



## NITCO TILES LIMITED

(Our Company was originally incorporated in India as Nitco Tiles Private Limited on July 25, 1966 in New Delhi under the Companies Act, 1956. On May 11, 1973, the registered office of the Company was shifted from the Union Territory of New Delhi to the State of Maharashtra. Our registration no. is 11-16547. The Company was converted into a public limited Company (with effect from January 25, 1996). Pursuant to this, the name of the Company was changed to Nitco Tiles Limited.)

**REGISTERED OFFICE & CORPORATE OFFICE:** 86-A, 8<sup>th</sup> Floor, Maker Chambers III, Nariman Point, Mumbai – 400 021, Maharashtra, India.  
Tel.: +91 22 5552 1555 Fax: +91 22 2202 4404, Email: ipo@nitcotiles.com, Website: www.nitcotiles.com  
Contact Person: Mr. B.G. Borkar, CFO, Company Secretary & Compliance Officer

**PUBLIC ISSUE OF 10,000,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. 168 PER EQUITY SHARE AGGREGATING RS. 1680 MILLION (THE "ISSUE"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 9,000,000 EQUITY SHARES OF RS. 10/- EACH (THE "NET ISSUE") AND A RESERVATION FOR ELIGIBLE EMPLOYEES OF 1,000,000 EQUITY SHARES OF RS. 10/- EACH, AT THE ISSUE PRICE. THE ISSUE WILL CONSTITUTE 44.9% OF THE TOTAL POST ISSUE PAID-UP EQUITY CAPITAL OF THE COMPANY.**

**ISSUE PRICE IS RS. 168 PER EQUITY SHARE OF FACE VALUE OF RS. 10/- EACH**

**ISSUE PRICE IS 16.80 TIMES OF FACE VALUE OF THE EQUITY SHARE**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after such revision, subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision of Price Band and the revised Bid/Issue Period, if applicable will be widely disseminated by notification to Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) where the Equity Shares of the Company are proposed to be listed and whose online IPO systems will be available for bidding, by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers and the terminals of the Syndicate.

The Issue is being made through the 100% book building process wherein up to 50% of the Net Issue to the public shall be offered on a proportionate basis to Qualified Institutional Buyers. 5% of the portion available for allocation to QIBs shall be allocated proportionately to Mutual Funds. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. 1,000,000 Equity Shares would be allotted on a proportionate basis to eligible employees.

### RISKS IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the shares of the Company. The face value of the shares is Rs. 10/- and the Issue Price is 16.80 times of the face value. The Price band (determined and justified by the Book Running Lead Managers and the Company as stated under the justification of premium paragraph) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISK

Investment 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 risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document. **We have not obtained any grading for this issue of Equity Shares. Specific attention of the investors is invited to the statement of Risk Factors on page no. xi to xxiv of this Prospectus.**





### ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company having made all reasonable inquiries, accepts responsibility for, and confirms that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue; that the information contained in this Prospectus 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 document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity Shares are proposed to be listed on Bombay Stock Exchange Limited (BSE) (The Designated Stock Exchange) and The National Stock Exchange of India Limited (NSE). We have received in-principle approvals from BSE and NSE vide their letters dated February 1, 2006 and February 3, 2006 respectively.

### BOOK RUNNING LEAD MANAGERS (In Alphabetical Order)

 <p><b>IL&amp;F Investsmart Limited</b> The IL&amp;F Financial Centre, Plot C – 22, G – Block, Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051. Tel: +91 22 2653 3333 Fax: +91 22 5693 1862 Website: www.investsmartindia.com E-mail: nitco.ipo@investsmartindia.com</p>	 <p><b>Karvy Investor Services Limited</b> "Karvy House" 46, Avenue 4, Street No.1, Banjara Hills Hyderabad – 500 034 Tel: +91 40 23320251/23312454 Fax: +91 40 23374714 Website: www.karvy.com E-mail : mbd@karvy.com</p>	 <p><b>UTI Bank Limited</b> Central Office: 111, Maker Towers F, Cuffe Parade, Colaba Mumbai 400 005 Tel: + 91 22 2216 1341 Fax: + 91 22 2216 2467 Website: www.utibank.com Email: utibmbd@utibank.co.in</p>
 <p><b>Intime Spectrum Registry Limited</b> C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai 400078 Tel: +91 22 2596 0320 Fax: +91 22 2596 0329 Website: www.intimespectrum.com Email: nitcoipo@intimespectrum.com</p>		

### ISSUE PROGRAMME

**BID / ISSUE OPENED ON : FEBRUARY 22, 2006**

**BID / ISSUE CLOSED ON : FEBRUARY 27, 2006**

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## SECTION I

### DEFINITIONS AND ABBREVIATIONS

#### 1. CONVENTIONAL / GENERAL TERMS

Term	Description
Act/ Companies Act/ the Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Ltd.
CDSL	Central Depository Services (India) Ltd.
Depository	A Company formed and registered under the Companies Act, 1956 (1 of 1956) and which has been granted a certificate of registration under sub section (1 A) of Section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992)
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of equity shares at the year end
FCNR Account	Foreign Currency Non Resident Account
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
Financial Year / Fiscal/ FY	The twelve months ended March 31 of a particular year
Indian GAAP	The generally accepted accounting principles in India
I.T. Act	The Income Tax Act, 1961, as amended from time to time except as stated otherwise
Mn / mn	Million
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued equity shares
NSDL	National Securities Depository Ltd.
NSE	The National Stock Exchange of India Ltd.

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<b>Term</b>	<b>Description</b>
OCB/Overseas Corporate Body	A Company partnership, society and other corporate body owned directly or indirectly to the extent of at least 60% by NRI's and overseas trust, in which not less than 60% of beneficial interest is irrevocably held by NRI's directly or indirectly as defined in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
RBI	The Reserve Bank of India
ROC	Registrar of Companies, Mumbai
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000 as amended from time to time

### ISSUE RELATED TERMS

<b>Term</b>	<b>Description</b>
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in date after Deducting any bid amounts that may already have been paid by such bidder
Allotment	Issue of Equity Shares of the Company pursuant to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being issued
Bankers to the Issue	The Bankers with whom the escrow account for the issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Price/ Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid / Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of the Company and which will be considered as the application for allotment of the equity shares in terms of this Prospectus

<b>Term</b>	<b>Description</b>
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Prospectus.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
BRLMs	Book Running Lead Managers to the Issue, in this case being IL&FS Investsmart Limited ("IL"), Karvy Investor Services Limited ("Karvy") and UTI Bank Limited ("UTI Bank")
Book Building Process/Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	Bombay Stock Exchange Limited
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the Registrar of Companies ('RoC'), following which the Board of Directors shall allot Equity Shares to successful bidders
Directors	The Directors of the Company
Red Herring Prospectus/RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with ROC at least three days before the bid/issue opening date. It will become a Prospectus after filing with ROC after finalisation of the Issue Price.
Eligible Employee	All permanent employees resident in India as on the cut off date i.e. January 31, 2006
Employee Reservation	The portion of the issue being 1,000,000 Equity Shares of Rs. 10/- each available for allocation to Eligible Employees
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a bid and the Allocation Amount paid thereafter

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<b>Term</b>	<b>Description</b>
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the issue with whom the Escrow Account for the issue will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue / Issue Size	The Issue of 10,000,000 new Equity Shares of Rs. 10/- each at the Issue Price by the Company in terms of this Prospectus
Issue or Net Issue or Net Offer	Public Issue by the Company of 9,000,000 equity shares of Rs.10/- each for cash at a price of Rs. 168 aggregating Rs.1512 MN.
Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date and both these days inclusive
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Issuer	Nitco Tiles Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Memorandum / Memorandum of Association	The Memorandum of Association of our Company
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Issue	Net Issue by the Company of 9,000,000 equity shares of Rs. 10/- each for cash at a price of Rs. 168 aggregating Rs. 1512 MN.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of 1,350,000 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Pay-in-date	Bid/ issue closing date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable.

<b>Term</b>	<b>Description</b>
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date as specified in the CAN
Price Band	Being the Price band of a minimum price (Floor price) of RS. 140 and the maximum price (Cap Price) of RS. 168 and includes revision thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalises the Issue Price
Prospectus	The Prospectus, filed with the ROC containing inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 250 mn. and Pension Funds with a minimum corpus of Rs. 250 mn.
QIB portion	The portion of the issue being 4,500,000 Equity Shares of Rs. 10/- each available for allocation to QIBs
Red Herring Prospectus/ RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956, which does not have complete particulars on the price at which the equity shares are offered and size of the issue. It carries the same obligations as are applicable in case of a prospectus and will be filed with the ROC at least three (3) days before the opening of the issue. It will become a Prospectus after filing with the ROC after the pricing and allocation.
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 100,000/- in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue being a minimum of 3,150,000 Equity Shares of Rs. 10/- each available for allocation to Retail Individual Bidder(s).

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Term	Description
Registrars to the Issue	Intime Spectrum Registry Ltd.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
Stock Exchanges	NSE and BSE
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs.
Syndicate	The Syndicate members collectively
TRS / Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Syndicate Members
Underwriting Agreement	The Agreement among the Syndicate members and the Company to be entered into on or after the Pricing Date

### COMPANY / INDUSTRY RELATED TERMS / DEFINITIONS

Term	Description
Articles/ Articles of Association	Articles of Association of Nitco Tiles Limited
Auditors	M/s. A. Husein Noumanali & Co., Chartered Accountants
Committee	Committee of the Board of Directors of Nitco Tiles Limited authorized to take decisions on matters related to / incidental to this Issue
Company /NITCO/ Nitco/ Nitco Tiles/ Issuer / NTL	Nitco Tiles Limited
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity shares of the Company unless otherwise specified in the context thereof
ICCTAS	Indian Council of Ceramic Tiles and Sanitaryware
Registered Office of the Company	86-A Maker Chambers III, Nariman Point, Mumbai – 400021, Maharashtra, India
CAGR	Compounded Annual Growth Rate
FCL	Foshan Chancheng Oulian Construction Ceramic Company Ltd., China earlier known as Nanhai Shangyuan Oulian Construction Ceramics Co. Ltd.
Gol	Government of India
INR	Indian Rupees
Mosaico	Range of borders crafted in both ceramic, marble and stone
PGT	Prestige General Trading, Dubai

## ABBREVIATIONS

Abbreviation	Full Form
A/c	Account
Bn	Billion
BPO	Business Process Outsourcing
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CC	Cash Credit
CFO	Chief Financial Officer
CENVAT	Central Value Added Tax
CIF	Cost Insurance Freight
CVD	Countervailing Duty
CY	Current Year
DA	Designated Authority
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods
EPS	Earnings Per Equity Share
Euro	Currency of European Union
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and regulations framed there under
FII(s)	Foreign Institutional Investors as defined under FEMA (Transfer or Issue of Security by a person Resident outside India) Regulations 2000, registered with SEBI
FIPB	Foreign Investment Promotion Board
FY	Financial Year
GIR Number	General Index Registration Number
GoI	Government of India
HC	High Court
HDFC	Housing Development Finance Corporation
HR	Human Resources
HUF	Hindu Undivided Family
IPO	Initial Public Offering
IT	Information Technology
ITES	IT Enabled Services
KVA	Kilo Volt Ampere

**NITCO TILES LIMITED**

<b>Abbreviation</b>	<b>Full Form</b>
LNG	Liquid Natural Gas
LPG	Liquid Petroleum Gas
M/C	Machine
MIDC	Maharashtra Industrial Development Corporation
Mm	Millimeter
MSEB	Maharashtra State Electricity Board
MT	Metric Ton
MW	Mega Watt
NA	Not Applicable
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
OEM	Original Equipment Manufacturer
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
R & D	Research and Development
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs. / INR	Indian Rupees
SC	Supreme Court of India
SEBI (SAST) Regulations, 1997	Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997
SED	Special Excise Duty
SIA	Secretariat for Industrial Assistance
SIL	Special Import License
Sq. Ft.	Square Feet
Sq. Mt.	Square Metre
UAE	United Arab Emirates
US	United States of America
USD or \$ or US \$	United States Dollar
WTO	World Trade Organisation

## 2. CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Prospectus, the terms “we”, “us”, “our”, the “Company”, “our Company”, “Nitco Tiles Limited” unless the context otherwise indicates or implies, refers to Nitco Tiles Limited. In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “Lac” means “one hundred thousand”, the word “million (mn)” means “ten lac”, the word “Crore” means “ten million” and the word “billion (bn)” means “one hundred crore”. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

Throughout this Prospectus, all figures have been expressed in millions.

Unless stated otherwise, the financial data in this Prospectus is derived from our financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Our current fiscal year commenced on April 1, 2005 and ends on March 31, 2006. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by Persons not familiar with Indian accounting practices on the financial disclosures presented in this Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

For additional definitions used in this Prospectus, please refer to the section titled ‘Definitions and Abbreviations’ on page no. vi of this Prospectus. In the section titled ‘Description of Equity Shares and Terms of the Articles of Association’ on page no. 191 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.

Market data used throughout this Prospectus was obtained from industry publications and internal Company reports. 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 we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

The exchange rates used for the purpose of converting US Dollars into Indian Rupees in this Prospectus is USD 1.00 = Rs. 45.94 as per the Reserve Bank of India reference rate on November 30, 2005.

The exchange rates used for the purpose of converting Euro into Indian Rupees in this Prospectus is EUR 1.00 = Rs. 54.16 as per the Reserve Bank of India reference rate on November 30, 2005.

### **3. FORWARD-LOOKING STATEMENTS**

We have included statements in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “plan”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- Regulatory changes relating to the tile industry in India and our ability to respond to them;
- Our ability to successfully implement our strategy;
- Our growth and expansion, technological changes;
- Our exposure to market risks, general economic and political conditions in India, which have an impact on our Business activities or investments;
- The monetary and fiscal policies of India;
- Inflation, deflation, volatility in interest rates;
- Fluctuations in foreign exchange rates;
- Volatile equity markets;
- The performance of the financial markets in India;
- Changes in domestic and foreign laws, regulations & taxes; and
- Competition in our industry.

