Pursuant to the BIFR order dated 22/08/2006, the company is allowed to make the present rights issue of Rs.4200 lacs.

Prohibition by SEBI

The company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market under any order or direction passed by SEBI.

Eligibility for the Issue

Restile Ceramics Limited is an existing Listed Company .It is eligible to offer this Rights Issue in terms of Clause 2.4.1(iv) of the SEBI (DIP) Guidelines, 2000.

The promoters, their relatives, Restile Ceramics Limited group companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS OFFER DOCUMENT HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI).

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES IN FORCE FOR THE TIME BEING.THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN OFFER DOCUMENT, LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGERS KEYNOTE CORPORATE SERVICES LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 28/03/2008 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS :

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
 - a) THE LETTER OF OFFER FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
 - c) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE CERTIFY THAT REQUIREMENT OF PROMOTER'S CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (a), (b) or (c)} ARE NOT APPLICABLE IN RESPECT OF THE SAID ISSUE.
5. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES

WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

6. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.
7. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT, IF ANY, IN THE ISSUE.
8. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
9. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER :
 - a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND
 - b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.

THE PROMOTER/DIRECTOR OF RESTILE CERAMICS LIMITED, MR. NALINKANT AMRATLAL RATHOD, MR. SUNDERESAN HARIHARAN, MR. K. RAJENDRA PRASAD, MR. T.R. SEETHARAMAN, MR. RAMACHANDRAN N.S. ,MR. RAGHAVENDRA R.S. AND MS. RADHA VALLURY CONFIRM THAT NO INFORMATION/MATERIAL LIKELY TO HAVE A BEARING ON THE DECISION OF INVESTORS IN RESPECT OF THE SHARES OFFERED IN TERMS OF THIS LETTER OF OFFER HAS BEEN SUPPRESSED WITHHELD AND / OR INCORPORATED IN THE MANNER THAT WOULD AMOUNT TO MIS-STATEMENT/MISREPRESENTATION AND IN THE EVENT OF ITS TRANSPERING AT ANY POINT IN TIME TILL ALLOTMENT/REFUND, AS THE CASE MAY BE, THAT ANY INFORMATION/MATERIAL HAS BEEN UPPRESSED/WITHHELD AND/ OR AMOUNTS TO A MIS-STATEMENT/ MISREPRESENTATION, THE PROMOTERS/DIRECTORS UNDERTAKE TO REFUND THE ENTIRE APPLICATION MONIES TO ALL SUBSCRIBERS WITHIN 7 DAYS THEREAFTER WITHOUT PREJUDICE TO THE PROVISIONS OF SECTION 63 OF THE COMPANIES ACT.

CAUTION STATEMENT / DISCLAIMER CLAUSE OF THE ISSUER AND THE LEAD MANAGER

The Issuer Company and the Lead Manager accept no responsibility for statements made otherwise than in this Offer Document or in the advertisement or in any other material issued by or at the instance of the Company and the Lead Manager and any one placing reliance on any other source of information would be doing so at his/her/their own risks.

DISCLAIMER IN RESPECT OF JURISDICTION

This offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are under their constitution to hold and invest in shares), Foreign Collaborators and to NRIs, OCBs and FIIs as defined under the Indian laws. This Offer Document does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any jurisdiction other than India. Any person into whose possession this Offer Document comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Hyderabad, State of Andhra Pradesh, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Offer Document has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Offer Document may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Restile Ceramics Limited. since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

LISTING

Presently the Equity shares of Restile Ceramics Limited are listed on Bombay Stock Exchange Limited.

The Company has received in-principle approval from BSE vide its letter no. DCS/PREF/JA/IP-RT/112/08-09 dated April 11, 2008 for listing of the equity shares being issued in terms of this Letter of Offer.

If the permissions to deal in and for an official quotation of the equity shares are not granted by the stock exchange, the Company shall forthwith repay, without interest, all monies received from the applicants. In case of delay interest shall be paid in accordance with the provisions of Section 73 of the Act.

DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (BSE), THE DESIGNATED STOCK EXCHANGE

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated DCS/PREF/JA/IP-RT/112/08-09 dated April 11, 2008, permission to this Company to use the Exchange's name in this Letter of Offer as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner:

- (i) Warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- (ii) Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- (iii) Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

And it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein for any other reason whatsoever.

Filing

This Letter of Offer has been filed with SEBI, SEBI Bhavan, Plot No. C-4A, C- Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 021 and Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street. All the legal requirements applicable till the date of filing this Letter of Offer with the Stock Exchange have been complied with.

Impersonation

Attention of the applicants is specifically drawn to the provisions of Sub- Section (1) of Section 68A of the companies Act, 1956 which is reproduced as below:

“Any person who –

- a. makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or**
- b. otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years”**

Consents

Consents in writing of: (a) the Director’s and Compliance Officer, the Auditors, the Bankers to the Company and the Bankers to this issue; and (b) Lead Manager to this issue, Registrar to this issue and legal advisors to the issue to act in their respective capacities have been obtained and filed with Stock Exchange at the time of filing, this Letter of Offer for registration with the stock exchanges.

The auditors of the company have given their written consent for the inclusion of their report in the form and content appearing in this Offer Document and also the tax benefits accruing to the Company and its members and such consents and reports have not been withdrawn up to the time of delivery of the Letter of Offer for registration with the Stock Exchanges.

Expert Opinion, if any

Except in the sections titled “Financial Statements” and “Statement of Tax Benefits” on Page no. 81 and 32 of this Letter of Offer, no expert opinion has been obtained by the Company in relation to this Letter of Offer.

Expenses of the Issue

The expenses of the Issue payable by the Company including brokerage, fees and reimbursement to the Lead Manager, Registrar to the Issue, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at Rs. 60 lacs (around 1.43 % of the total Issue size) and will be met out of the proceeds of the Issue.

(Rs. In lacs)				
Sr. no	Particulars	Amount	% of the proceeds of the issue	% of the issue expenses
1	Fees of the lead Manager, Legal advisor, Registrar to the issue, Auditors and other advisors.	30.00	0.71	50.00
2	Advertisement expenses, Printing and Stationery, Distribution, Postage etc.	30.00	0.71	50.00
	TOTAL	60.00	1.42	100

Fees Payable to the Lead Manager to the Issue

The fees payable to the Lead Manager to the Issue are set out in the engagement letter issued by the Company to the Lead Manager and the Memorandum of Understanding entered into by the Company with the Lead Manager, copies of which are available for inspection at the Registered Office of the Company.

Fees Payable to the Registrar to the Issue

The fee payable to the Registrar to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of the Company.

Underwriting Commission, Brokerage and Selling Commission

No underwriting, brokerage and selling commission will be payable for this issue.

Previous issue details

The company has not made any public/ rights issue of equity shares during the last five years.

Issues otherwise than for cash

The company has not made any issue otherwise than for cash.

Commission and brokerage on previous issues

The company has not made any public/ rights issue during the last five years, hence no commission or brokerage has been paid.

Promise v. Performance

Initial Public Issue

The company made an initial Public Issue of 51,00,000 equity shares of Rs.10/- each for cash at par vide prospectus dated 22/11/1991. The object of the issue was to part finance the project for setting up a plant for the manufacture of 12,000 TPA of vitrified unglazed ceramic floor and wall tiles and to meeting working capital requirements, to augment the long term financial resources and to meet the expenses of the issue.

The issue opened on December 18, 1991 and closed on December 30, 1991. There were no projections in the prospectus issued by the Company.

Outstanding debentures or bonds

As on the date of filing of this Letter of Offer, Restile Ceramics Limited does not have any Bond issue.

Outstanding preference shares

As on the date of filing of this Letter of Offer, the company does not have any outstanding preference shares.

Stock market data for the shares of the company

The equity shares of the company are listed on The Bombay Stock Exchange Limited. (BSE). The stock market data for the equity shares on BSE are as follows:

6 months

	High (Rs.)	Date	Volume on date of High (no of shares)	Low (Rs.)	Date	Volume on date of Low (no of shares)	Average Price (Rs.)	Total Volume
2005	19.60	13/09/05	14,426	5.89	01/03/05	2,800	12.75	5,60,790
2006	12.55	20/01/06	1,482	6.20	11/08/06	140	9.38	2,84,583
2007	34.85	12/12/07	2,075	9.30	22/01/07	3,680	22.08	4,97,495
April 08	23.95	29/04/08	141	17.20	07/04/08	499	20.58	13,233
May 08	26.50	30/05/08	2,185	23.50	05/05/08	651	25.00	12,113
June 08	27.00	02/06/08	1,150	25.00	02/06/08	1,150	26.00	1,150
July 08	26.20	24/07/08	51	23.80	24/07/08	51	25.00	1,841
August 08	28.25	08/08/08	21	26.85	19/08/08	25	27.55	104
September 08	25.55	01/09/08	25	13.60	30/09/08	100	19.57	6567

Week- end price of equity shares of Restile on the BSE:

Weekend	Price Rs.
10/10/2008	12.24
03/10/2008	12.93
26/09/2008	15.00
19/09/2008	Not traded

The market price of the equity shares of the Company as on July 23, 2007, the date on which the resolution of the Board of Directors approving the issue was passed was Rs. 17.45 (BSE).

There have not been any transactions in Equity Shares by the Promoters, the promoter group and directors of the Company during the last six months from the date of this Letter of Offer.

The Register of Members & Share Transfer Books of the Company would remain close from September 20, 2008 to September 22, 2008 (both days inclusive) for the purpose of rights entitlement.

The cum-rights closing price of the shares of the company as on September 12, 2008 was Rs. 24.20 on BSE.

The ex-rights closing price of the shares of the company as on September 15, 2008 was Rs. 17.40 on BSE.

Previous Issues by the Company during the past five years

The Company has not undertaken any previous public or rights issue during the last five years.