For further discussion of factors that could cause our actual results to differ, please refer to the section titled ‘Risk Factors on page no. xi of this Prospectus. 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 our Company nor the BRLMs nor any member of the Syndicate, 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, our Company, and the BRLMs 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 II

### RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Prospectus.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks mentioned herein under:

#### ***Criminal cases pending against our Promoters and Directors***

**The following criminal proceedings are pending against the Promoter and/or Directors of our Company:**

- a) **Third parties have filed two criminal cases against Mr. Vivek Talwar, (in his capacity as a non executive director of Elbee Services Limited), one before the Judicial Magistrate and the other before the 23<sup>rd</sup> Metropolitan Magistrate Court. The aggregate amount is approximately Rs. 0.78 mn.**
- b) **Third parties have filed twenty three criminal complaints against Mr. Vivek Talwar, (in his capacity as a non executive director of Elbee Services Limited), before Metropolitan Magistrates under Section 138 of the Negotiable Instruments Act, 1881, in connection with dishonoured cheques. The aggregate amount is approximately Rs. 17.79 mn.**
- c) **One third party complaint has been filed against Mr. Dinesh H. Kanabar, a Director of our Company, (in his capacity as a non executive director of Elbee Services Limited), before a Metropolitan Magistrate under Section 138 of the Negotiable Instruments Act, 1881, in connection with two dishonoured cheques aggregating Rs. 0.46 mn.**
- d) **“In 1995, the Company had entered into a contract for certain civil works in connection with the Company’s land at Alibaug, with one Venkatesh Construction and Earth Movers Company, (“VCC”). To execute some of these works, VCC in turn appointed a third party, M/s Sterling Engineering Co., (“M/s SEC”), through its proprietor Mr. Prakash Shenai, (“PS”).**

**PS, in 1996, filed a criminal complaint against Mr. Vivek Talwar, (Promoter and Managing Director of our Company), Mr. V.N. Iyer, (erstwhile General Manager of our Company), and others, wherein he claimed that certain monies were due and payable to M/s SEC, and that M/s SEC was wrongfully cheated by VCC and our Company from recovering the said monies.**

**An application for discharge was filed by our Managing Director, which application was rejected vide an order dated 29-08-2000, (“Order”). This rejection was subsequently appealed in 2000, vide a Criminal Writ Petition before the High Court of Bombay, with a prayer that the High Court call for the records and proceedings of the Metropolitan Magistrate in the aforementioned matter, and that after a perusal of the same, the said proceedings and the aforementioned Order be quashed and set aside. This High Court petition records that PS, (through his wife, also acting as a proprietor of M/s Sterling Engineering Co. [“M/s SEC”] ), filed a summary suit against Venkatesh Construction and Earth Movers Company, (“VCC”), in 1998, claiming that VCC owed M/s SEC approx. Rs.17Lacs. Notably, neither was our Company nor any of our directors made a party to this recovery suit, nor have any monies been claimed from them. The High Court, passed an ad- interim order instructing the Metropolitan**

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**Magistrate to stay all further proceedings, (in connection with the aforementioned matter), pending admission of the said Criminal Writ Petition”.**

**For details of the outstanding litigations, please refer to the section titled ‘Legal and Other Information’ on page no. 137 of this Prospectus.**

### **PROJECT RELATED RISKS**

***The objects of the Issue for which funds are being raised have not been not appraised by any bank, financial institution or an independent organisation***

The requirement of funds as stated in the section titled ‘Objects of the Issue’ on page no. 21 of this Prospectus is based on the internal management estimates and has not been appraised independently by any bank, financial institution or any independent organisation. The deployment of funds is entirely at the discretion of our Board of Directors. Further, UTI Bank Limited has been appointed as the monitoring agency for monitoring the deployment of issue proceeds. All the figures included under the ‘Objects of the Issue’ are based on our own estimates.

***We have not placed orders for certain plant and machinery, equipments etc. as stated in the section titled ‘Objects of the Issue’ on page no. 21 of this Prospectus***

The net proceeds of the Issue are proposed to part fund the expansion of ceramic floor tiles capacity and installation of windmills. We have placed orders only to the tune of 57.53% of the total cost of plant and machinery, amounting to Rs. 459.77 mn. till November 30, 2005. However, we have not placed orders for procuring plant and machinery to the tune of 42.47%, amounting to Rs. 339.44 mn. or have not entered into service or purchase agreements for procurement thereof. Any delay in placing the orders or procurement of plant and machinery may delay implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost and profit estimates.

***We have not identified alternate sources of financing the ‘Objects of the Issue as mentioned under the section titled ‘Objects of the Issue’ on page no. 21 of this Prospectus. If we fail to mobilize resources as per our plans, we may be severely affected***

Any failure or delay on our part to mobilize required resources may delay implementation schedule of the expansion project and could adversely affect our growth plans.

***Delay or non-receipt of regulatory approvals may delay the expansion of ceramic floor tiles unit and installation of windmills and could adversely affect our growth plans***

Any delay/non-receipt of licenses and/ or approvals that may be required for the proposed additional facilities could result in a cost and time over run, and accordingly adversely affect our operations and profitability. For further details, please refer to section titled ‘Government and Other Approvals’ on page no. 155 of this Prospectus.

***Delay in completing capacity expansion of ceramic floor tiles unit and installation of windmills could have an adverse impact on our business***

Any delay in completing the project contemplated for any reason whatsoever could result in a significant cost and time overrun. Due to these time and/or cost overrun, the overall benefit of such plans to our revenues and profitability may decline. For more details, please refer to the implementation schedule appearing in the section titled ‘Objects of the Issue’ on page no. 21 of this Prospectus.

***Under utilisation of capacity of ceramic floor tiles unit***

The capacity of ceramic floor tiles unit will increase upon completion of the expansion plans. This will result in a substantial increase in fixed costs. Therefore, any underutilization of the capacity will increase the cost of production and would adversely affect our financial condition. For more details on the capacity utilization, please refer to the section titled ‘Business Overview’ on page no. 51 of this Prospectus.

### ***Shortfall in power generation due to under-utilisation of the six windmills***

Generation of power depends upon various factors including grid availability and wind speed. The supply and speed of wind is subject to the forces of nature. Suzlon Energy Ltd. has agreed to compensate us for any shortfall in generation of power for a period of two years from the 61<sup>st</sup> day of commissioning. After the expiry of the said period, any shortfall in power generation will have an adverse impact on our financials.

### ***Risks associated with Wall tile unit***

As a part of our expansion plan, we intend to add wall tiles to our existing range of products. We intend to acquire an existing wall tile manufacturing unit. Alternatively, if we are unable to acquire any existing unit of wall tile until May 31, 2006 we shall start a green field project for setting up a unit for manufacturing wall tile at our existing location at Alibag. We have earmarked approx. Rs. 370 mn. out of the proceeds of the Issue for this purpose. For more details, please refer to the implementation schedule appearing in the section titled 'Objects of the Issue' on page no. 21 of this Prospectus.

We have no experience of establishing and running a wall tile manufacturing unit. Our inexperience may cause delay in establishing the wall tile manufacturing unit or we may face operational problems in successfully running a wall tile manufacturing unit.

### ***Risk related to identification of potential acquisition and consequent increase in the gestation period of setting up a new facility***

We intend to take the inorganic route for achieving growth for our wall tiles business. However, there may be a scenario, where we may be unable to identify a suitable acquisition by May 31, 2006. On non-identification of such acquisition target by May 31, 2006, we will work towards setting up a greenfield wall tile manufacturing facility with a capacity of 1.75 mn. sq. mts. per annum. Such new facility will commence commercial production by April 2007. This delay in commercial production may adversely impact cash flows and profitability of our Company. For more details, please refer to the implementation schedule appearing in the section titled 'Objects of the Issue' on page no. 21 of this Prospectus.

### ***Risk related to non-completion of financial and legal due diligence and subsequent failure to integrate the new acquisition with our existing operations***

In the event that we successfully identify a potential acquisition, there can be no assurance that we will be able to successfully integrate the acquired facility with our own. In addition, acquisitions may involve a number of other risks, including, but not limited to:

- Adverse short-term effects on our reported operating results;
- Unanticipated liabilities or contingencies relating to the acquired facility;
- Unidentified operational risks.

## **INTERNAL RISK FACTORS**

### **We outsource our entire requirement of vitrified tiles from China and do not have any facility or experience to manufacture these tiles**

Our Company is in the business of tiles and we generated approximately 35% of our gross sales in FY 2005 from sale of vitrified tiles. We import our entire requirement of vitrified tiles from Nanhai Shangyuan Oulian Construction Ceramics Company Limited now known as Foshan Chancheng Oulian Construction Ceramic Company Ltd., a manufacturer of vitrified tiles at Foshan, China, ("Nanhai"). Presently, we are not manufacturing vitrified tiles nor do our Promoters have any past experience of manufacture of vitrified tiles. The import is made pursuant to a tripartite agreement (the Agreement) that we have entered into with Nanhai, the manufacturer and Prestige

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General Trading, a firm based in Dubai, the seller. The Agreement provides for exclusive purchasing rights in favour of our Company, the only company in India, to import vitrified tiles from Nanhai for a minimum period of five years ending March 31, 2009. The Agreement may be terminated and cancelled by either party to the Agreement by giving a six months notice in writing. Any discontinuance of the Agreement may adversely affect our business and may also result in temporary discontinuance of this segment of our business. For more details, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

### ***We might have to pay anti-dumping duties***

The Ministry of Finance imposed anti-dumping duty on vitrified tiles imported from China and UAE at the rate of US\$ 8.28 and US\$ 5.54 per sq.mt. for five years commencing from May 2, 2002 until May 1, 2007. Although our Company does import such tiles from China, our imports have not attracted anti-dumping duty in accordance with a Ministry of Finance notification ("**Notification**").

An appeal was filed before the CESTAT by H&R Johnson India Limited, wherein they challenged the Notification and the findings of the designated authority appointed under, Customs Tariff Act, 1985, ("**DA**"). The said appeal was filed against the Secretary, Revenue, MoF, GoI and the DA.

Pursuant to the said appeal, the Central Excise and Sales Tax Appellate Tribunal, ("**CESTAT**"), CESTAT passed an order dated May 19, 2005, which order, (i) set aside the Notification and the DA's related findings, and, (ii) directed that the DA examine certain aspects relating to confidentiality of the matter and make final findings within three months, after hearing interested parties. The DA, after hearing the contentions of the concerned parties, issued final findings dated December 30, 2005, wherein, the DA confirmed the earlier findings and recommended that no anti-dumping duty be imposed on imports of vitrified / porcelain tiles as produced by Nanhai and exported through Prestige. If, however, inspite of these final findings, any anti-dumping duties are imposed in the future, whether retrospectively or prospectively, this would affect our sales and profits adversely. For further details, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

### ***Threat from import of vitrified tiles from China***

We are generating approximately 35% of our turnover from vitrified tiles, which we import from China. These imports are from suppliers whose exports to India do not attract anti-dumping duty pursuant to a Ministry of Finance notification as better detailed in the section titled 'Business Overview' on page no. 51 of this Prospectus. If, in the future, applicable regulations allow our competitors to import tiles from China without being liable to pay any amounts towards anti dumping duty, the resultant competition could adversely impact our profitability.

### ***Threat from import of ceramic tiles***

We may face stiff competition from imported ceramic tiles. The imported ceramic tiles sold at cheaper prices would create pressure on us to reduce our prices. This would have an adverse impact on our profitability.

### ***Risk associated with import of marble***

Recent policy changes for the import of marble came into effect from August 31, 2005. These policy changes may benefit the organized sector. Changes in this policy may adversely impact the benefits currently available to the organized sector. For further details of the present policy please refer to the section titled 'Regulations and Policies' on page no. 66 of this Prospectus.

### ***We face stiff competition from the organised and un-organised sectors***

Most of the end-users for some of our products are price conscious. Pricing is one of the factors that plays an important role in selecting these products. Stiff competition from other players in the market can and does adversely impact our operations and profitability.

***Cash flow from operations for the financial year ended March 31, 2005 is negative***

During the year 2004-05, the cash flow from operations was negative to the extent of Rs. 9.31 million mainly on account of increase in inventories. Any negative cash flow in the future could affect our results of operations and financial conditions. For more details, please refer to the section titled 'Financial Information' on page no. 109 of this Prospectus.

***High transportation cost and escalation thereof***

In our business, the transportation cost is very high. In the last three years, our transportation cost as a percentage of net sales has ranged between 8% to 10%, approximately. Globally, crude oil prices are rising and have increased substantially since last year, directly resulting in an increase in our transportation costs, thereby adversely affecting our margins. If the same trend continues globally in the future, it will result in a further rise in domestic fuel prices. Such a rise will have an adverse impact on our profitability.

***Increase in power and fuel cost***

One of our major cost components is power and fuel cost. In FY2005, these expenses constituted 9.98% of the total cost (excluding interest and financial charges and depreciation). The increase of power and fuel cost will adversely affect the profitability of our Company. Our Company uses LPG fuel in our manufacturing processes. Some of our competitors however have access to cheaper fuel, being natural gas. Accordingly, such lower operating costs allow our competitors to price their products more aggressively. This in turn would adversely affect the profitability of our Company.

***Change in mining policies***

We meet our raw material requirement of clay, from domestic suppliers in various states of India. A change in regulatory policies may adversely impact costs, and/ or delay, or hamper the supply of clay.

***Risk associated with the institutional segment***

We derive approximately 50% of our turnover from the institutional segment. Our institutional clients include government organisations, corporate houses, and property developers. Architects and interior designers play an important role in influencing the choice of these buyers. Although in this segment we receive bulk orders, they are at low operating margins. This in turn adversely impacts our profit margins.

***Our inability to create new designs or patterns may adversely affect our profitability***

We are focusing more on the higher end of the market for few products for better profits. This segment of the market requires a greater variety of designs and patterns. The distinguishing factor in this segment is the appealing aesthetic look of the products, for which a lot of creativity is required. Our inability to successively create new designs or patterns may have an adverse impact on our profitability.

***Regional conflicts in Asia and Europe could adversely affect our business***

In FY 2005, we have imported more than 75% of our material requirements, including finished goods for sale, from Asian and European countries. In the past these continents have been adversely affected by social unrest, war, change in government policies etc. The reoccurrence of such conditions may adversely affect the supply of these materials and our profitability.

***The success of our business is highly dependent upon our ability to implement our growth strategies***

Our ability to sustain our growth depends, in a large part, on our ability:

- to augment financial resources for additional capacities at competitive terms and conditions;
- to complete capacity expansion / new projects without time and cost overrun;
- to retain and motivate key management personnel;

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- to design and implement strong internal control systems; and
- to control costs.

Our inability to efficiently handle the abovementioned challenges may hurt our business prospects, results of operations and financial condition.

### **Foreign currency risk**

The volatility in global financial markets may have an adverse impact on our business. We have to make payments in foreign exchange for our imports. In the future, we expect an increase in our dealings in foreign exchange thus increasing our exposure to foreign exchange markets. Our inability to hedge this foreign exchange exposure may result in an adverse impact on our financial condition.

### **Our Promoter and some of our promoter group entities have incurred losses**

Our Promoter and some of our promoter group entities have incurred losses in recent years as per details given below:

(Rs. in Millions)

Name of the entity	Net Profit / (Loss)		
	FY 2005	FY 2004	FY 2003
Aurella Estate and Investments Private Limited	(0.002)	(0.002)	(0.002)
Norita Investments Private Limited	(0.01)	(0.004)	(0.004)
Particle Boards India Limited	0.05	(0.01)	(0.01)
Anandshree (Bombay) Holding Private Limited	0.36	0.00	(0.55)
Mahalakshmi Tiles Corporation (Mumbai)	(0.001)	(0.001)	-
Nitco Tiles Sales Corporation (Mumbai)	(0.002)	(0.001)	-
Northern India Tiles (Sales) Corporation	(0.001)	(0.002)	-

For more details, please refer to the section titled 'Our Group Companies' on page no. 85 of this Prospectus.

### **Contingent liabilities as on September 30, 2005**

The outstanding Contingent liabilities of the Company as on September 30, 2005 are given below:

(Rs. in Millions)

Particulars	As on September 30, 2005
Guarantees / Counter Guarantees given by the Company / by banks on behalf of the Company	17.95
Letter of credits opened for which the Company is contingent liable	120.51
Bill discounted / Purchased with the Bank	9.91
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	124.36
Demand against the Company not acknowledged as debts and not provided for against which the company is in appeal:	
Income Tax matters:	0.00
Excise/Custom Duty Matters:	54.03
<b>Total</b>	<b>326.76</b>

### ***Export obligation under the import export policy***

We have imported certain equipments amounting to Rs. 367.82 mn. at concessional duty under various licenses pursuant to the Export Promotion Capital Goods (EPCG) scheme and have availed duty concession. As a result, we have assumed export obligations which we are required to fulfill within a period of eight years from the date of the issue of the respective licenses. The total export obligation is estimated at US\$ 22 mn. (approx. Rs. 1028 mn.), which will have to be fulfilled within a period of eight years from date of the respective licenses, or such extended period as may be allowed from time to time. The due date for fulfilling the export obligation with relation to one of the said licenses expired in March 2004. The Company however has been granted an extension till March 21, 2006 to fulfill the said export obligation of US\$ 18.31 mn. (approx. Rs. 840 mn.). The consequence of not meeting the above commitment would be a retrospective levy of import duty on items previously imported at concessional duty. Additionally, the respective authorities have rights to levy penalties and / or interest for any defaults on a case-by-case basis. For more details, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

### ***Our success depends largely on our senior management and our ability to attract and retain our key personnel***

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our senior management team are unable or unwilling to continue in their present positions, they could be difficult to replace and our business could be adversely affected. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. As such, any loss of services of our senior management personnel or key employees could adversely affect our business, results of operations and financial condition. Further, except for Key Man Insurance on the life of our Managing Director for Rs. 50 mn. we have not taken 'key man' life insurance policies for other senior members of our management team or other key personnel. For more details, please refer to the section titled 'Our Management' on page no. 71 of this Prospectus.

### ***Conflict of interest within our Promoter Group***

A few of the constituents of our Promoter Group, are engaged in businesses similar to that of our Company. For details, please refer to the section titled 'Our Promoters' on page no. 82 of this Prospectus. Also, in the future, our Promoter Group may include other entities having businesses similar to that of our Company. This may result in a conflict of interest with respect to business strategies of our Company.

### ***Post listing our Promoter and members of our Promoter Group will continue to be the largest shareholders in our Company, which will allow them to determine the outcome of shareholder resolutions / board resolutions***

Upon completion of the Issue, the members of our Promoters and Promoter Group will collectively hold 47.62% of the paid-up equity capital of the Company. With the largest equity stake in the Company, the Promoters and Promoter Group will be able to influence matters requiring, shareholders' approval, such as approval of financials of the Company, declaration of dividend etc. For more details, please refer to the section titled 'Capital Structure' on page no. 13 of this Prospectus.

Our Articles of Association gives right to Aurella Estate & Investments Pvt. Ltd. (AEIL) together with any other body corporate under the same management as AEIL the right to appoint one third of the total number of Directors, including the Chairman of our Company to be appointed by Aurella who shall not be liable to retire by rotation. The constitution of the Board is in compliance with corporate governance norms.

### ***Our Company has entered into several loan agreements which contain customary restrictive covenants, placing significant limitations on our Company***

Our Company has taken a number of loans from various banks, for which some of its immovable and movable

## **NITCO TILES LIMITED**

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properties have been offered as security. As such, the lenders of our Company have the option to take over management control of our Company if there are defaults on their debt obligations.

The loan agreements contain certain customary restrictive covenants, which, among other things, require our Company to obtain prior permission from the concerned lender prior to undertaking certain activities such as new projects, diversification, raising additional capital, drastic change in the management etc. If such consent is not forthcoming our Company's ability to undertake the abovementioned activities is affected. Our Company has obtained the written approval from all of its lenders for this offering.

If we default on the repayment of debt, our lenders could enforce their security interests on our assets limiting our ability to carry out operations. In addition, default under our credit facilities could limit our ability to raise additional funds in the future.

### ***We rely on contract labour for the performance of many of our operations***

We rely on contractors who engage on-site labourers for performance of many of our unskilled operations. We are registered as a principal employer under the Contract Labour (Regulation and Abolition) Act, our registration in this regard, however, is valid only upto December 31, 2005. We have already applied for a renewal of this registration, however, any delay or non receipt of this registration may adversely affect our ability to employ contract labour and our operations.

Further, on an application made by the contract labourers, the appropriate court/ tribunal may direct that the contract labourers are required to be regularized or absorbed, and/ or that our Company pay certain contributions in this regard.

### ***Properties utilised by us on a leasehold/ license basis***

Some of the properties used by us for our business are leasehold or have been taken on a leave and license basis. Any termination of these leases/ licenses whether due to any breach or otherwise, or non-renewal thereof, could adversely affect our business operations. For more details, please refer to the section titled 'Our Management' on page no. 71 of this Prospectus.

### ***Property licensed from M/s. Particle Boards India Ltd.***

The premises from where our Company operates its marble processing business is located at Kanjurmarg, Mumbai, which has been taken on a leave and license basis from M/s. Particle Boards India Ltd., ("**PBIL**"). PBIL is entitled to occupy the said premises under a lease agreement with the Governor of Maharashtra dated November 18, 1999, ("**Original Lessor**"). PBIL has yet to obtain the Original Lessors approval for licensing the said premises to our Company. Any delay or inability in obtaining such approval could result in our Company seeking to relocate our marble processing business, which would affect our operations.

### ***Some of the title deeds pertaining to properties utilised by us are not adequately stamped and registered***

The title deeds to some of the properties may not be adequately stamped and registered. The potential consequence of this could be that the said title documents may not be admissible as evidence in a court of law, until the relevant stamp duties and penalties are paid and the relevant registration, if required, is done. Any claim or adverse order/ finding in connection with these properties could adversely affect our operations.

### ***Observance of arm's length principle amongst group companies***

The Company has entered into leave and license agreements for ten properties owned by promoter and promoter group companies. The license fees / rents / security deposits payable under such agreements have not been calculated on the basis of any valuation report of an independent valuer, but on the basis of rents prevalent in the vicinity of the said properties for similar properties. Thus, there is no surety of the reasonableness of the consideration payable above, which could be higher than rents determined on a valuation by an independent valuer. For more details, please refer to the section titled 'Our Management' on page no. 71 of this Prospectus.

**Arrangement with associate/group entities for using NITCO Trademarks**

Our Company has adequate right to use the trademark/name “Nitco” for all tiles. Although the Company has a sound defense against any intellectual property rights claims, in connection with our Company’s use of the trademark / name “Nitco”, the outcome of any such claims and the financial impact cannot be assured or quantified. This could accordingly adversely affect our business operations and profitability. For further details on the trademark/ name “Nitco” and attendant intellectual property rights, please refer to the section titled ‘Government and Other Approvals’ on page no. 155 of this Prospectus.

**Reschedulement / One Time Settlement of dues payable to ICICI Bank Ltd. (erstwhile ICICI Ltd.)**

In 2003, our Company had entered into a one time settlement with ICICI Bank Ltd, whereby the outstanding term loan amount of Rs. 334.39 mn. and the interest of Rs. 36.98 mn. thereon payable by our Company to ICICI Bank and redemption of 965,000 preference shares of Rs. 100 each amounting to Rs. 96.5 mn. was settled. For more details, please refer to the section titled ‘Our History and Corporate Structure’ on page no. 67 of this Prospectus.

**Delays towards payment of interest and principal amounts for loans obtained from various financial institutions**

In the past, there have been delays in the payment of interest and principal amounts for loans obtained from various banks and financial institutions, which were subsequently regularized and as of date no such defaults are outstanding. For more details, please refer to the section titled ‘Our History and Corporate Structure’ on page no. 67 of this Prospectus.

**We may not be fully insured for business losses**

We have not taken any insurance for protecting us from future business losses and in the event of such losses occurring the operations of our Company may be affected significantly. However, we have insured all our assets and properties adequately.

**There are a number of outstanding litigations**

No assurance can be given as to whether these matters will be settled in favour of or against our Company and / or these entities. Nor can any assurance be given that no further liability will arise out of these claims. For details please refer to the section titled ‘Outstanding Litigation’ on page no. 137 of this Prospectus.

A summary of the said pending litigation and proceedings is as follows:

i. *Proceedings against our Company:*

Type of cases	No. of cases	Amount involved
Tax	7	Rs. 125.80 mn.
Civil	4	Rs. 16.42 mn.

ii. *Proceedings initiated by our Company:*

Type of cases	No. of cases	Amount involved
Criminal:		
Dishonoured Cheques	16	Rs. 2.26 mn.
Section 420 (Indian Penal Code)	9	NA.
Tax	6	Rs. 23.49 mn.
Civil	1	NA

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### iii. *Proceedings against the Promoters and Directors of our Company:*

- There are two tax proceedings against Mr. Vivek Talwar and one against Mr. P.N. Talwar before the Income Tax Appellate Tribunal. The aggregate amount is approximately Rs. 5.91 mn.

### iv. *Proceedings against group companies / entities / Promoter group of our Company:*

<b>Name of group company / entity / promoter group</b>	<b>Type of cases</b>	<b>No. of cases</b>	<b>Amount involved</b>
Nitco Construction Materials Pvt. Ltd. (a group company)	Civil	4	Rs. 0.67 mn.
Nitco Paints Pvt. Ltd. (a group company)	Tax	4	Rs. 0.79 mn.
Nitco Terrazzo Tiles Pvt. Ltd. (a group company)	Civil	2	Rs. 0.49 mn.
	Tax	1	Rs. 0.89 mn.
Maharashtra Marble Co. (Mr. V. Talwar is the sole proprietor)	Tax	1	Rs. 22.3 mn.
Mahalakshmi Tiles and Marble Co. Pvt. Ltd. (merged with the Company)	Tax – only show cause notices have been issued	2	Rs. 8.87 mn.
Cospar Impex Private Ltd. (merged with the Company)	Tax – only show cause notices have been issued	1	Rs. 0.28 mn.
Anand Shree (Bombay) Holdings Pvt. Ltd.(ASBH)	Civil –notice invoking arbitration against the company	1	Rs. 2961.58 mn.

For details of the outstanding litigations, please refer to the section titled ‘Outstanding Litigation’ on page no. 137 of this Prospectus.

### ***Availing of tax benefits by our Company and/or the shareholders will be subject to fulfillment of certain conditions***

Our Company and/or the shareholders will be eligible for certain tax benefits as enumerated in the section titled ‘Statement of Possible Tax Benefits’ on page no. 34 of this Prospectus. However, several of these benefits are dependent on our Company or the shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws, non-fulfillment of which may make our Company ineligible for these benefits.

### **EXTERNAL RISK FACTORS**

#### ***Difficulty in keeping pace with technological advancement may have an adverse impact on our business***

Technology plays a vital role in the ceramic tile industry. If we are unable to keep pace with advancements in technology, we may lag behind our competitors in terms of quality, efficiency and costs.

#### ***Risk related to macro economic factors***

The ceramic tile industry is a cyclical industry. Generally, the demand for our products and services is dependent upon many factors, including the macro economic growth of the country. Due to the cyclical nature of the

industry, we may get excess orders when there is a boom and any down turn in the domestic economy will cause an adverse impact on our business and profitability.

***Risk relating to a downturn in real estate industry and reversal of trend in foreign direct investments in real estate***

In the last few couple of years we have been experiencing a growth in our business, mainly on account of an upward trend in the real estate market due to favourable government policies, increasing level of disposable income, falling interest rates etc. In the future if the real estate industry is affected adversely, it could adversely impact our business and profitability.

Governmental policies have recently been relaxed so as to allow foreign direct investments in the real estate sector. Any reversal in such foreign direct investment policies could adversely impact our business and profitability.

***Absence of entry barriers***

There are no entry barriers for setting up a ceramic tile plant. Due to no entry barriers, many players from the organised as well as the un-organised sector may enter this industry. The entry of these players may result in excess capacity, competition and resultant price pressure on the products.

***Increasing employee compensation in India may reduce some of our competitive advantage***

Increase in compensation payable to employees in India may reduce some of the competitive advantage and may negatively affect our profit margins. Employee compensation in India is increasing at a fast rate, which could result in increased costs relating to engineers, managers and other mid-level professionals. We may need to continue to increase the levels of our employee compensation to remain competitive.

***Any changes in the regulatory framework pertaining to ceramic tile industry could have an adverse impact on our business***

Withdrawal of exemption of anti-dumping duties on vitrified tiles in India, increase in excise duties and other taxes such as sales tax, value added tax etc., and reduction of import duties may have adverse impact on our business. We do not know what the nature or extent of changes that can take place other than those mentioned hereinabove. Such changes may adversely affect the financial condition of the Company.

***Emergence of competition from other manufacturing countries***

Global competition from countries like China, Egypt etc., whose cost of production is lower than our cost of production, may result in stiff competition in the domestic market and, favourable import policy may have, adverse impact on our business.

***Any downgrading of India's debt rating by an international rating agency could negatively impact our business***

Any downward revisions to India's credit ratings for domestic and international debt by international credit rating agencies may adversely impact domestic interest rates and other commercial terms on which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the trading price of our shares.

***Any change or delay in economic reforms of the Indian economy***

Since 1991 successive Indian governments have pursued policies of economic liberalization including significantly relaxing restrictions in the private sector. Any change in India's economic liberalization could adversely affect business and economic conditions in India generally and our business in particular.

***Political, economic and social developments in India could adversely affect our business***

All our manufacturing facilities and assets are located in India and also, all of our employees and directors are residing in India. We derive a major portion of our revenue from domestic sales. The changes in government

## NITCO TILES LIMITED

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policies pertaining to taxation (direct and indirect), political instability, and social unrest may have an adverse effect on the operations of our Company and its financial results.

***Regional conflicts in Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer***

South Asia has, from time to time, experienced instances of civil unrest and hostilities amongst Asian countries. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel and transportation more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect, on the market for securities of Indian companies, including our shares and on the market for our products.

***If we fail to comply with environmental laws and regulations or face environmental litigation, our profitability may be adversely affected***

We may incur substantial costs to comply with requirements of environmental laws and regulations. In addition, we may discover currently unknown environmental problems or conditions. We are subject to significant national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Environmental laws and regulations in India are becoming increasingly stringent and it is possible that they will become significantly stringent in the future. In addition, failure to comply with environmental laws may result in assessment of penalties and fines against us by regulatory authorities. The commencement of environmental actions against us or the imposition of any penalties or fines on us as a result thereof could have a material adverse effect on our business prospects and results of operations.

***Upon listing of our equity, the price of our Equity Shares will depend upon various factors such as general economic conditions, volatility in stock market, liquidity in our equity shares etc.***

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. Post listing, the price of our Equity Shares may show large swings on account of several factors as follows:

- General economic conditions in India
- Financial performance of our Company vis a vis our competitors
- Investors perception regarding the ceramic tile industry
- Changes in government policies pertaining to ceramic tile industries having a positive or negative impact on industry.
- Selling pressure due to bad market conditions

The SENSEX is trading at its historic peak level and most of the stocks are trading at an all-time high price. The current prices may not be reflective of the intrinsic value of the respective company. Therefore, in future, the sustainability of such valuation seems to be difficult.

***Natural disasters could disrupt our operations and result in loss of revenues and increased costs***

Our plants are susceptible to natural disasters such as, explosions, earthquakes, storms, floods as well as acts of violence from terrorists and war. The occurrence of any of the above event could disturb the operations of our plants and we may have to shut down our plant for carrying out repairs that will result in loss of revenues and increased costs.

## Notes to Risk Factors

- Public Issue of 10,000,000 Equity Shares of Rs. 10/- each for cash at an Issue Price of Rs. 168 per Equity Share aggregating to Rs. 1680 mn. (the 'Issue') by our Company. The Issue comprises a net Issue to the Public of 9,000,000 Equity Shares of Rs. 10/- each and a reservation for Employees of 1,000,000 Equity Shares of Rs. 10/- each, at a price of Rs. 168 each.
- The net worth of our Company before the Issue (as on September 30, 2005) was Rs. 941.23 mn.
- The average cost of acquisition of one Equity Share for the Promoters is as follows:

Name of the Promoter	Average Cost of Acquisition (Rs.)
Mr. Pran Nath.Talwar	22.11
Mr. Vivek Talwar	26.86
Aurella Estates & Investments Pvt. Ltd.	25.19

- The book value as on September 30, 2005 is Rs. 76.70 per Equity Share.
- The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Net Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.
- For related party transactions, please refer to the section titled 'Related Party Transactions' on page no. 107 of this Prospectus.
- For interest of Promoters and /or Directors, please refer to the section titled 'Our Management' on page no. 71 of this Prospectus.
- The Investors are advised to please refer to the section titled 'Basis for Issue Price' on page no. 31 of this Prospectus before making an investment in the Issue.
- Investors may note that in case of over-subscription in the Issue, allotment to our employees, Retail Individual Investors, Non-Institutional Bidders and QIBs shall be on a proportionate basis. For more information, please refer to the section titled 'Issue Procedure' on page no. 167 of this Prospectus.
- Pursuant to a buyback undertaking, Mr. Vivek Talwar has purchased 870,000 and 655,747 Equity Shares through its group companies in two tranches at a price of Rs. 34.50 per share and Rs. 30/- per share on June 29, 2001 and March 31, 2004 respectively. The balance 2,140,920 Equity Shares were purchased by Mr. Vivek Talwar at a price of Rs. 30/- per share on December 27, 2005. For more details, please refer to the section titled 'Our History and Corporate Structure' on page no. 67 of this Prospectus.
- On December 8, 2005 Mr. Vivek Talwar has transferred 50,000 Equity Shares each to 5 key managerial personnel of our Company at a price of Rs. 50/- per share. Further, Ms. Rajeshwari Talwar has gifted 134,151 Equity Shares to Mr. Vivek Talwar. For more details, please refer to the section titled 'Capital Structure' on page no. 13 of this Prospectus.
- On February 2, 2006, Mr. Vivek Talwar has transferred 50,000 Equity Shares of our Company to RSM Ambit Pvt. Ltd. at a price of Rs. 100/- per share wherein Mr. Dinesh Kanabar, an independent director on our Board, is also a director in RSM Ambit Pvt. Ltd.