Date of listing on the Stock Exchange

The Equity Shares of the Company were listed on The Stock Exchange, Ahmedabad, and the Hyderabad Stock Exchange Limited. The company has voluntarily delisted from all stock exchanges except the BSE in accordance with the provisions of the SEBI (Delisting of Securities) Guidelines, 2003 vide their approvals dated April 4, 2005 and February 28, 2005 .

Issues for consideration other than cash

The Company has not issued Equity Shares for consideration other than cash or out of revaluation reserves.

Preference Shares

The Company has not issued any preference shares.

Option to Subscribe

Other than the present Issue, the Company has not given any person any option to subscribe to the Equity Shares of the Company.

Investor Grievances and Redressal System

The Company has adequate arrangements for redressal of Investor complaints. Well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for the Company is being handled by Sathguru Management Consultants Private Limited, Share Transfer Agents. Letters are filed category-wise after having attended to. Redressal norm for response time for all correspondence including shareholders complaints is 15 days.

A Shareholders / Investors Grievances Committee was constituted on January 27, 2003. The Committee consists of directors Mr. Ramchandra N.S, Mr. Raghavan, R.S. and Mr. Seetharaman T.R., Mr. Ramchandran N.S. is the Chairman of the Committee. The role of the Committee is to review investor grievances.

Status of Complaints

- a. No. of shareholders complaints received from 01/01/2008 to 30/06/2008 :- 288
- b. Total number of complaints received during last financial year (2006-2007): 243
- c. Status of the complaints: Out of the 288 complaints received by the Company till June 2008, all have resolved as on date.
- d. Time normally taken by it for disposal of various types of Investor grievances: 10 days

Investor Grievances arising out of this Issue

The Company's investor grievances arising out of the Issue will be handled by Mr. V.V. Chenulu, Chief Financial Officer and Compliance Officer of the Company and M/s. Sathguru Management Consultants Private Limited, who are the Registrar to the Issue. The Registrar will have a separate team of personnel handling only the post-Issue correspondence.

All grievances relating to the Issue may be addressed to the Registrar to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 15 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavor of the Registrar to attend to them as expeditiously as possible. The company undertakes to resolve the Investor grievances in a time bound manner.

The normal time taken by Restile Ceramics Limited for redressal of investor grievance is given below:-

Sr .No	Type of Request	Normal Time Taken (No of Days)
1	Procedure for Issue of Duplicate Share Certificate	10 - 15 days
2.	Non-receipt of Transfer of Shares	
3.	Procedure for transmission of shares	
4.	Non receipt of demat/ remat shares	
5.	Non receipt of dividend	
6.	Non receipt of Annual Report	
7.	Change of residual Address/Bank Mandate	
8.	Non receipt of consolidation/split of share certificates	

Change in Auditors

There has been no change in the Auditors of the Company during the past three years.

Capitalisation of reserves or profits

The company has not capitalised its reserves or profit during the last five years.

Revaluation of Assets

The company has not revalued its assets during the last five years.

TERMS OF THE ISSUE

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, Listing Agreement entered into by the Company with Stock Exchange, terms and conditions as stipulated in the allotment advice or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time, the FEMA and the Letters of Allotment/Equity Shares to be issued. Over and above such terms and conditions, the Equity Shares shall also be subject to applicable laws, guidelines, notifications and regulations relating to issue of capital and listing of securities issued from time to time by SEBI, the Government of India, RBI and or other authorities.

Ranking of equity shares

The new Equity Shares proposed to be issued shall rank in all respects pari-passu with existing fully paid up Equity Shares.

Mode of payment of dividend

The dividend is paid to all the eligible shareholders as per the provisions of Companies Act.

Face value & issue price

The Face Value of Equity Shares of the company is Rs.10/-The Equity Shares are being issued at par.

Rights of equity shareholders

The Shareholders are entitled to receive dividend, as and when declared and bonus and rights shares, as and when issued. Further, the rights of the above and other holders of shares are subject to the provisions of the Companies Act, 1956, the Memorandum and the Articles of Association of the Company, the terms of this Letter of Offer and other laws as applicable from time to time.

Market lot

The market lot for the Equity Shares held in the demat mode is one share. In case of physical certificate, the Company would issue one certificate for the Equity Shares allotted to one person ("Consolidated Certificate"). In respect of consolidated certificate, the Company will, only upon request from the equity shareholder, split & return such consolidated certificate into smaller denomination within 7 days time in conformity with the clause 3 of the Listing Agreement. No fee would be charged by the Company for splitting the consolidated certificate.

Nomination

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.

The sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders (being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. Person(s), being a nominee, becoming entitled to the Equity Shares by reason of the death of the original

Equity Shareholder(s), shall be entitled to the same rights to which he would be entitled if he/she were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s)

may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale/disposal of the Equity Share by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When two or more persons hold the Equity Share(s), the nominee shall become entitled to receive the shares only on the demise of all the holders.

Fresh nominations can be made only in the prescribed form available on request at the Corporate office of the Company located at # 301 & 302, Aditya Trade Centre, Aditya Enclave Road, Ameerpet, Hyderabad, Andhra Pradesh - 5000 038 or such other place at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion in the CAF. Only one nomination would be applicable for one folio. Hence, in case the shareholder(s) has (have) already registered the nomination with the Company, no further nomination need to be made for Equity Shares to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective Depository Participant.

Minimum subscription

- i) If the Company does not receive the minimum subscription of 90% of the issue, the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the Issue.
- ii) If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), the Company shall pay interest for the delayed period at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

Disposal of odd lots

The Company has not made any arrangements for the disposal of odd lot Equity Shares arising out of this Issue. The Company will issue certificates of denomination equal to the number of Equity Shares being allotted to the Equity Shareholder.

Restrictions on transfer and transmission of shares and on their consolidation/ splitting

There are no restrictions on transfer and transmission and on their consolidation/splitting of shares issued pursuant to this issue.

ISSUE PROCEDURE

BASIS OF THE OFFER

The Equity Shares are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the Equity Shares held in the electronic form and on the Register of Members of the Company in respect of Equity Shares held in the physical form at the close of business hours on the Record Date. The Company has in consultation with the Designated Stock Exchange fixed the Record Date for determining the shareholders who are entitled to receive this offer for Equity Shares on a rights basis. The Equity Shares are being offered for subscription in the ratio of twenty six equity shares for every thirty five equity shares held by the Equity Shareholders. The shareholders whose names appear as beneficial owners as per the list furnished by the depositories in respect of the Equity Shares held in electronic form and on the register of members of the Company in respect of the shares held in physical form on Friday 19/09/2008 at the close of business hours shall be entitled to the Equity Shares on the Rights basis.

OPTION TO SUBSCRIBE

Applicants to the Equity Shares of the Company issued through this Rights Issue shall be allotted the securities in dematerialized (electronic) form at the option of the applicant. The Company has signed a tripartite agreement with National Securities Depository Limited (NSDL) and Sathguru Management Consultants Private Limited on 23/03/2002 and with Central Depository Services (India) Limited (CDSL) and Sathguru Management Consultants Private Limited on 28/09/ 2001, which enables the Investors to hold and trade in securities in a dematerialized form, instead of holding the securities in the form of physical certificates.

RIGHTS ENTITLEMENT

As your name appears as beneficial owner in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company on the Record Date, you are entitled to this Rights Offer. The number of Equity Shares to which you are entitled is shown in Block I of Part A of the enclosed CAF and as shown in part A of the enclosed CAF.

FRACTIONAL ENTITLEMENT

Fractional entitlement if any will be rounded off to the next higher integer and the share required for the same to be adjusted from one of the promoter's entitlement.

JOINT-HOLDERS

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed (so far as the company is concerned) to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles.

OFFER TO NON-RESIDENT EQUITY SHAREHOLDERS/ APPLICANTS

Applications received from NRIs and other NR shareholders for allotment of Equity Shares shall be, inter alia, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of application moneys, allotment of Equity Shares, issue of Letter of Allotment / share certificates, payment of interest, dividends, etc. General permission has been granted to any person resident outside India to apply shares offered on rights basis by an Indian Company in terms of FEMA and the rules and regulations there under. Vide notification dated June 18, 2003, bearing number FEMA 94/2003, RBI has granted general permission to Indian companies to issue rights/bonus shares to

existing non-resident shareholders. The existing non-resident shareholders may apply for issue of additional shares and the Company may allot the same subject to the condition that the overall issue of shares to non-residents in the total paid up capital does not exceed the sectoral cap. In other words, non-residents may subscribe for additional shares over and above shares offered on rights basis by the company and renounce the shares offered in full or part thereof in favour of a person named by them. Residents may subscribe for additional shares over and above the shares offered on rights basis by the Company and also renounce the shares offered either in full or part thereof in favour of a person named by them. The Equity Shares issued under the Rights Issue and purchased by NR shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the previously held Equity Shares against which Equity Shares under the Rights Issue are issued.

However, as per the provisions of AP DIR circular No. 14 dated September 16, 2003 (issued by the RBI), such shareholders who have been allotted the Equity Shares as OCBs would not be permitted to participate in the Rights Issue. Accordingly, shareholders/ applicants who are OCBs and wishing to participate in the Rights Issue would be required to submit approvals in relation thereto from the FIPB and the RBI. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares, payment of dividend etc. to the Equity Shareholders who are NR.

NOTICES

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi and Telegu national daily with wide circulation and/or, will be sent by ordinary post to the registered holders of the Equity Share(s) from time to time.

ISSUE OF DUPLICATE EQUITY SHARE CERTIFICATE

If any Equity Share Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such Certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the Certificate numbers and the Distinctive numbers are legible.

If any Equity Share Certificate(s) is/are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/ surety and/or such other documents as the Company may deem adequate, duplicate Equity Share Certificate(s) shall be issued.

OPTIONS AVAILABLE TO THE EQUITY SHAREHOLDERS

The Equity Shareholders will be having the following five options:

- Apply for his entitlement in part
- Apply for his entitlement in part and renounce the other part
- Renounce his entire entitlement
- Apply for his entitlement in full
- Apply for his entitlement in full and apply for additional Equity Shares

HOW TO APPLY

For Resident Indian Shareholders

Application should be made only on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any

offices except in the case of postal applications as per instructions given in the Letter of Offer. Payment should be made in cash (not more than Rs.20,000/-) or by cheque/bank draft/ drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques/money orders/postal orders will not be accepted and CAFs accompanied by such cheques/money orders/postal orders are liable to be rejected.

For Non-Resident Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, *inter alia*, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment/certificates/ payment of dividends etc. Letter of Offer and CAF shall be dispatched to non-resident Equity Shareholders in India only.

For applicants residing at places other than designated Bank collecting branches.

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Sathguru Management Services Pvt. Ltd. along with demand drafts, net of demand draft and postal charges, payable at Hyderabad in favour of **"Restile Ceramics Limited - Rights Issue"** crossed "A/c Payee only" so that the same are received on or before closure of the Issue i.e. Saturday November 15th, 2008.

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cash/cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Manager to the Issue or the Registrar to the Issue except as mentioned above. The applications are required to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected by the Company, the Lead Manager and the Registrar not having any liabilities to such applicants.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares

Part B: Form for renunciation

Part C: Form for application for renounces

Part D: Form for request for split application forms

You may exercise any one of the following options with regard to the Equity Shares offered to you, using the enclosed CAF:

Sr. No	Options available	Action Required
1.	Accept whole or part of the Equity Shares offered to you without renouncing the balance	Fill in and sign Part A indicating in Block III of Part A the number of Equity Shares accepted. If you accept all the equity share offered in Block II of Part A you may apply for additional Equity Shares. Indicate in Block IV the additional Equity Shares applied for.
2.	Renounce all the Equity Shares offered to you to one person (joint are deemed as one person) without your applying for any of the Equity Shares offered to you.	Fill in and sign Part B indicating the number of Equity Shares renounced in Block VII and handover the ENTIRE FORM to the renounce. The renounce/ joint (s) must fill in and sign Part C of CAF.
3.	Accept a part of your entitlement and renounce the balance or part of it to one or more (s).	Fill in and sign Part D for the Split Form and send the ENTIRE CAF to the Registrar to the Issue.
	OR	On receipt of Split Forms :
4.	Renounce your entitlement or part of it to one or more persons (joint renounces are deemed as one person).	a For the Equity Shares you are accepting, fill in and sign Part A. b For the Equity Shares you are renouncing fill in and sign Part B indicating the number of Equity Shares renounced in Block VII. Each of the renounces should fill in and sign Part C.

Note: If application is made jointly with any other person(s) who is/are not already joint holders or change in the sequence of names of joint holders, it will amount to renunciation and the procedure mentioned in (2) above will have to be followed.

Acceptance of Offer

You may accept the Offer and apply for the Equity Shares offered, either in full or in part by filling Block III of Part A of the enclosed CAF and submit the same along with the application money payable to the bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the demand draft, net of demand draft and postal charges, payable at Hyderabad to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

You may apply for the Equity Shares offered wholly or in part by filling in the enclosed CAF and submitting the same along with the application money to the Bankers to the Issue or its designated branches on or before the closure of the subscription list. The CAF should be complete in all respects, as explained in the INSTRUCTIONS indicated in the CAF. The CAF should not be detached under any circumstances, otherwise the application(s) will be rejected forthwith.

Application for additional equity shares

You are also eligible to apply for additional Equity Shares over and above the number of Equity Shares offered to you provided you have applied for all the shares offered to you without renouncing them in full or in part. However, the additional Equity Shares cannot be renounced in full or in part, in favour of any other person(s).

If you desire to apply for additional Equity Shares, you may fill in the number of additional Equity Shares in Part A of the CAF. The allotment of additional Equity Shares will be at the sole discretion of the Board on an equitable basis with reference to the number of Equity Shares held by you on the Record Date in consultation with The Designated Stock Exchange. In the case of requests for additional Equity Shares by Non Residents, the allotment will be subject to the approval of Reserve Bank of India. The Board may reject any application for additional Equity Shares without assigning any reasons thereof. The renounces can also make an application for additional shares.

Renunciation

You may renounce all or any of the Equity Shares, you are entitled to in favour of any individual, limited companies, or statutory corporations / institutions. However renunciation in favour of more than three persons as joint holders, trust or society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable trust laws and is under its constitution to hold shares in a company), OCBs, minors (unless acting through natural or legal guardians), Partnership Firms, or their nominees, or any of them will not be accepted.

Any renunciation from Resident(s) to Non- Resident(s) is subject to the renounce(s)/ renounce(s) obtaining requisite approval(s) of the Reserve Bank of India (RBI) and the said permission must be attached to the CAF.

Procedure for renunciation

(i) To Renounce in WHOLE

If you wish to renounce this offer in whole, please complete PART 'B' of the CAF enclosed with the Letter of Offer for the number of Equity Shares renounced and deliver the CAF duly signed to the person(s) in whose favour the Equity Shares are so renounced. All joint holders must sign as per specimen signatures recorded with the Company at the place provided for the purpose and in the same order.

The person(s), in whose favour the offer has been renounced (renounces) should complete and sign PART C of the CAF. In case of joint renounces, all joint renounces must sign.

(ii) To Renounce in PART

If you wish to either accept this offer in part and renounce the balance of this offer the CAF must first be split into the requisite number of forms, by applying to the Registrar to the Issue. Please indicate your requirement of split forms in the space provided for this purpose in PART D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on or before the last date for receiving requests for split forms i.e. Thursday November 6th, 2008 .

If you wish to apply for Equity Shares jointly with any person(s) who is/are not already joint holder(s) with you, then it would amount to renunciation and the procedure of renunciation as mentioned above shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure as stated above shall have to be followed.

Further, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute and unqualified discretion to reject any such request for allotment of Equity Shares from (s) without assigning any reason thereof save where the Equity Shares have been renounced in favour of a person who is already a member of the Company.

Please note that:

- a) Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid.
- b) Only the person to whom this Letter of Offer has been addressed and NOT the shall be entitled to split forms. Forms once split cannot be resplit.

Request for split forms:

- Request for Split Forms should be addressed to the Registrar to the Issue so as to reach them on or before the last date for receiving of request for split forms by filling in PART D of the CAF.
- Requests for Split Forms will be entertained only once.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. If the applicant violates any of these requirements, he / she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Rights Issue on plain paper, along with a Demand Draft payable at Hyderabad which should be drawn in favour of “**Restile Ceramics Limited-Rights Issue**” crossed A/c Payee Only and send the same by registered post directly to the Registrar to the Issue.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date i.e.; Saturday November 15th, 2008 and should contain the following particulars:

- a) Name of Issuer, being Restile Ceramics Limited.
- b) Name and address of the Equity Shareholder including joint holders
- c) Registered Folio Number/ DP and Client ID no.
- d) Number of shares held as on Friday September 19th, 2008 (Record Date).
- e) Certificate numbers and distinctive numbers, if held in physical form
- f) Number of Rights Equity Shares entitled
- g) Number of Rights Equity Shares applied for out of entitlement
- h) Number of additional Equity Shares applied for, if any
- i) Total number of Equity Shares applied for
- j) Total amount paid at the rate of Rs. 10/-per Equity Share
- k) Particulars of cheque/ draft
- l) Savings/Current Account Number and name and address of the Bank where the Equity Shareholder will be depositing the refund order
- m) Each of the applicant should mention his/her Permanent Account Number (PAN) allotted under the IT Act.

- n) In case of Non-Resident shareholders, NRE/FCNR/NRO Account No., name and address of the bank and branch.
- o) Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company
- p) Payment in such cases, should be through a demand draft, net of demand draft and postal charges, payable at Hyderabad be drawn in favour of **"Restile Ceramics Limited - Rights Issue"** crossed "A/c Payee only".

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications as well as forfeiture of amounts remitted along with the applications. The Company shall refund such application amount to the applicant without any interest thereon.

Quoting of PAN/GIR no. in the application forms

Pursuant to the circular MRD/DoP/Circ-05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction with effect from July 2, 2007. Each of the applicants should mention his/her PAN allotted under the IT Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

Last date for submission of CAF

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is Friday September 19, 2008. If the relevant CAF together with amount payable there under is not received by the Bankers/Registrar to the Issue on or before the close of banking hours on the aforesaid last date the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose of the Equity Shares hereby offered as provided under "Basis of Allotment".

Incomplete application

CAFs which are not complete or are not accompanied with the application money amount payable are liable to be rejected.

TERMS OF PAYMENT

The entire amount of Rs. 10/- per share is payable on application by all shareholders/applicants.

MODE OF PAYMENT

For Resident Shareholders/Applicants

Payment(s) must be made by cheque/demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque/draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected.

Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by

Registered Post, ONLY to the Registrar to the Issue enclosing a demand draft drawn on a clearing Bank and payable at Hyderabad ONLY net of bank charges and postal charges, before the closure of the issue.

Such cheque/drafts should be payable to **"Restile Ceramics Limited - Rights Issue"**. All cheques/drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

For Non-Resident Shareholders/Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Hyderabad or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Hyderabad; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Hyderabad; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

All cheques/drafts submitted by non-residents applying on repatriable basis should be drawn in favour of **"Restile Ceramics Limited - Rights Issue - NR"** payable at Hyderabad and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Hyderabad or Rupee Draft purchased out of NRO Account maintained

elsewhere in India but payable at Hyderabad. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of "**Restile Ceramics Limited - Rights Issue**" payable at Hyderabad and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.
- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Application will not be accepted by the Lead Manager or by the Company.