## **NITCO TILES LIMITED**

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**Investors may contact the BRLMs or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLMs and the compliance officer please refer to the section titled 'General Information' on page no. 5 of this Prospectus.**

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## SECTION III

### INTRODUCTION

#### 1. OVERVIEW OF THE COMPANY

The NITCO Group was established in 1956 by our Promoter, Mr. Pran Nath Talwar. Our Company is the flagship company of the NITCO Group engaged in the building products segment and having interests in tiles, paints and construction activities.

Our Company was incorporated as Nitco Tiles Private Limited (NTPL) on July 25, 1966 to take over the business of manufacturing and marketing of tiles from The Northern India Tiles Corporation (Bombay).

We are in the business of providing flooring solutions to our customers. We manufacture a range of tiles at various price points. Our products include ceramic floor tiles, vitrified tiles, paving tiles, mosaic tiles and imported marble.

We set up a facility in 1966 to manufacture mosaic and terrazzo tiles at Thane, Maharashtra. In 1984, we started our operations at Kanjurmarg, Mumbai for processing and distribution of imported marble in India. Growing further, in 1995, we began the implementation of a green field project for manufacture of ceramic floor tiles at Alibaug, Maharashtra and started the commercial production of ceramic tiles in 1997. In 2002, we started one more marble-processing unit at Silvassa.

During 2001 when the import of ceramic/ vitrified tiles were freely allowed, we decided to outsource vitrified tiles from China rather than manufacture the same ourselves in India. On April 1, 2004, we entered into a 5-year tripartite agreement with Nanhai Shangyuan Oulian Construction Ceramics Co. Ltd now known as Foshan Chancheng Oulian Construction Ceramic Company Ltd, China and Prestige General Trading, Dubai, for sourcing our entire requirement of vitrified tiles from them. Depending on the requirements of the domestic market, we also import wall tiles, paving tiles and other related products.

With regards to our marble processing business, modifications to the Marble Import policy effective from August 2005 onwards, a new ceiling structure has been introduced and since the allocation of this ceiling will now be made on the basis of turnover, the organised sector may benefit. Hotels / temples in future will now have to import marble only through firms engaged in processing of marble.

We have a strong marketing and distribution network with our headquarters at Mumbai, India and 14 more offices across the country. We have exclusive showrooms in major cities of India namely Mumbai, Pune, New Delhi, Chandigarh, Kolkata, Chennai, Hyderabad, Bangalore and Cochin. Additionally, we also have 130 NITCO nooks across the country, which are shop in shops, which helps us to promote and sell our range of products to the consumers. The direct dealer network covers 28 states in the country.

We also sell our products to large institutional players like Hiranandanis', Rahejas', Pantaloon Retail, Godrej Properties, Oberoi Construction, Keystone, Piramals', Nirmal Lifestyle, Shruti, Runwal, RNA, other several large corporate houses, banks and financial institutions etc.

Our strategy is primarily focused on leadership through product innovation, rationalization of cost structure, increasing our floor tile capacity to achieve economies of scale, enter the wall tiles business to cater to a wider market and to have a product across the price spectrum.

An experienced management team, good labour relations, proximity to major markets, constant innovation and operational efficiency are our competitive strengths.

## NITCO TILES LIMITED

### 2. THE ISSUE

#### Equity Shares offered:

Fresh Issue by the Company	10,000,000 Equity Shares, constituting 44.9% of the post-issue paid up capital of the Company
<b>Of Which</b>	
Reserved for Employees (Note 1)	1,000,000 Equity Shares (Allocation on a proportionate basis)
<b>Therefore,</b>	
Net Issue to Public	9,000,000 Equity Shares
<b>Of which</b>	
A) Qualified Institutional Buyers portion	Upto 4,500,000 Equity Shares of face value of Rs. 10/- each constituting up to 50% of the Net Issue to Public <b>(Allocation on a proportionate basis, of which 5% shall be reserved for Mutual Funds i.e. upto 225,000 Equity Shares)</b>
B) Non-Institutional Portion	At least 1,350,000 Equity Shares i.e., minimum 15% of the Net Issue to Public <b>(Allocation on a proportionate basis)</b>
C) Retail Individual Investors Portion	At least 3,150,000 Equity Shares i.e., minimum 35% of the Net Issue to Public <b>(Allocation on a proportionate basis)</b>
Equity Shares outstanding prior to the Issue	12,271,330 Equity Shares of face value of Rs.10/- each
Equity Shares outstanding after the Issue	22,271,330 Equity Shares of face value of Rs.10/- each
Use of Issue proceeds	Please refer to the section titled 'Objects of the Issue' on page no. 21 of this Prospectus for a detailed discussion on the objects of the Issue

#### Notes:

- Permanent employees of the Company as on the cut off date, i.e., January 31, 2006 shall be entitled to apply in the Reserved for Employees category.
- The un-subscribed portion, if any, in the Reserved for Employees portion will be added back to the Net Issue to Public and will be considered for allotment only on a proportionate basis.

**Under-subscription, if any, in the Retail Individual Investors, Non-institutional Investors or QIBs portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.**

### 3. SUMMARY OF FINANCIAL INFORMATION

The following tables sets forth the historical financial information of our Company derived from their restated and audited financial statements for the fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and for half-year ended September 30, 2005, all prepared in accordance with Indian GAAP and SEBI guidelines, and included in the section titled 'Financial Information' on page no. 109 of this Prospectus and should be read in conjunction with those financial statements and notes

#### STATEMENT OF ASSETS & LIABILITIES AS RESTATED

(in Rs. Million)

	For half-year ended Sept-05	As on March 31, 2005	As on March 31, 2004	As on March 31, 2003	As on March 31, 2002	As on March 31, 2001
<b>A. Fixed Assets:</b>						
Gross Block	1409.90	1360.55	1232.14	1149.55	1118.43	1083.00
Less: Depreciation	380.54	349.88	294.67	243.99	195.70	149.29
Net Block	1029.35	1010.67	937.47	905.56	922.73	933.71
Capital Work-in-progress	121.92	87.76	70.75	64.41	36.24	4.03
	1151.28	1098.43	1008.22	969.97	958.97	937.74
<b>B. Current Assets, Loans and Advances:</b>						
Inventories	783.15	771.23	402.02	303.03	285.24	275.16
Sundry debtors	438.16	324.91	286.44	378.25	341.57	329.05
Cash and Bank Balances	67.72	44.65	27.15	25.10	20.90	28.95
Loans and Advances	238.25	248.48	211.89	229.84	204.94	173.64
	1527.28	1389.26	927.50	936.22	852.64	806.79
<b>C. Liabilities and Provisions:</b>						
Secured Loans	928.23	1045.25	727.55	734.27	829.92	840.80
Unsecured Loans	354.48	154.26	201.79	160.35	53.54	89.21
Current Liabilities and Provisions	418.63	406.85	215.11	207.97	207.67	173.07
	1701.34	1606.35	1144.45	1102.59	1091.12	1103.07
<b>D. Deferred Tax Liabilities</b>	35.99	33.49	126.29	95.80	80.07	68.96
<b>E. Networth</b>	941.23	847.85	664.98	707.80	640.42	572.50
Represented by						
1. Share Capital	122.71	122.71	122.71	219.21	219.21	219.21
2. Reserves & Surplus	818.52	725.14	542.26	487.60	423.10	361.08
3. Share Application Money						
Pending Allotment	0.00	0.00	0.00	0.99	1.08	1.12
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	0.00	0.00	0.00	0.00	(2.97)	(8.91)
<b>Networth</b>	941.23	847.85	664.98	707.80	640.42	572.50

## NITCO TILES LIMITED

### STATEMENT OF PROFITS & LOSSES AS RESTATED

(Rs. Million)

	For half-year ended Sept-05	As on March 31, 2005	As on March 31, 2004	As on March 31, 2003	As on March 31, 2002	As on March 31, 2001
<b>Income</b>						
<b>Sales:</b>						
of products manufactured by the Company.	519.20	1036.78	1076.99	1018.46	1005.45	1037.39
of products traded by the Company.	891.37	1051.33	646.78	492.51	414.83	263.34
<i>Total</i>	<i>1410.57</i>	<i>2088.11</i>	<i>1723.77</i>	<i>1510.96</i>	<i>1420.27</i>	<i>1300.73</i>
Other Income	0.05	0.11	0.11	0.11	0.11	1.67
Increase/(Decrease) in Inventories	42.39	316.03	56.15	8.84	43.59	(7.48)
<b>Total Income</b>	<b>1453.02</b>	<b>2404.25</b>	<b>1780.02</b>	<b>1519.91</b>	<b>1463.97</b>	<b>1294.93</b>
<b>Expenditure</b>						
Raw Materials Consumed	687.85	1217.16	708.17	589.95	567.23	442.21
Excise duty	39.84	64.59	77.49	105.59	93.65	124.96
Personnel	68.91	116.16	108.23	89.79	77.80	56.56
Other Manufacturing Expenses	129.11	261.50	267.58	217.41	226.54	230.17
Administration Expenses	169.42	256.59	203.40	134.17	106.39	70.10
Selling & Distribution Expenses	157.72	248.11	193.85	153.94	134.34	102.48
Interest	62.82	85.55	76.24	97.87	131.07	150.78
Depreciation	30.66	56.41	52.49	48.91	47.51	43.67
<b>Total Expenditure</b>	<b>1346.33</b>	<b>2306.08</b>	<b>1687.46</b>	<b>1437.63</b>	<b>1384.53</b>	<b>1220.93</b>
<b>Net Profit before Tax and Extraordinary Items</b>	<b>106.68</b>	<b>98.18</b>	<b>92.56</b>	<b>82.28</b>	<b>79.44</b>	<b>74.00</b>
Provision for Taxation	9.00	7.70	7.00	6.50	6.00	5.50
Provision for FBT	1.80	0.00	0.00	0.00	0.00	0.00
Provision for Deferred Tax	2.50	15.09	30.49	15.73	0.00	0.00
Net Profit before Extraordinary Items	93.38	75.39	55.08	60.05	73.44	68.50
<b>(Short) / Excess Provision for Tax in earlier years</b>	<b>0.00</b>	<b>(0.40)</b>	<b>(0.42)</b>	<b>4.46</b>	<b>(0.32)</b>	<b>0.06</b>
<b>Deferred Tax Liability for the earlier years</b>	<b>0.00</b>	<b>107.89</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Profit as per audited Statement of Accounts</b>	<b>93.38</b>	<b>182.88</b>	<b>54.66</b>	<b>64.50</b>	<b>73.13</b>	<b>68.55</b>
<b>Adjustment on account of changes in Accounting Policies &amp; Prior Period Items</b>						
Deferred Tax Adjustment	0.00	0.00	0.00	0.00	(11.11)	(30.20)
<b>Adjusted Profit / (Loss)</b>	<b>93.38</b>	<b>182.88</b>	<b>54.66</b>	<b>64.50</b>	<b>62.02</b>	<b>38.35</b>

#### 4. GENERAL INFORMATION

##### Registered & Corporate Office

###### Nitco Tiles Limited

86-A, 8<sup>th</sup> Floor, Maker Chambers III,  
Nariman Point, Mumbai – 400 021.  
Maharashtra, India.

Tel.: +91 22 55521555

Fax: +91 22 22024404

Email: ipo@nitcotiles.com

Website: www.nitcotiles.com

Registration Number: 11-16547

For changes in our incorporation, please refer to the section titled 'Our History and Corporate Structure' on page no. 67 of this Prospectus.

##### Registrar of Companies

2<sup>nd</sup> Floor, Hakoba Mills Compound,  
Dattaram Lad Marg,  
Kala Chowki, Parel,  
Mumbai.

##### The Board of Directors of the Company

Board of Directors of our Company comprises the following:

- Mr. P.N. Talwar, Non-Executive Chairman
- Mr. Vivek Talwar, Managing Director
- Ms. Poonam Talwar, Wholetime Director
- Mr. Dinesh H. Kanabar, Director
- Mr. S. K. Bharadwaj, Director
- Mr. Atul Sud, Director

##### Brief profile of Chairman, Managing Director and Wholetime Director

**Mr. Pran Nath Talwar**, aged 79 years, is the Chairman of our Company. He started his industrial venture in 1956 by setting up a partnership firm Northern India Tiles Corporation (Delhi) for manufacturing mosaic tiles. He is a founder of Nitco Group and our Company. He has 50 years of experience in tile industry. He has been instrumental in the growth of the Nitco Group. In recognition of his contribution to industry, in the year 1999 and 2000, he received award from Institute of Trade and Industrial Development for excellence in Industrial performance.

**Mr. Vivek Talwar**, son of Mr. Pran Nath Talwar and aged 49 years, is the Managing Director of our Company. He has over 25 years of experience in the tile industry. He joined our Company as a director in 1980. The operational responsibility and the day-to-day functioning of our Company were gradually handed over to him. He was instrumental in setting up plant at Alibaug to manufacture ceramic floor tiles and also in diversifying the business of our Company by entering into new activities such as marketing of imported - marble and vitrified tiles in India.

**Ms. Poonam Talwar**, aged 41 years, daughter of Mr. Pran Nath Talwar holds a Bachelors Degree in Commerce and an LLB and is the Wholetime Director of our Company. She joined the Company as a Director in 2002. She is in charge of mosaic tiles business of our Company. Under her leadership the mosaic tiles division has witnessed growth. She is also instrumental in marketing of interlocking pavers in the domestic market.