Note on cash payment (section 269 SS)

Having regard to the provisions of Section 269 SS of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/- or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

FORFEITURE

The allotment shall be made only on receipt of full application money as mentioned in "Terms of Payment". As such there will be no partly paid-up shares emerging from this issue and hence no requirement of any forfeiture.

APPLICATION UNDER POWER OF ATTORNEY

In case of applications under Power of Attorney or by Limited Companies or Bodies Corporate or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of the Memorandum and Articles of Association or Bye-laws, as the case may be, must be lodged separately by registered post at the

office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of the CAF and the name of the bank and the branch office where the application is submitted within 10 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

BANK DETAILS OF THE APPLICANT

The applicant must fill in the relevant column in the CAF giving particulars of Savings Bank/Current Account Number and the name of the Bank with whom such accounts is held, to enable the Registrar to the Issue to print the said details in the Refund Orders, if any, after the name of the payees. **Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.**

APPLICATION NUMBER ON THE CHEQUE/DEMAND DRAFT

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

GROUND FOR TECHNICAL REJECTIONS

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- ☞ Amount paid does not tally with the amount payable for;
- ☞ In case of physical shareholders, bank account details (for refund) are not given;
- ☞ Age of first applicant not given in case of (s);
- ☞ PAN not stated. See the section titled "Issue Procedure – Permanent Account Number or PAN/GIR;
- ☞ Cash applications for an amount exceeding Rs.20,000/-;
- ☞ In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- ☞ If the signature of the existing shareholder does not match with the one given on the Application Form and for renounces if the signature does not match with the records available with their depositories;
- ☞ If the Applicant desires to have shares in electronic form, but the CAF does not have the Applicant's depository account details;
- ☞ CAFs are not submitted by the Applicants within the time prescribed as per the CAF and the Letter of Offer;
- ☞ Applications not duly signed by the sole/joint Applicants;
- ☞ Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- ☞ In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- ☞ Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- ☞ Multiple applications.

GENERAL

- a) All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest.
- b) Please read the instructions in the enclosed CAF carefully.
- c) **ALL COMMUNICATIONS IN CONNECTION WITH YOUR APPLICATION FOR THE EQUITY SHARES INCLUDING ANY CHANGE IN YOUR REGISTERED ADDRESS SHOULD BE ADDRESSED TO THE REGISTRAR TO THE ISSUE.**
- d) Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- e) Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the Constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- f) In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
- g) In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.
- h) The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A,B,C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
- i) All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
- j) Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
- k) The last date for receipt of CAF along with the amount payable is Saturday November 15, 2008. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 30 days from the date of opening of the subscription list. If the CAF together with the amount payable there under is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered.

For further instructions please read CAF carefully.

DEMATERIALISATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The equity shares of Restile Ceramics Limited are traded in the demat segment The Company has entered into a tripartite agreement dated 27/03/ 2002 with the National Securities Depository Ltd. (NSDL) and Sathguru Management Services Private Limited for dematerialization of the equity shares of the Company. The Company has also entered into a tripartite

agreement dated 29/09/2001 with the Central Depository Services Limited (CDSL) and Sathguru Management Services Private Limited for of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is INE298E01014

An applicant has the option to seek allotment in physical or demat mode. An applicant who seeks allotment in demat mode must have at least one Beneficiary Account with any of the Depository Participants (DP) of NSDL or CDSL registered with SEBI, prior to the application. Such applicants must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's ID Number) appearing under the head "Request for shares in electronic form" in the CAF.

Applicant must indicate in the CAF, the number of shares they wish to receive in electronic form out of the total number of equity shares applied for. In case of partial allotment, shares will first be allotted in electronic form and the balance, if any, will be allotted in physical form.

Names in the CAF should be identical to those appearing in the account details in the Depository. In case of joint holders, the name should necessarily be in the same sequence as they appear in the account details in the Depository.

No separate application for demat and physical shares is to be made. If such applications are made the application for physical shares will be treated as multiple applications and rejected accordingly. It may be noted that electronic shares can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL.

Non-transferable allotment letters/ refund orders will be directly sent to the applicant by the Registrar to the Issue.

The applicant is responsible for the correctness of the applicants' demographic details given in the share application form vis-à-vis those with his/her DP. Equity shares allotted in demat mode will be credited directly to the respective Beneficiary Account.

DISPOSAL OF APPLICATION AND APPLICATION MONEY

The Board reserves the right to reject applications in case the application concerned is not made in terms of this Letter of Offer. In case an application is rejected in full the whole of the application money received will be refunded to the first named applicant and where an application is rejected in part, the excess application money will be refunded to the first named applicant within 15 days from the date of closure of the subscription list in accordance with Section 73 of the Act. If there is delay of refund of application money by more than 8 days after the Company becomes liable to pay (i.e fifteen days after the closure of Issue), the Company will pay interest for the delayed period at the rate prescribed under sub-Section (2) and (2A) of Section 73 of the Act.

The subscription monies received in respect of this Issue will be kept in a separate bank account and the Company will not have access to nor appropriate the funds until it has satisfied the Stock Exchange with suitable documentary evidence that minimum subscription of 90% of the application money for the Issue has been received.

No acknowledgment will be issued for the application monies received by the Company. However, the Bankers to the Issue at its collection branches to the Issue receiving the CAF as applicable as per the terms of this Letter of Offer, will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF. Except for the reasons stated under "Grounds for Technical Rejections" on page 133 of this Letter of Offer and subject to valid application,

acknowledgement of receipt of application money given by the collection agent shall be valid and binding on issuer and other persons connected with the Issue.

BASIS OF ALLOTMENT

In the event of the issue being oversubscribed, the basis of allotment will be made only within the overall size of the Rights Issue, as stated in the Letter of Offer and the Board will proceed to allot the Equity Shares in consultation with the designated stock exchange in the following order of priority:

1. Full allotment to the Shareholders who have applied for their Rights entitlement, either in full or in part and also the (s) who have applied for Equity Shares renounced in their favour either in full or in part (subject to the other provisions contained under the paragraph titled "Renunciation").
2. Allotment to the shareholders who have applied for additional Equity Shares provided that they have applied for all the Equity Shares offered to them, provided there is a surplus after making full allotment under (1) above. The allotment of such additional Equity Shares will be made as far as possible on the basis of the Equity Shares held as on the Record Date.
3. Allotment to the renounces who have applied for all the Equity Shares renounced in their favour and have applied for additional Equity Shares, as the Board may in its absolute discretion deem fit, provided there is a surplus after making full allotment (1) and (2) above.
4. Allotment to any other person as the Board may in their absolute discretion deem fit, provided there is a surplus after making full allotment under (1), (2), (3) above.

The issue will become undersubscribed after considering the number of shares applied as per the entitlement plus additional shares. The undersubscribed portion can be applied for only after the close of the Issue.

The promoters/directors/associates/promoter group intend to subscribe to their rights entitlement as well as the entire undersubscribed portion from public and/or foreign collaborator, if any, in this rights issue in full. Presuming no subscription is received from other shareholders and the promoters/directors/associates/promoter group subscribing to the entire unsubscribed portion, their shareholding shall increase to 84.47 % of the post rights issue equity capital of the Company. As a result of this subscription and consequent allotment, the promoters/ directors/ associates may acquire shares over and above their entitlement in the issue which may result in their shareholding in the company being above their current holding This subscription and acquisition of additional equity shares by the Promoter/Directors/Associates, if any, will not result in change of control of the management of the Company and shall be exempt in terms of provision to Regulation 3(1)(b)(ii) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

The Promoter/Directors/Associates have confirmed that in case the Rights Issue of the Company is completed with their subscribing to equity shares over and above their entitlement and as a result, if the public shareholding in the Company after the Issue falls below the permissible minimum level as specified in the listing condition or listing agreement, they will make an offer for sale of their holdings so that the public shareholding is raised to the minimum level specified in the listing agreement or in the listing conditions within a period of 3 months, as per the requirements of sub-clause 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto.

LETTERS OF ALLOTMENT OR REFUND ORDERS

Company shall ensure dispatch of refund orders, if any, by under the Certificate of Posting or registered post or speed post or through modes as mentioned in section, Terms of the Issue clause

“Mode of Payment” as stated below, as applicable, only at the sole or First Applicant’s sole risk within 15 days of closure of the Rights Issue, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately.

Allotment of Equity Shares to non-residents and the issue of letters of allotment/share certificates to nonresidents shall be subject to the approval received from RBI.

For Non-Resident Applicants, refunds, if any, will be made as under:

- ☞ Where applications are accompanied by Indian Rupee Drafts purchased abroad and payable at Hyderabad, India, refunds will be made in convertible foreign exchange equivalent to Indian Rupees to be refunded. Indian Rupees will be converted into foreign exchange at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned applicant and the Company shall not bear any part of the risk.
- ☞ Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO accounts respectively, on which such cheques are drawn and details of which are provided in the CAF.

MODE OF PAYMENT OF REFUND

Applicants should note that on the basis of name of the Applicant, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the applicants bank account details including nine digit MICR code. Hence, Applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to applicants at the his/her sole risk and neither the Lead Manager to the Issue nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

- I **ECS** - Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakhpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United

Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 68 centers.

- II **Direct Credit** – Applicants having bank accounts with the Refund Banker(s), shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank.
- III **RTGS** – Applicants having a bank account at any of the above mentioned fifteen centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- IV **NEFT (National Electronic Fund Transfer)** – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Whenever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- V For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched "Under Certificate of Posting" for value upto Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where applications are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the applicants.

INTEREST IN CASE OF DELAY IN ALLOTMENT / DESPATCH

The Company will issue and dispatch letters of allotment/ share certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of 15 days from the date of closure of the Issue. If such money is not repaid within 8 days from the day the Company becomes liable to pay it, the Company shall pay that money with interest at the rate of 15% per annum as stipulated under Section 73 of the Act.

UNDERTAKING

The Company undertakes that:

- i) that the complaints received in respect of the Issue shall be attended to by the issuer company expeditiously and satisfactorily.
- ii) that all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalization of basis of allotment.

- iii) that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by the issuer.
- iv) where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant after closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- v) that the promoter's contribution in full, wherever required shall be brought in advance before the issue opens for public subscription and the balance, if any, shall be brought in pro rata basis before the calls are made in public.
- vi) that the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time.
- vii) that no further issue of securities shall be made till the securities offered through this Letter of Offer are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.

The Issuer and Lead Manager shall update the Letter of Offer and keep the investors informed of any material changes till the listing and trading commences.

UTILISATION OF ISSUE PROCEEDS

The Board of Directors declares that:

- (i) all monies received out of issue of shares or debentures to public shall be transferred to separate bank account other than the bank account referred to in sub-section (3) of section 73 of the Companies Act, 1956;
- (ii) details of all monies utilized out of the issue referred to in sub-item(i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the purpose for which such monies had been utilized; and
- (iii) details of all unutilized monies out of the issue of shares or debentures, if any, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the balance sheet of the issuer company indicating the form in which such monies have been invested.
- (iv) the utilization of monies received under promoters' contribution and from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the issuer company, indicating the purpose for which such monies have been utilized.
- (v) the details of all monies out of the funds received under promoters' contribution and from firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such monies have been invested.

MAIN OBJECTS AND ARTICLES OF ASSOCIATION

SHARE CAPITAL

1.
 - a) The Authorized Share Capital of the Company is same as mentioned in Clause V of the Memorandum of Association of the Company.
 - b) The Company shall have power to issue preferential shares including redeemable preferential shares in accordance with Section 80. & 85 of the Act.
2. Subject to the provisions of the Act and these Articles the shares in the Capital of the Company for the time being shall be under the control of the Board, who may allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and subject to the provision of Section 78 of the Act, either at a premium or at par (Subject to the provisions of Section 79 of the Act) at a discount or at such terms as they may from time to time think fit and proper. Provided that after the first allotment upon the issue of any further shares, the Board shall comply with the provisions of Section 81 of the Act, unless they shall have obtained the decision of the Company in General Meeting to the issue of such shares on other terms, Option or right to call of shares shall not be given to any person or persons without the sanction of the company in General Meeting.
3. The Board of Directors may allot and issue shares in the Capital of the Company in payment or part payment for any property sold and transferred or for services rendered to the Company in or about the formation of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid-up shares.
4. As regards all allotments from time to time made, the Board shall duly comply with Section 75 of the Act and in the case of shares offered to the public for subscription shall also comply with Section 69 of the Act.
5. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture-stocks in the Company, but so that if the commission in respect of shares shall be paid or payable out of Capital, the statutory condition and requirements shall be observed and complied with and the amount or rate of commission shall not exceed 5% on the shares and 2% on debentures or debenture-stock in each case subscribed, or to be subscribed. The commission may be paid or satisfied in cash or in shares, debenture or debenture-stock.
6. With the previous authority of the company in a General meeting and a sanction of the Company Law Board and upon otherwise complying with Section 79 of the Act, the Board may issue at a discount, shares of a class already issued.
7. The Company may subject to the Conditions and restrictions contained in Section 208 of the Act, issue shares for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant with long gestation period, pay interest on so much of the Share Capital as is for the time being paid-up and may charge the same to capital as part of the cost of construction.

8. The Joint holders of a share shall be several as well as jointly liable for payment of all installments and calls due in respect of such shares. The company shall have first and paramount lien upon all the Shares (other than fully paid up shares) registered in the name of each member (whether Solely or jointly with others) and upon the proceeds of sale thereof for all monies (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition that the Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any, on such shares. The directors may at any time declare any shares wholly or in part, to be exempt from the provisions of this clause.
9. Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any shares as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as by statute require, be bound to recognize any benami, equitable or other claim to or interest in such share on the part of any other person.
10. Every member or allottee of shares shall be entitled to one certificate under the seal of the Company for all the shares registered or allotted in his name, or if the Board of Directors so approve to several certificates each for one or more of such shares each certificate of shares in respect of which it is issued and the amount paid-up thereon. The certificate or certificates shall be issued within the time prescribed by Section 113 of the Act.
11. Share Certificates should be issued in marketable lots and where Share Certificates are issued for either more or less than marketable lots, sub-division or consolidation into marketable lots should be done free of charge. No fee should be charged for issue of new Share Certificates in replacement of those which are old, decrepit or where the cages on the reverse have been completely exhausted.
12. The Certificate of shares registered in the names of two or more persons shall be delivered to the person first named on the register.

CALLS ON SHARES

13.
 - a) The Board may after obtaining sanction of Company accorded by ordinary resolution passed at its General Meeting subject to Section 91 of the Act, from time to time make calls upon the members in respect of and monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member shall pay the amount of every call so made on him at the time and place appointed by the Directors.
 - b) A call may at the discretion of the Directors be made payable by installments.
14. Thirty days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid, provided that before the time or payment of such call, the Board may by notice in writing to the members revoke the same or extend the time for payment thereof.

15. The call shall be deemed to have been made at the time when the resolution authorizing the call was passed by the Board.
16.
 - a) Any amount which by the terms of issue of a share becomes payable on allotment of a share or at any fixed time or by instrument at fixed time whether on account of the nominal value of the shares or by way of premium shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which the amount becomes due by the terms of issue.
 - b) In case of non payment of such sum all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such amount had become payable by virtue of a call duly made and notified.
17. If the amount payable on a call or installment is not paid, on or before the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to time of actual at a rate decided by the Board from time to time. The Board shall have power to waive payment of any such interest wholly or in part.
18. The Board may, if thinks fit, receive from any member willing to advance the same, all or any part of the sum due upon any shares held by him in excess of the sums called up and upon the sum so paid or received in advance, or so much thereon as from time to time exceeds the sum called upon the shares in respect of which such advances has been made, the Board may, until the sum would but for such advance, become presently payable, pay interest at such rate as agreed upon between the Board and the member paying sum in advance and the Board may at any time repay the sum so advanced to such member. Monies paid in advance of calls shall not, in respect thereof confer a right to dividend or to participate in the profit of the Company nor shall the member be entitled to any voting rights until such amount would (but for such payment) become presently payable.

FORFEITURE OF SHARES

19. If any member fails to pay any call, installment or any interest thereof or any amount whatsoever due to the Company, on or before the day appointed for payment of the same, whether demanded or not by the Company, the Board may, at any time thereafter and during such time as the call, installment, interest or such amount remains unpaid, serve a notice on such member or any persons, if any, entitled to the share by transmission requiring him to pay the amount due together with any interest that may have accrued.
20. The notice aforesaid shall name a day not being less than fourteen days from the date of notice and place or places on and at which such call or installment and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment on or before the day, at or before the time and at the place appointed, the share in respect of which the call was made or installment is payable including the amount already paid on that share will be liable to be forfeited.

21. If the requirements of the notice as aforesaid are not complied with any shares in respect which such notice has been given may at any time thereafter before payment of calls, installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board of that effect. Such, forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture.
22. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of that share and all other rights incidental to the share except only such of those rights as are expressly saved by these Articles or by a Resolution of the Board.
23. Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated or otherwise disposed of, either to the original holder thereof or to any other person, upon such manner as the Board shall think fit.
24. The Board may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof upon such conditions and in such manner as it thinks fit.
25. When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stands immediately prior to the forfeiture, an entry of the forfeiture with the date there of shall forthwith be made in the register of Members but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
26.
 - a) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding, the forfeiture, remain liable to pay to the Company all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares. Together with interest thereon from the time of forfeiture until payment, at such rate as may be determined by the Board from time to time and the Directors may enforce the payment thereof, without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.
 - b) The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
 - c) The Company may receive the consideration if any, given for the shares on any sale or disposal thereof and may execute a transfer of the shares in favour of the person to whom the share is sold or disposed of.

TRANSFER AND TRANSMISSION OF SHARES

27. The Company shall not register a transfer of share in or debentures of the Company, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and specifying the name, address and occupation, if any of the transferee, has been delivered to the Company along with the certificate relating the shares or debentures, or if any such certificate is not existing, along with a letter of allotment of the shares or debentures and any other evidence that the Board may require to prove the title of the transferor and his right to transfer the shares or debentures. The

transferor shall remain the holder of such share until the name of the transferee is entered in the register in respect thereof.

28. The instrument of transfer shall be in such form as is prescribed in Section 108(1-A) of the Companies Act, 1956. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.
29. Applications for the registration of a share transfer may be made either by transferor or the transferee provided that where such application is made by the transferor, in the case of partly paid share, registration shall be effected unless the Company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act and subject to the provisions of these Articles the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the same conditions as if the application for registration of the transfer was made by the Transferee. No fee should be charged for transfer of shares or for effecting transmission or for registering any letters of probate, letters of administration and similar other documents.
30. Subject to the provisions of Section 111 of the Act, and Section 22(a) of Securities Contract (Regulation) Act, 1956, the Board, without assigning any reason for such refusal, may within one month from the date of which the instrument of transfer was delivered to the Company, refuse to register any transfer of a share upon which the Company has a lien and in case of shares not fully paid up, the Board may refuse to register to a transferee of whom it does not approve. Provided that the registration of transfer of a share shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.
33.
 - a) Every instrument of transfer shall be retained by the Company, but any instrument of transfer which the Board may refuse to register shall be returned to the persons depositing the same. The Board may, subject to the provisions of the share (Issue of Share Certificates) Rules, 1960 or any statutory modification thereof for the time being in force waive the production of any certificate upon evidence satisfactory to them of its loss or destruction.
 - b) The Board may, by such means as they shall deem expedient, authorize registration of transferees as shareholders without the necessity of any Meeting of the Directors for that purpose.
 - c) Subject to the provisions of Section 108 of the Act, in no case shall the Board be bound to inquire into the validity, legal effect or genuineness of any instrument of transfer produced by a person claiming transfer of any share in accordance with these Articles, and whether they abstain from so inquiring, or do so inquire, and are misled, the transferor shall have no claim whatsoever upon the Company in respect thereof and not paid but his claim, if any, shall be against the transferee only.