## **NITCO TILES LIMITED**

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### **COMPLIANCE OFFICER AND COMPANY SECRETARY**

#### **Mr. B.G. Borkar**

86-A, 8<sup>th</sup> Floor,  
Maker Chambers III, Nariman Point,  
Mumbai – 400 021  
Tel.: +91 22 5552 1555  
Fax: +91 22 2202 4404  
Email: ipo@nitcotiles.com  
Website: www.nitcotiles.com

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

### **LEGAL ADVISORS TO THE ISSUE**

#### **J. Sagar Associates**

Advocates & Solicitors  
Vakils House, 18, Sprott Road  
Ballard Estate,  
Mumbai – 400 001.  
Contact Person: Mr. Srinivas Parthasarthy / Mr. Nosh Modi  
Tel.: +91 22 5656 1500  
Fax: +91 22 5656 1515 / 16  
Email: nitcoipo@jsalaw.com

### **BANKERS TO THE COMPANY**

#### **Punjab National Bank**

Raheja Chambers, Nariman Point,  
Mumbai – 400 021.  
Tel.: +91 22 2279 0000  
Fax: +91 22 2202 6072  
Email: creditf@pnbnp.com

#### **State Bank of India**

Commercial Branch, Fort,  
Mumbai – 400 023.  
Tel.: +91 22 2266 2205  
Fax: +91 22 2266 3808

#### **SBI Commercial & International Bank Ltd.**

Maker Chamber III, Nariman Point,  
Mumbai – 400 021.  
Tel.: +91 22 2284 1091  
Fax: +91 22 2202 2280  
Email: mumsbici@bom3.vsnl.net.in

#### **Syndicate Bank**

Nariman Bhavan, Nariman Point,  
Mumbai – 400 021.  
Tel.: +91 22 2202 3507  
Fax: +91 22 2202 4812  
Email: syndbank@satyam.net.in

### **BOOK RUNNING LEAD MANAGERS**

#### **IL&FS Investsmart Limited**

The IL&FS Financial Centre,  
Plot C – 22, G – Block,  
Bandra – Kurla Complex, Bandra (E),  
Mumbai – 400 051.  
Contact Person: Mr. Vishal Bandekar / Mr. Rohan Saraf  
Tel.: +91 22 2653 3333  
Fax: +91 22 5693 1862 / 2653 3075  
Email: nitco.ipo@investsmartindia.com  
Website: www.investsmartindia.com

**Karvy Investor Services Limited**

"Karvy House", 46 Avenue 4, Street No. 1,  
Banjara Hills, Hyderabad – 500 034.  
Contact Person: Mr. T R Prashanth Kumar  
Tel.: +91 40 2332 0251 / 2331 2454  
Fax: +91 40 2337 4714  
Email: mbd@karvy.com  
Website: www.karvy.com

**UTI Bank Limited**

Central Office: 111, Maker Towers F,  
Cuffe Parade, Colaba,  
Mumbai - 400 005.  
Contact Person: Mr. Mahesh Kajarekar / Mr. Ajay Bhatia  
Tel.: +91 22 2216 1341  
Fax: +91 22 2216 2467  
Email: utibmbd@utibank.co.in  
Website: www.utibank.com

**REGISTRAR TO THE ISSUE****Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup - (W),  
Mumbai – 400 078.  
Contact Person: Mr. Vishwas Attawar  
Tel.: +91 22 2596 0320  
Fax: +91 22 2596 0329  
Email: nitcoipo@intimespectrum.com  
Website: www.intimespectrum.com

**ESCROW BANKERS AND BANKERS TO THE ISSUE****UTI Bank Limited**

Universal Insurance Building,  
Sir P. M. Road, Fort,  
Mumbai – 400 001.  
Contact Person: Mr. Roshan Mathias  
Tel.: +91 22 2283 5782  
Fax: +91 22 2283 5785  
Email: roshan.mathias@utibank.co.in  
Website: www.utibank.com

**ICICI Bank Limited**

Capital Markets Division  
30, Mumbai Samachar Marg,  
Mumbai – 400 001.  
Contact Person: Mr. Sidhartha Routray  
Tel.: +91 22 2265 5285  
Fax: +91 22 2261 1138  
Email: sidhartha.routray@icicibank.com  
Website: www.icicibank.com

## **NITCO TILES LIMITED**

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### **The Hongkong and Shanghai Banking Corporation Limited**

52/60, Mahatma Gandhi Road,  
Mumbai – 400 001.  
Contact Person: Mr. Dhiraj Bajaj  
Tel.: +91 22 2268 1673 / 2268 1290  
Fax: +91 22 2273 4388  
Email: dhirajbajaj@hsbc.co.in  
Website: www.hsbc.co.in

### **Standard Chartered Bank**

270, D. N. Road,  
Ground Floor, Fort,  
Mumbai – 400 001.  
Contact Person: Mr. Banhid Bhattacharya  
Tel.: +91 22 2209 2213 / 2268 3831  
Fax: +91 22 2209 6067 - 70  
Email: Banhid.Bhattacharya@in.standardchartered.com  
Website: www.standardchartered .com

### **SYNDICATE MEMBERS**

#### **Karvy Stock Broking Ltd.**

“Karvy House”  
46, Avenue 4, Street No.1,  
Banjara Hills,  
Hyderabad – 500 034.  
Andhra Pradesh, India.  
Contact Person: Mr. K. Sridhar  
Tel.: +91 40 2331 2545  
Fax: +91 40 2331 1968  
Email: mbd@karvy.com  
Website: www.karvy.com

#### **Allianz Securities Ltd.**

33, Vaswani Mansion,  
6<sup>th</sup> Floor, Dinsha Vachha Road,  
Opp. K. C. College, Churchgate,  
Mumbai – 400 020.  
Contact Person: Ms. Alpa Joshi  
Tel.: +91 22 2287 0580  
Fax: +91 22 2287 0581  
Email: nitco.ipo@aslfinancial.com  
Website: www.aslfinancial.com

#### **Almondz Capital Markets Pvt. Ltd.**

Vaswani Mansion,  
6<sup>th</sup> Floor, Dinsha Vachha Road,  
Opp. K. C. College, Churchgate,  
Mumbai – 400 020.  
Contact Person: Mr. Vijay Sundaram  
Tel.: +91 22 5552 6503  
Fax: +91 22 5552 6603  
Email: vijay.sundaram@almondz.com

## AUDITORS

### M/s A. Husein Noumanali & Co., Chartered Accountants

610, Mount Mary Apartment,  
Dr. Peter Dias Road, Bandra - (West),  
Mumbai – 400 050.  
Tel.: +91 22 2643 8516  
Fax: +91 22 2643 8516  
Email: a\_husein@hotmail.com

## STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONG LEAD MANAGERS

Inter-se allocation of responsibilities entered into between IL&FS Investsmart Limited (IIL), Karvy Investor Services Ltd (Karvy) and UTI Bank Limited (UTI)

S. No.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	UTI Bank, IIL, Karvy	UTI Bank
2.	Due diligence of the Company's operations / management / business plans/legal etc.	UTI Bank, IIL, Karvy	UTI Bank
3.	Drafting & Design of Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure with stipulated requirements and completion of prescribed formalities with Stock Exchanges, Registrar of Companies and SEBI.	UTI Bank, IIL, Karvy	UTI Bank
4.	Selection of various agencies connected with the Issue including Registrar, Printers, Advertising Agency, Banker to the Issue etc.	UTI Bank, IIL, Karvy	Karvy
5.	Company positioning and pre-marketing exercise, finalize media & public relation strategy, drafting and approval of all publicity material other than statutory advertisement as mentioned in (3) above including corporate advertisement, brochure, etc.	UTI Bank, IIL, Karvy	Karvy
6.	Qualified Institutional Bidder (QIBs) Category: Finalising the list and division of investors for one-to-one meetings, Co-ordinating institutional investor meetings, institutional allocation and finalizing pricing decision	UTI Bank, IIL, Karvy	IIL
7.	Non Institutional and Retail Marketing of the Issue, which will cover inter alia: <ul style="list-style-type: none"> <li>● Formulating marketing strategy</li> <li>● Preparation of publicity budget</li> <li>● Finalise Media and Public Relation strategy</li> <li>● Finalising centers for holding conferences for brokers, press, etc.</li> <li>● Follow-up on distribution of publicity and issue material including bid cum application form prospectus and deciding on the quantum of the issue material</li> </ul>	UTI Bank, IIL Karvy	Karvy
8.	Appointment of Syndicate Members	UTI Bank, IIL, Karvy	Karvy

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S. No.	ACTIVITIES	RESPONSIBILITY	CO-ORDINATOR
9.	Running the Book, interaction & co-ordination with Stock Exchanges for book-building software, bidding terminals and mock trading	UTI Bank, IIL, Karvy	IIL
10.	Finalisation of Prospectus and RoC Filing etc.	UTI Bank, IIL, Karvy	UTI Bank
11.	The post bidding activities including, management of escrow accounts, co-ordinate non-institutional allocation, intimation of allocation, dispatch of refund orders to Bidders etc.	Karvy	Karvy
12.	The post issue activities for the Issue will involve essential follow up steps, which include the finalisation of listing of Equity Shares and dispatch of allotment advice and refund orders, with the various agencies connected with the work such as the Registrars to the Issue, Bankers to the Issue and the bank handling refund business.	Karvy	Karvy

### CREDIT RATING

This being an issue of Equity Shares, credit rating is not required.

### TRUSTEES

This being an issue of Equity Shares, appointment of Trustees is not required.

### APPRAISING ENTITY

The proposed project has not been appraised by any agency and the cost of the project and means of finance are based on the estimates by our Company.

### MONITORING AGENCY

UTI Bank Limited has been appointed as the monitoring agency for monitoring the deployment of issue proceeds.

### WITHDRAWAL OF THE ISSUE

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid / Issue Opening Date without assigning any reason therefore.

### BOOK BUILDING PROCESS IN BRIEF

Book Building refers to the collection of Bids from investors, which is based on the Price Band, with the Issue Price being finalized after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. Book Running Lead Managers;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. The BRLMs to appoint Syndicate Members;
4. Registrar to the Issue;
5. Escrow Collection Bank(s).

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Net Issue to the public shall be allocated on a proportionate basis to QIBs (including 5% for the Mutual Funds). In case of under-subscription, if any, in Mutual Fund category, the shares may be made available to QIBs. Further, not less than 15% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Our Company will comply with the SEBI Guidelines for this Issue. In this regard, Our Company has appointed the BRLMs to procure subscriptions to the Issue.

The IPO is through the process of book building, under SEBI Guidelines so the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date.

Please refer to the section titled 'Terms of the Issue' on page no. 164 of this Prospectus for more details.

**Illustration of Book Building and Price Discovery Process** (*Investors should note that this example is solely for illustrative purposes and is not specific to the Issue*)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20/- to Rs. 24/- per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off i.e. Rs. 22/- in the above example. The Issuer, in consultation with the book running lead managers, will finalise the issue price at or below such cut off price, i.e. at or below Rs. 22/-. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

#### Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (please see the section titled 'Issue Procedure - Who Can Bid' on page no. 167 of this Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (please see the section titled 'Issue Procedure - 'PAN'' on page no. 183 of this Prospectus); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Prospectus and in the Bid cum Application Form.

#### BID / ISSUE PROGRAMME

##### BIDDING PERIOD / ISSUE PERIOD

<b>BID / ISSUE OPENED ON</b>	<b>:</b>	<b>February 22, 2006</b>
<b>BID / ISSUE CLOSED ON</b>	<b>:</b>	<b>February 27, 2006</b>

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid / Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid / Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period / Issue Period not exceeding 10 days. Any revision in the Price Band and the revised

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Bidding Period / Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and at the terminals of the Syndicate.

### UNDERWRITING AGREEMENT

Pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

<b>Name &amp; Address details of the Underwriter</b>	<b>Indicated no. of shares to be underwritten</b>	<b>Amount underwritten (Rs. in millions)</b>
<b>Karvy Investor Services Limited</b> "Karvy House", 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.	3,333,234	560.00
<b>UTI Bank Limited</b> Central Office: 111, Maker Towers F, Cuffe Parade, Colaba, Mumbai - 400 005.	1,500,000	252.00
<b>IL&amp;FS Investsmart Limited</b> The IL&FS Financial Centre, Plot C – 22, G – Block, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051.	3,333,333	560.00
<b>Karvy Stock Broking Limited</b> "Karvy House", 46 Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034.	100	-
<b>Allianz Securities Ltd.</b> 33, Vaswani Mansion, 6 <sup>th</sup> Floor, Dinsha Vachha Road, Opp. K. C. College, Churchgate, Mumbai – 400 020.	1,333,333	224.00
<b>Almondz Capital Markets Pvt. Ltd.</b> Vaswani Mansion, 6 <sup>th</sup> Floor, Dinsha Vachha Road, Opp. K. C. College, Churchgate, Mumbai – 400 020.	500,000	84.00
<b>Total</b>	<b>10,000,000</b>	<b>1680.00</b>

The above table is indicative of the underwriting arrangement and this would be finalized after the pricing and actual allocation. The above Underwriting Agreement is dated March 6, 2006.

In the opinion of the Board of Directors of our Company (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The above underwriting agreement has been accepted by the Board of Directors our Company at the meeting held on March 6, 2006 and our Company has issued letters of acceptance to the Underwriters.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount.

## 5. CAPITAL STRUCTURE

Share capital of our Company as at the date of filing of this Prospectus with SEBI is set forth below:

(Rs. in millions)

Share Capital	Nominal Value	Aggregate Value at Issue Price
<b>(A) Authorized Share Capital</b> 27,500,000 Equity Shares of Rs. 10/- each	275.00	
<b>(B) Issued, Subscribed and Paid-Up Capital before the Issue</b> 12,271,330 Equity Shares of Rs. 10/- each	122.71	
<b>(C) Present Issue in terms of this Prospectus</b> 10,000,000 Equity Shares of Rs. 10/- each	100.00	
<b>Out of which</b>		
1,000,000 Equity Shares of Rs. 10/- each are reserved for the Employees of our Company	10.00	168.00
9,000,000 Equity Shares of Rs. 10/- each is the Net Issue to Public	90.00	1512.00
<b>(D) Paid up Equity Capital after the Issue</b> 22,271,330 Equity shares of Rs. 10/- each	222.71	222.71
<b>(E) Share Premium Account</b>		
Before the Issue		235.29
After the Issue		1815.29

- a. Except for the following, there has been no increase/decrease in the authorised share capital of the Company after the date of incorporation till filing of this Prospectus with SEBI :

(Rs. in millions, except face value)

Date of change	Nature of increase/change	Number of Equity Shares	Face Value	Number of Preference Shares	Face Value	Authorized Share Capital
January 5, 1994	Increase	90,000	100	-	-	10.00
January 17, 1995	Increase	400,000	100	-	-	50.00
October 18, 1995	Subdivision / Increase	10,000,000	10	-	-	150.00
June 17, 1996	Increase	2,500,000	10	-	-	175.00
March 21, 2000	Increase	-	-	1,000,000	100	275.00
May 31, 2004	Reclassification of Preference Shares to Equity Shares	-	-	-	-	275.00

- b. At an EGM held on October 18, 1995, the sub-division of Equity Shares was approved resulting in each equity share of Rs. 100/- each being subdivided into 10 equity share of Rs. 10/- each and consequently the authorized share capital of our Company was altered from Rs. 50 mn. consisting of 500,000 equity shares of Rs. 100/- each to Rs. 50 mn. consisting of 5,000,000 equity shares of Rs. 10/- each. Further, the authorised capital of the Company was also increased to Rs. 150 mn. consisting of 15,000,000 Equity Shares of Rs. 10/- each.

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- c. At an EGM held on May 31, 2004, the Authorised Capital of our Company comprising of 17,500,000 equity shares of Rs. 10/- each and 1,000,000 preference shares of Rs. 100/- each was reclassified into 27,500,000 Equity Shares of Rs. 10/- each thereby cancelling the preference share capital.

### Notes to Capital Structure:

#### 1. Share Capital History of our Company

The following is the history of the equity share capital of our Company:

Date of Allotment	Number of shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Issue & reason for allotment	Cumulative paid up share capital (Rs.)	Cumulative share premium (Rs.)
July 25, 1966	2	100	100	Cash	Subscription to MoA	200	Nil
August 8, 1966	4,298	100	100	Cash	Allotment to promoters, promoter group and others	430,000	Nil
January 4, 1967	3,000	100	100	Cash	Allotment to promoters, promoter group	730,000	Nil
March 31, 1970	868	100	100	Cash	Allotment to promoters, promoter group	816,800	Nil
July 01, 1974	700	100	100	Cash	Allotment to promoters, promoter group	886,800	Nil
April 17, 1982	100	100	100	Cash	Allotment to promoter group	896,800	Nil
March 15, 1993	1,032	100	100	Cash	Allotment to promoter group	1,000,000	Nil
February 25, 1994	39,901	100	100	Cash	Allotment to promoters and promoter group	4,990,100	Nil
February 14, 1995	50,099	100	100	Cash	Allotment to promoters and promoter group	10,000,000	Nil
March 21, 1996	1,250,000	10	10	Cash	Allotment to promoters and promoter group	22,500,000	Nil
September 23, 1996	2,750,000	10	10	Cash	Allotment to promoters, promoter group and others	50,000,000	Nil
September 23, 1996	1,472,200	10	36	Cash	Allotment to promoter group and others	64,722,000	38,277,200
March 24, 1999	3,666,667	10	30	Other than cash	Allotment to ICICI Bank Ltd. on Conversion of Rupee Term Loan (Please refer to Note No. 17)	101,388,670	111,610,540
March 24, 1999	2,132,447	10	68	Cash	Allotment to promoters, promoter group and others	122,713,140	235,292,466
December 10, 2001	16	10	10	Other than cash	Allotted pursuant to Merger of Mahalakshmi Tiles & Marbles Co. Pvt. Ltd and Cospar Impex Pvt. Ltd. (Please refer to Note No. 18)	122,713,300	235,292,466

The following is the history of the preference share capital redeemed by our Company:

Date of Allotment	Number of shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Nature of Issue & reason for allotment	Cumulative paid up share capital (Rs.)	Remarks
March 30, 2000	965,000	100	100	Allotment of Redeemable Cumulative Preference Shares to ICICI Bank Ltd. upon conversion of Rupee Term Loan along with Interest	96,500,000	Redeemed on March, 31, 2004 (Please refer to Note No. 19)

Promoters Contribution and Lock-in Period:

**(a) 3 years Lock-in:**

Name of the Promoter	Date of Allotment/ Transfer	Date when made fully paid-up	Consideration (Cash, Bonus, Kind etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Acquisition Price (Rs.)	Percentage of Post Issue Paid-up Capital (%)	Lock-in Period (in Years)
Mr. Pran Nath Talwar	January 04, 1967	September 21, 1968	Cash	1,000	100	100	-	3 Years
	March 31, 1970	March 31, 1970	Cash	120	100	100	-	
	June 16, 1984	NA	Cash	100	100	100	-	
	February 25, 1994	February 25, 1994	Cash	5,480	100	100	-	
	February 14, 1995	February 14, 1995	Cash	8,245	100	100	-	
	<b>Sub-Division</b>			<b>149,450</b>	<b>10</b>		<b>0.67</b>	
	September 23, 1996	September 23, 1996	Cash	90,000	10	10	0.40	
	March 24, 1999	March 24, 1999	Cash	63,211	10	68	0.28	
<b>Total</b>			<b>302,661</b>			<b>1.36%</b>		
Mr. Vivek Talwar	February 14, 1995	February 14, 1995	Cash	8,910	100	100	-	3 Years
	<b>Sub-Division</b>			<b>89,100</b>	<b>10</b>		<b>0.40</b>	
	September 23, 1996	September 23, 1996	Cash	363,100	10	10	1.63	
	March 24, 1999	March 24, 1999	Cash	181,905	10	68	0.82	
	March 8, 2002	NA	Gift*	3,361	10	-	0.01	
<b>Total</b>			<b>637,466</b>			<b>2.86%</b>		

\* The shares have been gifted by Mr. Vijay Talwar to Mr. Vivek Talwar.

Aurella Estate & Investments Pvt. Ltd.	March 21, 1996	March 21, 1996	Cash	440,000	10	10	1.98	3 Years	
	September 23, 1996	September 23, 1996	Cash	1,060,000	10	10	4.76		
	March 24, 1999	NA	Cash	400	10	23	0.00		
	March 24, 1999	NA	Cash	200	10	23	0.00		
	March 24, 1999	NA	Cash	200	10	23	0.00		
	March 16, 2001	NA	Cash	325,466	10	68	1.46		
	March 16, 2001	NA	Cash	1,000	10	10	0.00		
	June 29, 2001	NA	Cash	870,000	10	34.67 *	3.91		
	December 27, 2001	NA	Cash	1,200	10	23	0.01		
	February 25, 2002	NA	Cash	200	10	23	0.00		
	April 04, 2003	NA	Cash	200	10	23	0.00		
	April 08, 2003	NA	Cash	200	10	23	0.00		
	December 22, 2003	NA	Cash	400	10	23	0.00		
	January 13, 2004	NA	Cash	158,929	10	10	0.71		
	June 21, 2004	NA	Cash	655,747	10	30	2.94		
	<b>Total</b>			<b>3,514,142</b>			<b>15.78%</b>		
	<b>GRAND TOTAL</b>			<b>4,454,269</b>			<b>20.00%</b>		

\* The cost includes Rs. 150,075/- paid as stamp duty.

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### (b) 1 year Lock-in:

Name of the Promoter	Date of Allotment/ Transfer	Date when made fully paid-up	Consideration (Cash, Bonus, Kind etc.)	No. of Equity Shares	Face Value (Rs.)	Issue / Acquisition Price (Rs.)	Percentage of Post Issue Paid-up Capital (%)	Lock-in Period (in Years)
Mr. Vivek Talwar	February 14, 1995	February 14, 1995	Cash	17,195	100	100		1 year
	<b>Sub-Division</b>			<b>171,950</b>			0.77	
	December 8, 2005	NA	Gift*	134,151	10	NA	0.60	
	December 27, 2005	NA	Cash	2,140,920	10	30	9.61	
<b>Total</b>				<b>2,447,021</b>			<b>10.98%</b>	
* The shares have been gifted by Ms. Rajeshwari Talwar to Mr. Vivek Talwar.								
Aurella Estate & Investments Pvt. Ltd.	<b>July 25, 2005</b>	<b>NA</b>	<b>Cash</b>	<b>63,601</b>	<b>10</b>	<b>23.58</b>	<b>0.29%</b>	<b>1 year</b>

- The Equity Shares to be locked-in for a period of three years have been computed as 20% of our equity capital after the Issue.
- The Promoters have vide their letter dated December 29, 2005 given their consent for lock in of shares as stated above. Equity Shares issued last shall be locked in first. The lock-in shall start from the date of allotment in the public issue and the last date of the lock- in shall be reckoned as three years from the date of allotment in the Issue.
- The minimum promoters' contribution shall be locked in for a period of 3 years beginning from the date of allotment in the public issue. The entire pre-issue capital other than that locked in as promoters' contribution i.e. 7,817,061 equity shares shall be locked in for a period of 1 year from the date of allotment in the present issue.
- In terms of clause 4.15 of the SEBI Guidelines, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.
- In terms of clause 4.16.1 (b) of the SEBI Guidelines, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

Further, in terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

### 3. Shareholding pattern of our Company prior and post this Issue

Shareholders' Category	Pre-issue		Post-issue	
	No. of Shares	%	No. of Shares	%
<b>Promoters</b>				
Mr. Pran Nath Talwar				
Mr. Vivek Talwar				
Aurella Estates & Investments Pvt. Ltd.	302,661	2.47	302,661	1.36
	3,084,487	25.14	3,084,487	13.85
	3,577,743	29.16	3,577,743	16.06
<b>Sub-total (A)</b>	<b>6,964,891</b>	<b>56.77</b>	<b>6,964,891</b>	<b>31.27</b>
<b>Promoter Group</b>				
Ms. Savitri Talwar	7,831	0.06	7,831	0.04
Mrs. Anjali Talwar	172,776	1.41	172,776	0.78
Mr. Lovraj Talwar	87,301	0.71	87,301	0.39
Ms. Poonam Talwar	62,562	0.51	62,562	0.28
Ms. Sanjanaa Talwar	85,517	0.70	85,517	0.38
Nitco Paints Pvt. Ltd.	373,647	3.04	373,647	1.68
Watco Engineering Co. Pvt. Ltd.	1,616,712	13.17	1,616,712	7.26
Nitco Tiles & Marble Ind. (Andhra) Pvt. Ltd	85,517	0.70	85,517	0.38
Northern India Tiles Corporation – (Delhi)	2,241	0.02	2,241	0.01
A. N. Talwar (HUF)	2,001	0.02	2,001	0.01
P. N. Talwar (HUF)	15,291	0.12	15,291	0.07
Vivek Talwar (HUF)	27,264	0.22	27,264	0.12
Prakalp Properties Pvt. Ltd.	175,785	1.43	175,785	0.79
Rangmandir Builders Pvt.Ltd.	280,269	2.28	280,269	1.26
Lavander Properties Pvt. Ltd.	208,072	1.70	208,072	0.93
Eden Garden Builders Pvt. Ltd.	156,951	1.28	156,951	0.70
Enjoy Builders Pvt. Ltd.	72,646	0.59	72,646	0.33
Usha Kiran Builders Pvt. Ltd.	209,417	1.71	209,417	0.94
<b>Sub-total (B)</b>	<b>3,641,800</b>	<b>29.67</b>	<b>3,641,800</b>	<b>16.35</b>
<b>Total Promoter and Promoter Group Holding C = (A) + (B)</b>	<b>10,606,691</b>	<b>86.44</b>	<b>10,606,691</b>	<b>47.62</b>
<b>Other Investors (Overseas Corporate Body)</b>				
Goldview Investments Ltd.	441,071	3.59	441,071	1.98
Agri Care Ltd.	825,281	6.73	825,281	3.71
<b>Sub-total (D)</b>	<b>1,266,352</b>	<b>10.32</b>	<b>1,266,352</b>	<b>5.69</b>
<b>Others Shareholders including employees of our Company</b>	398,287	3.24	398,287	1.79
<b>Sub-total (E)</b>	<b>398,287</b>	<b>3.24</b>	<b>398,287</b>	<b>1.79</b>
<b>Public Issue (F)</b>	-	-	<b>10,000,000</b>	<b>44.90</b>
<b>Grand Total G = (C) + (D) + (E) + (F)</b>	<b>12,271,330</b>	<b>100.00</b>	<b>22,271,330</b>	<b>100.00</b>

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### 4) Equity Shares held by the top ten shareholders

a) Top ten shareholders as on the date of filing of this Prospectus with RoC

Name of Shareholders	Number of Shares
Aurella Estates & Investments Pvt. Ltd.	3,577,743
Mr. Vivek Talwar	3,084,487
Watco Engineering Company Pvt. Ltd.	1,616,712
Agricare Ltd.	825,281
Goldview Investments Ltd.	441,071
Nitco Paints Pvt. Ltd.	373,647
Mr. Pran Nath Talwar	302,661
Rang Mandir Builders Pvt. Ltd.	280,269
Usha Kiran Builders Pvt. Ltd.	209,417
Lavander Properties Pvt. Ltd.	208,072

b) Top ten shareholders 10 days prior to the date of filing of this Prospectus with RoC

Name of Shareholders	Number of Shares
Aurella Estates & Investments Pvt. Ltd.	3,577,743
Mr. Vivek Talwar	3,084,487
Watco Engineering Company Pvt. Ltd.	1,616,712
Agricare Ltd.	825,281
Goldview Investments Ltd.	441,071
Nitco Paints Pvt. Ltd.	373,647
Mr. Pran Nath Talwar	302,661
Rang Mandir Builders Pvt. Ltd.	280,269
Usha Kiran Builders Pvt. Ltd.	209,417
Lavander Properties Pvt. Ltd.	208,072

c) Top ten shareholders as on two years prior to the date of filing of this Prospectus with RoC

Name of Shareholders	Number of Shares
ICICI Bank Ltd.	2,796,667
Aurella Estates & Investments Pvt. Ltd.	2,699,066
Watco Engineering Company Pvt. Ltd.	1,626,712
Mr. Vivek Talwar	1,109,416
Agricare Ltd.	825,281
Goldview Investments Ltd.	441,071
Nitco Paints Pvt. Ltd.	373,647
Mr. Pran Nath Talwar	302,661
Rang Mandir Builders Pvt. Ltd.	280,269
Usha Kiran Builders Pvt. Ltd.	209,417

The following Equity Shares have been sold or purchased by our Promoter and our Promoter Group Companies, during the period of six months preceding the date on which this Prospectus is filed with RoC

Transferee	Transferor	Date on which Shares Purchased or sold	Number of Shares	Consideration	Purchase/Sale Price (Rs.)
Aurella Estate & Investments Pvt. Ltd.	Mr. Vinay Punjabi	July 25, 2005	63,601	Cash	23.58
Mr. K. Ramachandran	Mr. Vivek Talwar	December 8, 2005	50,000	Cash	50/-
Mr. B. G. Borkar	Mr. Vivek Talwar	December 8, 2005	50,000	Cash	50/-
Mr. N.G. Naik	Mr. Vivek Talwar	December 8, 2005	50,000	Cash	50/-
Mr. Sushil Matey	Mr. Vivek Talwar	December 8, 2005	50,000	Cash	50/-
Mr. Sailesh Goyal	Mr. Vivek Talwar	December 8, 2005	50,000	Cash	50/-
Mr. Vivek Talwar*	Ms. Rajeshwari Talwar	December 8, 2005	134,151	—	—
Mr. Nanik Rupani	Watco Engineering Company Pvt. Ltd.	December 23, 2005	10,000	Cash	100/-
Mr. Vivek Talwar	ICICI Bank Ltd.	December 27, 2005	2,140,920	Cash	30/-
RSM Ambit Pvt. Ltd.	Mr. Vivek Talwar	February 2, 2006	50,000	Cash	100/-

\* The shares have been gifted by Ms. Rajeshwari Talwar to Mr. Vivek Talwar.

5. As of the date of this Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. The Shares locked in by Promoters are not pledged to any party. The Promoters may pledge their Equity Shares with banks or FIs as additional security for loan whenever availed by them from banks/FIs.
6. There is no “buyback” or “stand by” arrangement for purchase of Equity Shares by our Company, our Promoters, Directors, or the BRLMs for the Equity Shares offered through this Prospectus.
7. Our Company has not raised any bridge loan against the proceeds of the Issue.
8. The Equity Shares offered through the Issue will be fully paid up.
9. Permanent employees of our Company as on the cut-off date, i.e., January 31, 2006 would be eligible to apply in the Issue under the portion reserved for employees on a competitive basis. The number of eligible employees of our Company as on the cut-off date are 589. Permanent employees of our Company can also apply in the ‘Net Issue to Public’ and such applications shall not be treated as multiple applications.
10. The unsubscribed portion, if any, in the employee reservation portion will be added back to the Net Issue to Public.
11. In the Public Issue, in case of over subscription in all categories, up to 50% of the Net Issue to Public shall be allocated to QIBs on a proportionate basis. Out of 50% allocated to QIBs 5% will be available for allocation to Mutual Funds registered with SEBI on a proportionate basis. These Mutual Funds shall also be eligible to participate in the balance available to QIBs. Further, at least 15% of the Net Issue to Public shall be available for allocation to non-institutional bidders and at least 35% of the Net Issue to Public shall be available for allocation to retail bidders, on proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-institutional, Retail or QIBs categories shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLMs.
12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares offered through this Prospectus have been listed.