35. The executor and administrator of deceased member (not being one of several joint-holders) shall be the only person recognized by the Company as having any title to the share registered in the name of such member, and in case of the death of anyone or more of the registered joint holders of any share, the survivor shall be the only person recognized by the Company as having any title to or interest in such share, but noting herein contained liability on the shares held by him jointly with any other person. Before recognizing any executor or administrator, the Board may require him to obtain a Grant of Probate or Letter of Administration or other legal representation, as the case may be, from a competent Court in India having effect in the State of Andhra Pradesh.

Provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with the production of probate or Letters of Administration or such other legal representation upon such terms as to indemnify or otherwise as the Board, in its absolute discretion, may consider adequate.

37. If any person who shall become entitled to be registered in respect of any share under Article 39 shall, for any clause whatsoever, within twelve calendar months after the event on the happening of which his title shall accrue, be registered in respect of such shares, or if in the case of the death of any share holder no person shall, within twelve calendar months after such death be registered as a shareholder in respect of the shares of such deceased shareholder, the Company may sell such shares either by public auction or private contract and give a receipt for the purpose money and the purchase shall be entitled to be registered in respect of such shares and shall not be bound to enquire whether the events have happened which entitled the Company to sell the same and the net sale proceeds, after deducting all expenses and all monies if any, in respect of which the Company is entitled to a lien on the shares so sold, shall be paid to the person entitled thereto.
31. The Company shall incur no liability whatsoever in consequence of its registering or giving effect of any transfer of shares made or purporting to be made by the legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of any person or persons having or claiming any equitable right, title or interest to or in the same shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and the Company shall not be bound or required to regard, or attend, or give effect to any notice which may be given to it or any equitable right, title or interest or notice prohibiting registration of such transfer and the Company shall not be bound or required to regard, or attend, or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so.

The provisions of these Articles in regard to transfers shall, mutatis mutandis apply to the transfers of or transmission by operation of law or the rights to the debentures of the Company.

CONVERSION SHARES INTO STOCK

39. The Company may by an ordinary resolution subject to the provisions of Section 94 to 96 of the Act:

- a) Convert any paid-up shares into stock.
- b) Re-convert any stock into paid-up shares of any denominations.

40. The holders of the stock may transfer the stock or any part thereof in the same manner and subject to the same regulations, as and subject to which, the shares from which the stock arose might previous to conversion have been transferred, or as near thereto as circumstances admit but, the Board of Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but the minimum shall not exceed the nominal amount of the shares from which the stock arose.

41. The holders shall, according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose but no such privilege or advantage (except participating in the dividends and profits of the Company) and in the assets on winding up shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage. Such of the regulations contained in these Articles as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" shall include "stock" and "stockholder" respectively.

42. Subject to the provision of Section 81 of the Act, the Company may from time to time by ordinary resolution increase the Share Capital by such sum to be divided into shares of such amount and classes as the resolution shall prescribe.

43. Subject to any such rights or privileges for the time being attached to any issued shares, the new shares be issued upon such terms and conditions and with such preferential, qualified, special or other rights and privileges annexed thereto, as may be permitted by the Act, and as the General Meeting resolving on creation thereof, or any other General Meeting of the Company, and in the absence of any direction of the General Meeting, as the Board shall direct, and in particular such shares, may be issued either at par or at a premium or subject to the provisions of Section 79 of the Act, at a discount.

44. Subject to the provisions of Sub-section (1A) of Section 81 of the Act, all new shares shall be offered to the holders of the equity shares in proportion to the existing shares held by them, and such offer shall be made by notice specifying the number of shares to which the share holder is entitled, and limiting the time not being less than thirty days from the date of the offer within which the offer, if not accepted will be deemed to have been declined, and after the expiration of such time or on receipt of an intimation from the share holder to whom such notice is given that he declines to accept the shares offered and the same shall be disposed of in such manner as the Board may determine;

Provided (subject to Section 81 of the Act) that the Board may, at its discretion allot such new shares or any portion of them to the vendor or vendors of any property being acquired by the Company in payment of the whole or any part of the purchase price of any such property or as remuneration for work done or service rendered to the Company.

45. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered part of the existing capital of the Company and shall be subject to the payment of dividends, calls and installments, transfers and transmission, forfeiture, lien, surrender and otherwise.
46. If, due to any inequality in the number of new shares to issued and the number of shares held by members entitled to have the offer of such new shares, and difficulty raised in the apportionment of such new shares or any of them amongst the members, such difficulty shall, in the absence of any direction in the resolution creating the shares by the Company in General Meeting, be determined by the Board.
47. Subject to Section 100 of the Act, the Company may from time to time by a special resolution reduce in any manner:
 - a) Its share capital
 - b) Any capital redemption reserve fund; and/or
 - c) Any share premium account.Excess capital may be paid off upon the footing that it may be called up again.

ALTERATION OF CAPITAL

48. The Company may in General Meeting from time to time, increase the Share Capital by creation of new shares. Such increase to be of such of appropriate amount to be divided into shares of such amount as the resolution shall prescribe.
49. The Company may by Ordinary Resolution in the General Meeting:
 - a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - b) By sub-division of its existing shares of any of them divide the whole of any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association, subject, however, to the provisions of the Act and that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which reduced share is derived;
 - c) Cancel any shares which, at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
50. The resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of such shares shall have same preference or special advantage as regards dividend, capital, voting or otherwise over or as compared with the others, subject nevertheless, to the provisions of Sections 85, 87, 88 and 106 of the Act.
51. Subject to the provisions of Sections 77 and 100 to 155 of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed to of all or any of his shares.

VARIATION OF RIGHTS OF SHAREHOLDER

52. The rights and privileges if any, attached to different classes of shareholders for the time being (unless otherwise provided by the terms of issues of the share of that class) may, subject to the provisions of Section 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified committed, abrogated or affected with the consent in writing the holders of at least three fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate General Meeting of the holders of not less than three fourths of these shares.

The provisions contained in these Articles relating to General Meetings shall mutatis apply to every such separate General meeting and the necessary quorum shall be two persons at least holding or represented by a proxy one third of the issued shares of the class in question.

This article is not to be implied curtail the power of modification which the Company would have if this Article were omitted and the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar shall be applicable.

53. The right conferred upon the holders of the shares of any class issued with preferential or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

BORROWING POWERS

54. Subject to the provisions of Section 58A, 292 and 370 of the Act, the Board may from time to time raise or borrow, from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the payment of the Company.

Provided that the Board shall not, without the sanction of the Company in General Meeting borrow any sum of money which together with monies already borrowed by the Company (apart from temporary loans obtained) from the Company's bankers in the ordinary course of business.

55. Subject to Section 292 of the Act, the Board may raise or secure the repayment of such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debenture or debenture-stock, or by creation of any mortgage, charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

GENERAL MEETINGS

57. Apart from any other meetings, the General Meeting of the Company, shall be held within such intervals as specified in Section 166(1) of the Act, and subject to the provisions of Section 166(2) of the Act at such places and times as the Board may determine. Any other meeting of the Company shall, except in the case where an Extraordinary General Meeting is convened under the provisions of the following article be called "General Meeting". Each General Meeting shall be called as Annual General meeting and shall be specified as such in the notice convening the meeting.

58. A General Meeting may be called by the Board whenever it thinks fit and it shall, on the requisition of such number of members as hold, at the date of the requisition, not less than one tenth of such of the paid up capital of the Company as the date of requisition carried the right of voting in regard to the matter to be considered at the meeting forthwith proceed to call an Extraordinary General Meeting and in the case of such requisition, the provisions of Section 169 of the Act shall be applicable.
59. The requisition shall set out the matter for consideration for which the Meeting is to be called and shall be duly signed by all the requisitionists and deposited at the Registered Office of the Company. The requisition may consist of several documents in like form each signed by one or more requisitionists.
60. The Company shall comply with the provisions of Section 188 of the Act as to notice of resolutions and circulations and circulations of the statement on the requisition of the members.
60. If the Board does not, within twenty one days from the date of deposit of an authority requisition in regard to any matter, proceed, duly to call a meeting for the consideration of those matters on a day not less than forty five days from the date of deposit of requisition, the requisitionists such of the requisitionists as represent either a majority in value of the paid-up share capital held by all of them or not less one tenth of such of the paid up share capital of the Company as ,at that carries the right of the right of voting in regard to that matter, may by themselves convene the Meeting in the manner in which such meetings are called for, but no such meetings shall be convened or held after the expiration of three months from the date of the

VOTES OF MEMBERS

75. Subject to the provisions of these Articles and without prejudice to and special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member, not disqualified by Article 88 shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands every member present in person shall have one vote and upon a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference shareholder be present at any meeting of the Company, save as provided in clause(b) of sub-section (2) of Section 87 of the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.
76. No Company or body corporate being a member of the Company shall vote by proxy unless a resolution of its Board of Directors under the provisions of Section 187 of the Act is in force and the representative named in such resolution is present at the Meeting at which the vote by proxy is tendered.

A person duly appointed by a resolution as aforesaid under Section 187 of the Act, shall not by reason of such appointment be deemed to be a proxy and the lodging with the Company at the office or production at the Meeting of a copy of such a resolution duly signed by one Director of such member Company and certified by him as being a true copy of the resolution shall, on production at the Meeting, be accepted by the Company as sufficient evidence of the validity of his appointment and such a person shall be entitled to exercise the same rights and powers, including the right to vote

by proxy on behalf of the member Company he represents, as that member Company could exercise if it were an individual member.