## NITCO TILES LIMITED

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13. At present, we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except Employee Stock Option Plans, if any, or if we enter into any joint ventures or acquired any business/entity or make investments, in which case we may consider raising additional capital to fund such activity or use Equity Shares as a currency for acquisition or participation in such joint ventures or investments.
14. As on the date of filing this Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders of our Company or any other person any option to receive Equity Shares after the Issue.
15. Our Company does not have any outstanding Employee Stock Option Plans.
16. We have not issued any Equity Shares out of revaluation reserve.
17. Our Company after seeking approval from the Shareholders at the EGM held on March 24, 1999 had issued and allotted 3,666,667 Equity Shares of Rs. 10/- each at a premium of Rs. 20/- to ICICI Bank Ltd. (erstwhile ICICI Ltd) for conversion of the Rupee Term Loan of Rs. 110 mn. borrowed by our Company. For further details, please refer to the section titled 'Our History and Corporate Structure' on page no. 67 of this Prospectus.
18. Pursuant to order of Hon'ble High Court of Mumbai dated October 24, 2001 the merger of Mahalakshmi Tiles & Marbles Co. Pvt. Ltd and Cospar Impex Pvt. Ltd with our Company was approved. Shareholders of Mahalakshmi Tiles & Marbles Co. Pvt. Ltd. and Cospar Impex Pvt. Ltd. have received 16 equity shares of our Company.
19. Our Company after seeking approval from shareholders of our Company at the EGM, on March 30, 2000 had issued and allotted 965,000 Redeemable Cumulative Preference shares of Rs. 100/- each to ICICI Ltd. (now ICICI Bank Ltd.) towards conversion of interest dues aggregating to Rs. 46.5 mn. and principal of Rs. 50 mn. of the loan. These preference shares (along with other amount due to ICICI Bank Ltd.) were redeemed by an arrangement entered with ICICI Bank Ltd and Autumn Estate & Investments Pvt. Ltd ("AEIPL"), whereby certain property belonging to AEIPL was transferred to ICICI Bank Ltd. as a one-time settlement of amounts due, including that of preference shares. For further details, please refer to the section titled 'Our History and Corporate Structure' on page no. 67 of this Prospectus.
20. At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. Our Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
21. A Bidder cannot make a Bid for more than the number of Equity Shares offered in this issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
22. Our Company has 65 shareholders as on the date of filing this Prospectus with SEBI.
23. There are restrictive covenants in the agreements that we have entered into with banks for short-term loans and long-term borrowings. These restrictive covenants, require our Company to give certain undertakings, and mandate that our Company has to obtain the said bank's prior permission for alteration of our capital structure, change in beneficial ownership, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc. Further, in many cases, the lenders have the right to appoint a nominee director on the Board of Directors of our Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend in cases of any subsisting default or out of accumulated reserves.
24. An over-subscription to the extent of 10% of the Net Issue to Public can be retained for the purposes of rounding off while finalising the basis of allotment.

## 6. OBJECTS OF THE ISSUE

The objective of the issue is to raise capital for our expansion plans which includes expansion of our existing manufacturing facilities of ceramic floor tiles, setting up facilities for manufacturing of wall tiles and installation of windmills to effectively manage our power cost. We believe that listing of shares of our Company will also enhance visibility and brand value.

Our assessment of funds requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities, the difference, if any, may be adjusted against the availability / requirement of funds in the areas identified as part of the expansion plan and/or increased fund deployment for a particular activity. The shortfall, if any, may be met with by surplus funds, if any available in the other areas and/or our Company's internal accrual, and/or working capital loans that may be availed from the banks. The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to acquisitions and repayment of loans.

The main objects clause and objects incidental or ancillary to the main objects of the Memorandum of Association of our Company enables us to undertake existing activities as well as the activities for which the funds are being raised through this Issue.

The objectives of the Issue are:

1. Expansion of our existing manufacturing facilities of ceramic floor tiles;
2. Acquisition of existing wall tile manufacturing unit/s/ To set up manufacturing facilities for wall tiles;
3. Installation of six windmills;
4. To meet the expenses of this issue; and
5. To list the equity shares of our Company on the BSE and NSE.

### REQUIREMENT OF FUNDS

The total estimated funds requirement is given below:

(Rs. in Millions)

Particulars	Ceramics Floor tiles	Wall Tiles	Windmills	Total
<b>A. Expansion Plan / New Project</b>				
Land and site development	8.00	-	9.00	17.00
Building and Civil Works	14.70	52.20	-	66.90
Plant and Machinery	152.10	277.50	369.60	799.20
Contingencies	5.00	7.50	-	12.50
Margin money for working capital	29.29	31.88	-	61.17
<b>B. Issue Expenses</b>	-	-	-	117.40
<b>C. General Corporate Purposes</b>	-	-	-	678.31
<b>Total</b>	<b>209.09</b>	<b>369.08</b>	<b>378.60</b>	<b>1752.48</b>

## NITCO TILES LIMITED

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### MEANS OF FINANCE

The above requirement of funds of Rs. 1752.48 mn. is proposed to be financed through:

(Rs. in Million)

Sources of Finance	Amount
Issue Proceeds	1680.00
Internal Accruals	72.48
<b>Total</b>	<b>1752.48</b>

Note: The cash and bank balances of our Company as on September 30, 2005 is Rs. 67.72 mn.

### DETAILS OF USE OF ISSUE PROCEEDS

#### EXPANSION OF CERAMIC FLOOR TILES CAPACITY

We propose to increase the ceramic floor tiles capacity by 2.28 mn. sq. mts., which will increase the total installed capacity to 6.31 mn. sq. mts. per annum (on the basis of size of tile 300mm x 300mm, capacity will vary according to size of the tile produced). The setting up of this additional capacity is proposed to be carried out at our existing plant situated at Alibaug in the state of Maharashtra, which is well connected with Mumbai and NHAVA SHEVA seaport. This expansion shall include installation of additional kiln and other balancing equipments.

#### *Land and Site Development*

The setting up of additional capacities for ceramic floor tiles would be done at the existing land available at our Alibaug plant. Further, we have also identified additional land admeasuring approximately 2.23 acres having proximity to this plant. Our Company has entered into an agreement for sale for this additional land with Mr. Laxman Maru Patil and others on October 11, 2005. We have paid Rs. 0.2 mn. as advance towards this land and have already received possession thereof. The transfer formalities in this regard are already in progress. The total cost of the said land would be around Rs. 4 mn., including stamp duty and other incidental expenses. The cost for levelling and filling is estimated at Rs. 4 mn.

#### *Building and civil works*

The expansion of the ceramic floor tiles facility will require extension of the existing building housing the main plant. This extension would involve construction of certain structures having a built-up area of approximately 2142 sq.mts. Our Company has vide order dated April 01, 2005 to Interarch Building Products Ltd. given the construction contract worth Rs. 5.09 mn. for the pre fabricated shells. The balance cost is to be incurred towards cement, steel and related items. Orders for these items will be placed at the appropriate time.

#### *Plant and Machinery*

The main plant and machinery required for the expansion will consist of 105 meter long roller kiln together with loading and unloading machines for which orders have already been placed. Some of our existing machines will be modified and integrated. There would be some machines which will have to be ordered by us.

The details of plant and machinery for which orders have been placed are mentioned below:

(Rs. in Million)

S. No.	Particulars of Machine	Units	Total Cost	Date of Purchase Order	Expected date of delivery	Supplier
1.	Roller Kiln – 105 meter long alongwith accessories	1	46.58	October 21, 2005	March 2006	Sacmi Imola S.C., Italy
2.	Loading, Unloading and other accessories	1	10.72	October 21, 2005	February 2006	Gruppo Barbieri & Tarozzi S.p.a., Italy
3.	Machinery for modification of the existing kiln entrance and exit	1	0.57	July 1, 2005	Received	Gruppo Barbieri & Tarozzi S.p.a., Italy
4.	Punches and die sets	1	0.52	Various dates	Some have been received, while some are expected in February 2006	Guangdong Foshan Packaging Imp & Exp Co. Ltd. China
5.	Express feeder line	1	5.60 1.27 2.11 1.58 (*)	April 8, 2005 April 19, 2005 Various Dates June 10, 2005	Received	Daksha Construction and Suppliers Lunkud Aluminium Ltd. Indu Corporation Maharashtra State Electricity Board
6.	Tile cutting machine and chamfering machines	1	1.65	April 23, 2005	Received	Good Proser Trading (Asia) Ltd.
7.	Modification of dust collecting system and ducting plant for cutting plant		0.56	Various Dates	February 2006	Roshan Fabrication & Engg. Corp.
8.	Taxes, duties and transportation		15.00			Management estimates
9.	Erection and commissioning expenditure		4.00			Management estimates

(\*): Deposit kept with MSEB for power connection.

## NITCO TILES LIMITED

Details of plant and machinery for which orders are yet to be placed are as follows:

(Rs. in Million)

S.No.	Particulars of Machine	Units	Total Cost	Date of Quotation	Quotations received from
1.	Modification of dust collecting system and ducting plant for cutting plant	-	0.56	October 29, 2005	Roshan Fabrications & Engg. Corps.
2.	Chimney and accessories	-	0.55	October 29, 2005 / August 17, 2005	Roshan Fabrications & Engg. Corp.
3.	Modification of glaze line no.1 & and glaze line no. 2	-	0.65	November 9, 2005	Shradha Fabrications and Erection Works
4.	Ball Mills and other equipments for glaze preparation dept.	2	3.21	November 10, 2005	Sacmi Imola S.C., Italy
5.	Electrical Drier	2	0.48	October 30, 2005	S.V.Enterprises
6.	Modification of loading conveyor and hopper	-	0.65	November 9, 2005	Shradha Fabrications and Erection Works
7.	Glaze storage tanks with sterriers	6	3.12	November 7, 2005	Fibre and Fibre Products
8.	LPG Firing system in the vertical drier	-	1.95	November 10, 2005	SACMI Impianti, Italy
9.	Vibrating Sieves	-	0.88	November 10, 2005	SACMI Impianti, Italy
10.	Conveyor belts and accessories	-	0.38	November 7, 2005	Motovario S.p.a., Italy
11.	Deco Planer and Liner and modification of the System sorting line	-	3.95	November 10, 2005	System Ceramics S.p.a., Italy
12.	Strapping Machines	2	0.72	October 7, 2005	Allespack Systems P. Ltd.
13.	Vaporizer	2	2.08	October 17, 2005	Chandra Engineering & Mech. Pvt. Ltd.
14.	Modification of existing waterline and airline	-	0.49	November 10, 2005	Mahalaxmi Metal Industries
15.	Diesel Forklifts	2	1.67	August 12, 2005	Voltas Ltd.
16.	Weigh Bridge	1	0.92	October 31, 2005	Avery India Ltd.
17.	Electrification	-	0.55 2.09	November 10, 2005 October 31, 2005 / October 29, 2005	B. D. Suresh Jasco Engineers Private Limited

18.	Misc. accessories item for				Management Estimates
	- Express Feeder	-	5.45		
	- Kiln Department	-	8.54		
	- Glazed Department	-	3.80		
	- Punches and Dye sets	-	0.61		
	- Press Department	-	1.50		
	- Cutting Plant	-	1.00		
	- Sorting and Packing	-	0.50		
	- Others	-	5.64		
19.	Taxes, duties and transportation	-	6.00		Management Estimates
20.	Erection and commissioning expenditure	-	4.00		Management Estimates
	<b>Total</b>		<b>61.94</b>		

#### MANUFACTURING FACILITIES FOR WALL TILES

To complement our existing product range, we are planning to start manufacturing wall tiles. To achieve this, we are planning to set up a new manufacturing facility with a 1.75 mn. sq. mts. per annum capacity. If however, we identify suitable acquisitions of existing manufacturing facilities in this regard, our first preference would be to purchase such facilities rather than set up the same.

We intend to commence setting up of the said wall tiles facility from May 31, 2006, if suitable acquisition/s are not identified by then.

#### **Building and civil works**

The manufacturing facilities would be set up at the existing plant at Alibaug. An industrial shed would be constructed admeasuring approximately 5808 sq. mts. which would comprise of main plant and warehousing facilities. The shed will be constructed with Reinforced Concrete Cement (RCC) foundation.

#### **Plant and Machinery**

The details of plant and machinery that would be required and which are yet to be ordered are as follows:

(Rs. in Million)

S. No.	Particulars of Machine	Units	Total Cost	Date of quotation	Quotations Received from
1.	Plant for production of 5000 sq. mts. Per day of single fired wall tiles	1	202.79	October 4, 2005	Societa Impianti Termoelettrici Industriali S.p.a., Italy
2.	Transformer 2000 KVA	1	2.11	November 15, 2005	Crompton Greaves
	Bus Bar Panel		8.18	November 11, 2005	Jasco Engineers Pvt. Ltd
	ABB Make HT Breakers and Accessories	2	1.17	November 11, 2005	Dynamation Enterprise
	Breakers for TR3 and Bus Coupler		0.84	October 31, 2005	Jasco Engineers Pvt. Ltd.
	Armoured Cables and Accessories		2.20		Management estimates
	Effluent Treatment Plant		6.00		Management estimates
	Others		14.21		Management estimates
3.	Duty, C&F charges and transportation		40.00		Management estimates
	<b>Total</b>		<b>277.50</b>		

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### WINDMILL

Power costs comprise of a substantial portion of the total costs incurred by us. To reduce this cost, we propose to install six wind turbines at an average cost of Rs. 63.10 mn. inclusive of the cost of Wind Turbine Generators (WTGs), land and civil work and installation costs. These WTGs are to be installed at Dhule, (in the State of Maharashtra).

Currently, the power requirement for our ceramic floor tiles facility is around 12 mn. units per annum. After completion of the expansion plan of ceramic floor tiles facility, it is estimated that the total power requirement at this facility would be around 18 mn. units per annum. Each wind-turbine has a capacity of 1250 KW. Each windmill is expected to generate 2.7 mn. units per annum.

In October 2005, we have placed orders for six Wind Turbines as under:

(Rs. in Millions)

S. No.	Particulars of Machine	Units	Total Cost	Date of Purchase Order	Expected date of delivery	Supplier
1.	Windmill Tower (including erection, commissioning and other charges)	3	184.80	October 6, 2005	January 2006	Suzlon Energy Ltd. & Suzlon Infrastructure Ltd.
2.	Windmill Tower (including erection, commissioning and other charges)	3	184.80	October 10, 2005	March 2006	Suzlon Energy Ltd. & Suzlon Infrastructure Ltd.

We have already completed the installation of three wind turbines in January 2006. We expect to complete the installation of the balance three wind turbines by March 2006.

### MARGIN MONEY FOR WORKING CAPITAL

Margin money for working capital requirement for expanded capacity of ceramic floor tiles division for FY 2006-07 amounts to Rs. 29.29 mn. The break up of the same is given below:

(Rs. in millions)

Particulars	1st Year				
	Period in Months	Amount	%	Bank Finance	Margin Money
Raw materials	1.00	9.28	25%	6.96	2.32
Finished goods	1.50	23.80	25%	17.85	5.95
Work in progress	0.25	3.97	25%	2.98	0.99
Debtors	1.50	50.07	40%	30.04	20.03
<b>Total</b>		<b>87.12</b>		<b>57.83</b>	<b>29.29</b>

Margin money for working capital requirement for Wall tile division for FY 2007-08 amounts to Rs. 31.88 mn.. The break up of the same is given below:

(Rs. in millions)

Particulars	1st Year				
	Period in Months	Amount	%	Bank Finance	Margin Money
Raw materials	1.00	8.76	25%	6.57	2.19
Finished goods	1.50	25.50	25%	19.13	6.38
Work in progress	0.25	4.25	25%	3.19	1.06
Debtors	1.50	55.63	40%	33.38	22.25
<b>Total</b>		<b>94.15</b>		<b>62.27</b>	<b>31.88</b>

## ISSUE RELATED EXPENSES

Issue related expenses includes underwriting and Issue management fees, selling commission, distribution expenses, legal fees, printing and stationery costs, advertising expenses and listing fees payable to the Stock Exchanges etc. The total expenses for the Issue are estimated at Rs. 117.40 mn., which is 6.99% of the Issue size. All the Issue related expenses shall be met out of the proceeds of the Issue.

The break-up of the same is as follows:

(Rs. in Million)

Particulars	Expenses	As a % of the Issue size	As a % of the total issue expenses
Management fees, underwriting commission and brokerage	46.20	2.75	39.35
Marketing and advertisement expenses	33.00	1.96	28.11
Stationary, printing and registrar expenses	34.20	2.04	29.13
Others	4.00	0.24	3.41
<b>Total</b>	<b>117.40</b>	<b>6.99</b>	<b>100.00</b>

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters.