77. If any member be a lunatic, idiot, or a non-composmentis, he may vote whether on a show of hands or on a poll by his committee, curator bonus or other legal curator and such last mentioned person may give his vote by proxy provided that forty eight hours atleast before the time of holding the Meeting or adjourned Meeting as the case may be, at which any person proposes to vote, he shall satisfy the Board of his right under the Transmission Article to transfer the shares in respect of which he proposes to exercise his right under this Article, unless the Board shall have previously admitted his right to vote at such Meeting in respect thereof.

78. Where there are Joint Registered Holders of any share, any of such persons may vote at any Meeting either personally or by proxy in respect of such share as if he were solely entitled thereto; and if more than one of such Joint-holders be present at any Meeting either personally or by proxy or attorney, that one of the said persons whose name stands prior in the Register of Members in respect of such shares shall alone be entitled to vote in respect thereof.

Provided that Joint-Holder present at any meeting personally shall be entitled to vote in preference to a Joint-holder represented by a proxy. Every executor or administrators of the deceased member in whose name shares stand shall for the purposes of this Article, be deemed Joint-Holders of such shares.

79. An instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or if such appointer or his attorney is a body corporate be under the common seal or the hand of its officer or attorney duly constituted. A proxy who is appointed for a specific Meeting only shall be called a Special Proxy and any other proxy shall be called general proxy.

81. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument, or transfer of the share shall have been received by the Company at the Office before the vote is given; provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and that the same has not been revoked.

82. Every instrument of proxy, whether for a specific meeting or otherwise shall as nearly as circumstances will permit, be in either of the forms set out in Schedule IX of the Act.

83. No member shall be entitled to exercise any voting rights either personally or by a proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

86A. EXTRACT OF THE RESOLUTION OF THE GENERAL BODY MEETING HELD ON 17TH APRIL, 1989 AT THE REGISTERED OFFICE OF THE COMPANY:

RESOLVED THAT notwithstanding anything to the contrary contained in these Articles so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), The Industrial Credit & Investment Corporation of India Limited (ICICI), The Industrial Reconstruction Bank of India (IRBI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Corporation of India (GIC), National Insurance Company Limited (NIC), The Oriental Insurance Company Limited (OIC), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UII) or a State Financial Corporation or any Financial Institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as "the Corporation") any Venture Capital Fund or Venture Capital Companies out of any loans/debentures assistance granted by them to the Company so long as the corporation holds or continues to hold Debentures / Shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the person or persons as a Director or-Directors, whole-time non whole-time (which Director or Directors, is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s. The Board of Directors of the Company shall have no power to remove from the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any monies remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/Shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the monies owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold debentures/shares in the Company arising out of the guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is a member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees, commission, monies or remuneration in any form is payable to the Directors of the Company, the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred

by the Corporation or such Nominee Director/s in connection with their appointment of Directorship shall also be paid or reimbursed by the Company to the Corporation or as the case may be, to such Nominee Director/s.

Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time Director in the Management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such *remuneration, fees, commission and monies* as may be approved by the Corporation.

88. The continuing Directors of the Board may act notwithstanding any vacancy in the body so that if the number falls below the minimum fixed, the Directors shall not, except for the purpose of filling vacancies, act so long as the number is below the minimum.
89. Any casual vacancy occurring in the Board of Directors may be filled up by the Board, but the person so chosen shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.
90. Any person whether a member of the Company or not may be appointed a Director of the Company and no qualification by way of shareholding shall be required of any Director.
91. Unless otherwise determined by the Company in a General Meeting, each Director other than a Managing Director or a Whole time Director shall be entitled to receive out of the funds of the Company for his services in attending the Meetings of the Board or a committee of the Board, a fee as prescribed under the Act and the Companies (Central Government) General Rules and Forms, 1956. All other remuneration, if any, payable by the Company to each Director, whether in respect of his services as a Managing Director or a Director in the whole or part time employment shall be determined in accordance with and subject to the provisions of these Articles and the Act, the Directors shall be entitled to be paid their reasonable traveling, hotel and other expenses incurred in connection with their attending the Board and Committee Meetings or otherwise incurred in the execution of their duties as Directors.
92. If any Director, who is willing and is called upon to perform extra services or make any special exertions in going or residing away from office main place of business for any of the purposes of the Company or in giving special attention to the business of the Company or as a member of the Company or as a member of the committee of the Board then, subject to Section 198, 306, 310 and 314 of the Act, "the Board may remunerate the Director either by a fixed sum of money or by a percentage of profits or otherwise and such remuneration may be in addition to or in substitution for any other remuneration he is entitled to.
94. A Director who is any way, whether directly or indirectly concerned or interested in a contract or arrangement entered into or to be entered into by or on behalf of the Company not being a contract or arrangement entered into or to be entered into between the Company and any other Company where

such Director or two or more of them together holds/hold not more than two percent of the paid-up share capital in the other Company shall disclose the nature of his concern or interest at Meeting of the Board as required by Section 299 of the Act. A general notice informing that he is a Director or a member of any specified body corporate or firm and is to be regarded as such in any subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure as contemplated above and it corporate or firm shall be sufficient disclosure as contemplated above and it shall not be necessary to give special notice relating' to any particular contract or arrangement with such body corporate or firm provided such general notice is given at Meeting of the Board of Directors or the Director concerned takes reasonable steps to secure that it is brought up and read at the first Meeting of the Board after the notice is given. He shall be bound to give from time to time and/or renew the notice as aforesaid in the last month of each financial year of the Company in respect of all bodies corporate of which he is a Director or member and of all firms of which he is a partner.

THE SEAL

121. The Board shall provide a common seal for the purposes of the Company and may, from time to time, destroy the seal and substitute a new seal in lieu thereof and shall provide for the safe custody of the seal for the time being. The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board and in the presence of two Directors/or one Director and the Secretary or one Director and such other person as the Board may appoint who shall attest the seal thereof. Any instrument bearing the seal of the Company and issued for a valuable consideration shall be binding on the Company notwithstanding any irregularities touching the authority of the Board to issue the same.

DIVIDEND

123. The Company in Annual General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. However, the Company in the Annual General Meeting may declare a smaller dividend. No dividend shall be paid otherwise than out of the profits of the year or any other undistributed profits. All dividends shall be paid subject to Section 207 of the Act and shall fix the time for payment. No dividend shall bear interest against the Company.

124. Subject to the rights of members entitled to share (if any) with preferential or special rights attached thereto as to dividends, all dividends shall be paid according to the amount paid upon the shares. No amount paid up on a share in advance of calls shall, while carrying interest be treated for the purposes of this Articles as paid on the share.

125. a) The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

b) The Board may deduct from any dividend payable to any member, all sums of money if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

126. In any General Meeting declaring dividend the Company may make a call on the members of such amount as the Meeting fixes but so that the call on each member shall not exceed the dividend

payable to him and so that the call be made payable at the same time as the dividend and the dividend may be set off against the call.

127. A mere transfer of shares shall not pass the rights any dividend declared thereon unless the transfer has been registered by the Company.

128. If several persons are registered as Joint-holders of any shares, anyone of them may give effectual receipt for any dividend, bonuses or any other payments payable on the shares.

129. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner hereinafter mentioned and all dividends unclaimed till the claim thereto becomes barred by law shall be dealt with in accordance with the provisions of the Act. No unclaimed dividend shall be forfeited by the Board and the Company shall comply with all the provisions of Section 205A of the Act in respect of all unclaimed or unpaid dividend.

130. Unless otherwise directed in accordance with Section 205(5)(b) of the Act, any dividend, interest or other monies payable in cash in respect of a share may be paid by cheque or warrant sent through post to the registered address of the holder or in the case of joint-holders, to the registered address of anyone of the joint-holding or to such person and such address as the holder/joint-holder, as the case may, may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

DIVIDENDS AND SHARES

131.a) The Directors may, before recommending any dividend, shall set aside out of the profit of the Company such sums as they may think proper as a reserve, which shall, at the discretion of the Directors be applicable for repayment of debentures, debts or other liabilities of the Company to meet contingencies or for equalizing dividends or for any other purpose to which the profits of the Company may be properly applied and pending such application may, at their discretion either be employed in the business of the Company or be invested in such investment (other than the shares of the Company) as the Directors may from time to time think fit and from time to time deal with and very such investment and dispose of all or any part thereof for the benefits of the Company.

b) The Board may also, before recommending any dividend, set apart any or such portion of the profits of the Company as they think fit as a depreciation reserve to be applied at the discretion of the Board for providing against any depreciation in the fixed assets of the Company or for the rebuilding, restoring, replacing or altering any part of the building, work, plant, machinery or other property of the Company destroyed or damaged by fire, flood, storm, tempest, accident, riot, wear and tear or other means and for repairing, altering and keeping in good condition the property of the Company or for extending and enlarging the building, machinery and property of the Company with full power to employ the assets acquired out of such depreciation reserve in the business of the Company without being bound to keep the same separate from the other assets.

132. All monies carried to the Reserve and Depreciation Reserve shall nevertheless remain and be the profits of Company subject to setting off any loss suffered and depreciation for the payment of the dividends and such monies and all the other monies of the Company not immediately required for the purposes of the Company (subject to Section 49 and 372 of the Act) be invested by the Board in or

upon such investments or securities as they may select or may be used as working capital or may be kept in any bank or deposit or otherwise as the Board may from time to time think proper.

133. The Company in any General Meeting may, upon the recommendation of the Board, at any time, from time to time, pass a resolution that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserves or any Capital Redemption

Reserve Account, or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of Share Premium Account be capitalized and distributed amongst such of the share-holders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such share-holders in paying up in full any unissued shares, debentures or debenture-stock of the Company which shall be deposited accordingly or in or towards payment of the uncalled liability on any issued shares or debenture or and that such distribution or payment shall be accepted by such share-holders in full satisfaction of their interests in the said capitalized sum. Provided that any sum standing to the credit of a Share Premium Account and Capital Redemption Reserve Account may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

134. A General Meeting may resolve that any surplus money arising from the realization of any capital assets of the Company or any investment representing the same, or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.

135. The Board, in order to give effect to any resolution under the preceding Articles, settle and difficulty that may arise as to distribution as it thinks expedient and may issue fractional certificates, and fix the value for distribution of any specific assets, determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of parties and vest such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient. Where required, a contract shall also be filled in accordance with Section 75 of the Act and the Board may appoint any person to sign any contract thereby required on behalf of the persons entitled to the dividend and such appointment shall be effective.

BALANCE SHEET AND ACCOUNTS

136. The Board shall cause to be kept proper books of accounts with respect to the following at the Registered Office of the Company or at such other place as the Board considers necessary:

- a) all sums of money received and expended by the Company and the matter in respect of which the receipt and expenditure took place.
- b) all sales and purchases of goods by the Company.
- c) the assets and liabilities of the Company

137. The Books of Account shall be open to inspection by any Director during business hours.

138. At every Annual General Meeting of the Company held, the Board of Directors shall lay before the

Company a Balance sheet as at the end of period specified in section 210 of the Act and Profit and Loss Account for that period.

The Balance Sheet shall be in the form set out in part 1 of schedule VI or as near thereto as circumstances admit and the Profit and Loss Account shall comply with the requirements of Part II of Schedule VI of the Act.

139. The Profit and Loss Account shall be annexed to the Balance Sheet and the Auditor's report shall be attached thereto.

The Board's report in regard to the matters specified under Section 217 of the Act shall be attached to the Balance Sheet laid before the Company in Annual General Meeting. However, the Board shall not be bound to disclose greater details of the result or extent of the Trading and transactions of the Company than it may deem expedient.

140. Subject to the provisions of Sections 220 of the Act, three copies of the Balance Sheet and Profit and Loss Account shall be filed with the Registrar of Companies.

141. The Board shall, from time to time, determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books of the Company, or any of them shall be open to inspection of members not being Directors.

AUDIT

142. The appointment of auditors, their duties and fixation of their remuneration shall be regulated in accordance with sections 224 to 235 of the Act both inclusive or any modification thereof.

RECONSTRUCTION

150. Subject to the provisions of Section 394 and 494 of the Act, on any sale of the undertaking of the Company, the Board of Directors or the liquidators on a winding-up may, if authorized by a Special Resolution, accept fully paid up shares, or partly paid up shares, debentures or securities of any other Company, whether incorporated in the Union of India or not either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Directors, if the profits of the Company permit, or the liquidators in a winding up may distribute such shares or securities, or any other property of the Company amongst the members without realization, or vest the same in the trustee for them, and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefits or property, otherwise than in accordance with the strict legal rights or the members or contributions of the Company, and for the valuation of any such securities of property at such price and in such as the Meeting may approve, and all holders of the shares shall be bound to accept and shall be bound by any valuation or distribution so authorized and waive all rights in relation thereto, save only in case the Company is proposed to be or is in the course of being wound up, such statutory rights if any under Section 494 of the Act as are incapable of being varied or excluded by these presents.

SECRECY

151.No member shall be entitled to visit or inspect the officer's work without the permission of the Directors or to require discovery of or any information regarding any details of the Company's trading of any matter which is or may be in the nature of a trade secret, mystery of trade or secret process, which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the members of the Company to communicate to the public.

152.Every Director, Secretary, Trustee for the Company, its members or debenture-holders, members of a Committee Officer, Servant, Agent, Accountant or other person employed in or about the business of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall not reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any General Meeting or by a Court of Law and except so far as may be necessary in order to comply with any of the provisions in these Articles. Except as may be specifically permitted by the Board or otherwise required under law, all proceedings of the Board shall be strictly confidential and no Director shall knowingly disclose such proceedings to a third party.

WINDING UP

153.If the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid up capital deemed to be paid up, such assets shall be distributed so that as nearly as may be the losses shall be borned by the members in proportion to the capital paid-up or due to be paid-up at the commencement of the winding up. The assets available for distribution amongst the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital paid up or deemed to be paid up at the commencement of the winding up on shares in advance of calls upon the footing that the same shall carry interest, such capital shall be excluded and shall be repayable in full before any distribution is made on the paid up capital or deemed to be paid up together with interest at the rate agreed upon. The provisions of this Articles shall be subject to any special rights or liabilities attached to any special calls of shares forming part of the assets of the Company.

154.The liquidators may with the sanction of special resolution, divide among the members in specie the whole or any part of the assets of the Company.

INDEMNITY

155. a) Subject to the provisions of Section 201 of the Act or any statutory modifications thereof, the Chairman, Managing Director and other Director, Manager, Secretary and any officer or employee of the Company and his or their heirs, executors or administrators shall be indemnified by the Company against all liability incurred by him in such capacity and it shall be the duty of the Directors to payout of the funds of the Company all costs, charges and expenses (including travelling expenses) which the Chairman, Managing Director or any such Director, Manager, Secretary, Officer or employee in any way in the discharge of his duties.

- b) Subject as aforesaid, every Director, Manager or Officer of the Company or any person whether an officer of the Company or not employed by the Company as Auditor shall be indemnified from out of the funds of the Company against all liability incurred by him as such Director, Manager, Officer or Auditor in defencing proceedings, whether criminal or civil in which judgment is given in his favour, or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.
156. Wherever under the provisions of the Act it is provided that any Company shall have any right, privilege or authority, if authorised by the Articles or that any Company cannot carry out any transaction unless it is so authorised by its Articles then and in that case this Article hereby authorises and empowers the Company to have such rights, privilege or authority and to carry out such transactions as have been permitted under the provisions of the Companies Act, 1956 without there being any other specific Article in that behalf herein provided.

OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Letter of Offer, have been delivered to the Registrar of Companies, Hyderabad, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of the Letter of Offer until the date of closing of the Issue.

Material Contracts

1. Memorandum of Understanding, dated 04/02/2008 signed between the Company and Keynote Corporate Services Limited, the Lead Manager to the Issue.
2. Memorandum of Understanding, dated 15/02/2008 signed between the Company and Sathguru Management Consultants Private Limited the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated 27/03/2002 between NSDL, the Company and Sathguru Management Consultants Private Limited to establish direct connectivity with the depository.
4. Copy of the Tri-partite Agreement dated 28/09/2001 between CDSL, the Company and Sathguru Management Consultants Private Limited to establish direct connectivity with the depository.

Documents for Inspection

1. Memorandum and Articles of Association of Restile Ceramics Limited as amended from time to time.
2. Certificate of Incorporation of Restile Ceramics limited dated 26/05/1986.
3. Copy of the Consent order filed with Securities and Exchange Board of India dated October 4, 2007.
4. Copy of BIFR Order dated 27/04/1998 .
5. Copy of Rehabilitation Scheme dated 18/12/2002 and 28/08/2006.
6. Copy of the advertisement made by the Operating Agency for change in management of the company.
7. Application for permission for allotment to Overseas Corporate Body in Rights Issue to Reserve Bank of India(RBI) dated 28/09/2007
8. Copy of Board Resolution passed on July 23, 2006 and Special Resolution passed at AGM dated 28/09/2006 u/s 81 (1) authorizing the Issue of Equity Shares.
9. Copy of the Resolution to change the Rights Entitlement ratio from 4:5 to 26:35 dated 14/05/ 2007
10. Copies of Auditors Reports issued by Statutory Auditors of the Company M/s Lalith Prasad & Co., Chartered Accountants, dated January 31, 2008 regarding reinstated financials of the Company.
11. Copy of tax benefit certificate issued by Statutory Auditors of the Company dated 31/01/2008.
12. Certificate dated 31/01/2008 regarding the deployment of funds in relation to the expansion programme till that date.
13. Resolutions approving the present terms of employment and remuneration between the Company and the Whole-time Directors as approved by the Board and the Shareholders.
14. Consent letters from Directors, Lead Manager to the Issue, Bankers to the Issue, Bankers to the Company, Statutory Auditors, Legal Advisors to the Issue, Registrar to the Issue, Company Secretary and

Compliance Officer to act in their respective capacities and for inclusion of their names in the Letter of Offer.

15. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. 2003-04, 2004-05-2005-06, 2006-07 and 2007-08.
16. Copies of Annual Reports of the Promoter Group Companies.
17. Due Diligence Certificate dated 28/03/2008 issued by Lead Manager to the Issue viz. Keynote Corporate Services Limited.
18. Approval from Reserve Bank of India dated 14/11/ 2007 for allotment of shares to erstwhile OCB (Overseas Corporate Body)
19. Copy of in-principle approval received from BSE vide letter no. DCS/PREF/JA/IP-RT/112/08-09 dated April 11, 2008.
20. Copy of SEBI observation letter no. CFD/DIL/PB/RA/136706/2008 dated 02/09/ 2008 and compliance letter no. Restile/Sw (01) dated 22/09/ 2008.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Letter of Offer is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all statements in this Letter of Offer are true and correct.

SIGNED BY ALL THE DIRECTORS OF RESTILE CERAMICS LIMITED

Sd/-
Nalinkant Amratlal Rathod
Chairman & Managing Director

Sd/-
Sunderesan Hariharan
Director

Sd/-
K.Rajendra Prasad
Director

Sd/-
T.R. Seetha Raman
Director

Sd/-
Ramachandran N.S.
Director

Sd/-
Raghavan R.S.
Director

Date: 11/10/2008
Place: Hyderabad