## SCHEDULE OF IMPLEMENTATION

The details of schedule of implementation are as follows:

Activity	Ceramic Floor Tiles	Wall Tiles	Windmills *
Possession of land	Completed	Existing Land	Completed and February 2006
Site Development	Completed	Completed	Completed and February 2006
Tender for civil work	Completed	July 2006	Completed
Commencement of civil work	Commenced	August 2006	Completed and March 2006
Completion of civil, utilities and electrical	February 2006	January 2007	Completed and March 2006
Finalisation of machinery order	February 2006	November 2006	Completed
Erection of machineries	April 2006	February 2007	Completed and March 2006
Trial run	May 2006	March 2007	February and March 2006
Commercial production	June 2006	April 2007	February and March 2006

\* The Windmills are proposed to be installed in two tranches. The installation of the first tranche of 3 windmills has been completed in January 2006 and the next tranche of the balance 3 machines is expected to be completed by March 2006.

## FUNDS DEPLOYED

As per the certificate dated February 6, 2006 of our auditors A. Husein Noumanali & Co., Chartered Accountants, our Company has spent Rs. 72.48 mn. as on December 31, 2005 for the expansion project out of our internal accruals. The details of the amount spent are as follows:

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(Rs. in Millions)

Particulars	Ceramics	Windmills	Total
Land and site development	0.20	9.00	9.20
Building & Civil Works	3.02	-	3.02
Plant & Machinery	12.47	47.79	60.26
<b>Total</b>	<b>15.69</b>	<b>56.79</b>	<b>72.48</b>

### DETAILS OF BALANCE FUND DEPLOYMENT

(Rs. in Millions)

Particulars	FY 2005-06	FY 2006-07
To expand ceramic floor tiles capacity	95.25	98.15
Either to acquire wall tiles unit or to set up new wall tiles unit	-	369.08
To install windmills	321.81	-
<b>Total</b>	<b>417.06</b>	<b>467.23</b>

### INTERIM USE OF PROCEEDS

The issue proceeds to the extent of the cost of the project as estimated above will be kept in an escrow account until used for the said objects. Pending utilisation of funds for the objects of the issue, the same would be kept in fixed deposit account with a scheduled commercial bank.

### MONITORING OF UTILISATION OF FUNDS

UTI Bank Ltd. has been appointed as the monitoring agency to monitor the deployment of issue proceeds. . We will disclose the utilization of the proceeds of the Issue under a separate head in our Balance Sheet for FY 2006 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet for FY 2006, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters except in the course of normal business.

## 7. BASIC TERMS OF THE ISSUE

Public Issue of 10,000,000 Equity Shares of face value Rs. 10/- each at a price of Rs. 168 for cash at a premium of Rs. 158 per Equity Share aggregating Rs. 1680 mn. (hereinafter referred to as the "Issue"), and the Issue would constitute 44.90% of the post Issue paid-up capital of our Company. The Issue is being made through the Book Building Process:

	Employees	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Upto 1,000,000 Equity Shares	Upto 4,500,000 Equity shares or Net issue to the public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum of 1,350,000 Equity shares	Minimum of 3,150,000 Equity shares
Percentage of Issue Size available for allocation	Upto 10% of this Issue Size	Upto 50%, (of which 5% shall be reserved for Mutual Funds) of Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. *	At least 15% of Net Issue*	At least 35% of Net Issue.*
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	40 Equity Shares and in multiples of 40 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000/- and in multiples of 40 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000/- and in multiples of 40 Equity Shares thereafter	40 Equity Shares and in multiples of 40 Equity Share thereafter
Maximum Bid	Such number of Equity shares so as to ensure that the bid size does not exceed 1,000,000 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000/-
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Permanent employees of the Company on January 31, 2006	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 mn. and pension funds with minimum corpus of Rs. 250 mn. in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta) companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000/- in value.

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	<b>Employees</b>	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to QIB Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate
Margin Amount	Full Bid Amount on Bidding	10% of the Bid Amount in respect of bids placed by QIB Bidder	Full Bid Amount on bidding	Full Bid Amount on bidding

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in QIBs, Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of our Company, BRLMs and subject to applicable provisions of SEBI Guidelines.

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of the Company, will be added back to the Net Issue.

\*\* In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid Cum Application Form.

## 8. BASIS OF ISSUE PRICE

The Issue Price of Rs. 168 has been determined by the Company in consultation with the BRLMs on the basis of the demand from investors through the Book Building process. The face value of Equity Shares is Rs. 10 each and the Issue price is 16.80 times of the Face Value.

### Qualitative Factors

#### Experienced Management Team

Our Company is managed by a management team with more than two decades of experience in this industry. The management team is supported by Board of Directors who are qualified and have a varied experience.

#### Capability to Manage Multiple and Large Orders

Large orders require capabilities to manage large workforce, complex sourcing, production planning, and ability to ensure timely delivery to the customer. Over the years, our Company has developed the expertise to manage multiple large orders concurrently. Our Company has also developed a diversified product range which has helped it grow. For more details, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

#### Global Sourcing Capabilities

Our Company has developed capabilities to source raw materials globally. Our Company sources raw materials in large quantities and has hence developed an efficient supply-chain which allows it to reduce input costs and enhance competitiveness. This also allows our Company to reduce lead times, where required, by being able to source from suppliers who can meet delivery time schedules.

#### Design Capabilities

Design is a critical element of tile manufacturing. Our Company's ability to identify and stay abreast of evolving fashion trends that meet with buyers' requirements allows it to enhance market share with existing buyers and develop new customers. Additionally, the ability to add value to the designs or design ideas which the customers bring to our Company helps us develop stronger relationships with these customers and further strengthen competitive position vis-à-vis competitors.

#### Timely delivery

Meeting customer deadlines on a consistent basis is paramount for our business. Construction Activity is time bound and any delay in meeting their deadlines results in loss of sales for them which will affect our sales. To ensure timely deliveries, we meticulously plan the entire range of activities well in advance.

#### Reliability

Our Company has been in this business for nearly four decades now and is building long-term relationships with the buyers. Our Company maintains a high degree of quality check through its sorting to ensure that there is a consistent quality of the product. For more details, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

### Quantitative Factors

#### (i) Adjusted EPS\*

Financial year ended	EPS * (Rs.)	Weightage
March 31, 2003	4.89	1
March 31, 2004	4.49	2
March 31, 2005	6.14	3
<b>Weighted Average EPS</b>	<b>5.38</b>	

\*EPS on Equity Share of face value of Rs.10/-

## NITCO TILES LIMITED

(ii) **Price/Earning Ratio (P/E Ratio) in relation to Issue price of Rs. 168 per share**

Particulars	
Based on March 31, 2005 EPS	27.36
Based on weighted average EPS	31.23

**Industry P/E**

S. No.	Particulars	Industry P/E
1.	Highest	16.40
2.	Lowest	7.80
3.	Average	12.10

(Source: Capital Market Volume XX/23 dated January 16, 2006 – January 29, 2006)

(iii) **Return on Net worth**

Financial year ended	RONW %	Weightage
March 31, 2003	8.48	1
March 31, 2004	8.28	2
March 31, 2005	8.89	3
<b>Weighted Average RONW</b>	<b>8.62</b>	

(iv) **Minimum return on total net worth** needed after the Issue to maintain pre-Issue EPS at Rs. 6.14 is 5.46% (at an issue price of Rs. 168 per share)

(v) **NAV \***

Particulars	Rs.
As at March 31, 2005	69.09
After Issue at Issue price of Rs. 168/-	112.43

\*NAV on Equity Share of face value of Rs.10/-

(vi) Comparison of accounting ratios of our Company with the industry average and accounting ratios of peer group for FY 2005.

Name of the Company	Face Value of Equity Shares (Rs.)	EPS (Rs.)	PE Ratio	RONW (%)	NAV (Rs.)
Nitco Tiles Ltd.	10	6.14	27.36	8.89	69.09
Industry Average	12.10				
<b>Peer Group</b>					
Bell Ceramics Ltd	10	4.80	8.50	25.40	20.90
Kajaria Ceramics Ltd.	2	3.50	12.80	23.10	16.10
Murudeshwar Ceramic Ltd.	10	9.50	10.10	9.80	107.30
Regency Ceramics Ltd.	10	-	-	(0.70)	48.70
SPL Ltd.	10	-	-	(2.20)	68.70
Hindustan Sanitaryware Industries Ltd.	10	9.80	16.40	17.30	59.70

(Source: Capital Market Volume XX/23 dated January 16, 2006 – January 29, 2006)

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- (vii) The face value of the equity shares is Rs. 10/- each. The Issue Price of Rs. 168 has been determined by us in consultation with the BRLMs on the basis of assessment of market demand for the Equity shares by way of Book Building and is justified on the basis of the above factors.
- (viii) The BRLMs believe the Issue Price of Rs. 168 is justified in view of the above qualitative and quantitative parameters. Please see the section titled 'Risk Factors' on page no. xi of this Prospectus and the financials of our Company including profitability and return ratios, as set out in the section titled 'Management Discussion and Analysis of Financial Condition and Results of Operations' on restated financial statements on page no. 109 of this Prospectus to have more informed view.

## **NITCO TILES LIMITED**

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### **9. STATEMENT OF POSSIBLE TAX BENEFITS**

1<sup>st</sup> December 2005

To

The Board of Directors,  
Nitco Tiles Limited  
Maker Chambers III,  
8<sup>th</sup> Floor, Nariman Point,  
Mumbai - 400 021.

Dear Sirs,

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Nitco Tiles Limited ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of 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 the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure (No.) are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

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

For **A. Husein Noumanali & Co.**

**Chartered Accountants**

Sd/-

**A. Husein Noumanali**

**Proprietor**

**Membership No. 14757**

**Place: Mumbai**

**Date: December 1, 2005**

**ANNEXURE NO.1 – STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO NITCO TILES LIMITED (‘THE COMPANY’) AND ITS SHAREHOLDERS**

**A. Tax Benefits available to the Company**

**A.1 Under the Income Tax Act, 1961**

**1. Deduction under Section 80-IA of the Act**

The entire profit of the windmill division would be eligible for deduction @ 100% under section 80-IA of the Act for the period of ten consecutive assessment years out of fifteen years beginning from the year in which undertaking generates power. The profits of the division for the purposes of Section 80-IA of the Act shall be computed on a stand alone basis.

The benefit is available subject to the fulfillment of the conditions prescribed by this section.

**2. Deduction under Section 80-IB of the Act**

The entire profit of the Silvasa division is eligible for deduction @ 100% under section 80- IB of the Act for the period of five consecutive assessment years and thereafter at thirty per cent for subsequent assessment years beginning from the year in which undertaking commenced the manufacturing activity. However, the total period of deduction shall not exceed ten consecutive assessment years. The profits of the division for the purposes of Section 80-IB of the Act shall be computed on stand alone basis and the division must satisfy the other conditions of the Act prescribed therein.

The Company in the past has claimed deduction under Section 80-IB and is eligible to claim this deduction for the prospective years as mentioned below:

Unit number/name	100% exemption up to financial year	30% exemption up to financial year
Silvasa Unit	2006-2007	2011-2012

3. Dividends (whether interim or final) declared, distributed or paid by any other domestic Company on or after April 01, 2003 is completely exempt from tax in the hands of the Company, in the capacity as a shareholder, as per the provision of 10(34) of the Act read with Section 115O of the IT Act Further, income from units of a Mutual Fund specified under section 10(23D) of the Act would also be exempt as per the provisions of section 10(35) of the Act.

4. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as “long term capital gains”.

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

Long-term capital gains, as computed above, would be subject to tax @ 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b),if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)), calculated @ 20% with indexation benefit exceeds the tax payable on gains computed @ 10% without indexation benefit, then such gains are chargeable to tax @ 10% without indexation benefit (plus applicable surcharge and education cess) .

## NITCO TILES LIMITED

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5. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Tax if such transfer/sale takes place after October 01, 2004 and such sale is subject to Securities Transaction tax.
6. As per the provisions of section 111A of the Act, short term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax @ 10% (plus applicable surcharge and education cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax.
7. As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, the Company would be entitled to exemption from tax on capital gains arising from transfer of the long term capital asset (not covered by section 10 (38)), if such capital gain is invested in certain notified bonds within six months after the date of transfer. Where the notified bonds are transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the notified bonds are transferred or converted into money.
8. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the Company would be entitled to exemption from tax on capital gains arising from transfer of long term capital assets, being listed securities or units of a mutual fund specified under Section 10 (23D) of the Act or the UTI (not covered by section 10(38)) to the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of capital' within six months from the date of transfer of the said long term capital assets.

Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

### **Deduction under Section 32:**

**As per provisions of Section 32(1)(ia) of the Act, the company is entitled to claim additional depreciation of 20 per cent of the actual cost of any new machinery or plant which has been acquired and installed after 31<sup>st</sup> March 2005 subject to fulfillment of conditions prescribed therein.**

### **B. Tax Benefits available to the Resident Shareholders**

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 01, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the Act read with Section 115O of the Act.
2. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

Long-term capital gains, as computed above, would be subject to tax @ 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)), calculated @ 20% with indexation benefit exceeds the tax payable on gains computed @ 10% without indexation benefit, then such gains are chargeable to tax @ 10% without indexation benefit (plus applicable surcharge and education cess).

3. As per the provisions of section 10(38) of the Act, long term capital gain arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and the transaction is subject to Securities Transaction tax.
4. As per the provisions of section 111A of the Act, short term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be subject to tax @ 10% (plus applicable surcharge and cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the Act.
5. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However, the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, the shareholders would be entitled to exemption from tax on long term capital gains arising on transfer of their shares in the Company (not covered by section 10(38)), if such capital gain is invested in certain notified bonds within six months after the date of transfer. Where the notified bonds are transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the notified bonds are transferred or converted into money.
7. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the shareholders would be entitled to exemption from tax on long term capital gains arising on transfer of their shares in the company, being listed securities (not covered by 10(38)), to the extent such capital gains are invested in acquiring Equity Shares forming part of an 'eligible issue of capital' within six months after the date of such transfer.

Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

8. As per the provisions of section 54F of the Act and subject to the conditions specified therein, in case of a shareholder being an individual or a Hindu Undivided Family (HUF), the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by section 10(38)), upon investment of net consideration in purchase/construction of a residential house within a period of one year before and 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, provided that the individual / HUF should not own more than one residential house other than the new residential house on the date of transfer. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

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Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired or constructed.

### C. Tax Benefits available to the Non-Resident Indian Shareholders

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 01, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the Act read with Section 115O of the Act.
2. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

Gains arising on transfer of short term capital assets are normally chargeable at the tax rates as applicable to the status of the shareholder. As per the provisions of section 111A of the Act, short term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be subject to tax @ 10% (plus applicable surcharge and cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax.

3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions specified in Section 115D read with Section 115E of the Act, long term capital gains arising from the transfer of an Indian company's shares (not covered by section 10(38)), will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit BUT WITH PROTECTION AGAINST FOREIGN EXCHANGE FLUCTUATION

In case of a shareholder being a non-resident Indian and subscribing to the shares in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the Act, the non-resident Indian shareholder would be entitled to exemption on a proportionate basis from long term capital gains (not covered by section 10(38)) on the transfer of shares in the Company upon investment of whole or part of such net consideration received on such transfer within six months after the date of such transfer in any specified asset or savings certificates referred to in section 10(4B) of the Act. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified assets or savings certificates are transferred.

5. In accordance with the provisions of Section 115G of the Act, a Non-Resident Indian is not obliged to file a return of income under Section 139(1) of the Act, if his only source of income is income from 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.
6. In accordance with the provisions of Section 115H of the Act, when a 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 that year under Section 139 of the Act to the effect that the provisions of 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 transferred or converted into money.

7. As per the provisions of section 115I of the Act, a Non-Resident Indian as defined therein may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act. The said chapter inter alia entitles a Non-Resident Indian to the benefits stated thereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.
8. In the event the shares have been subscribed to in Indian Rupees, Section 48 of the Act shall apply which prescribes the mode of computation of capital gains and provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.  
  
Long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)), calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge and education cess).
9. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and the sale is subject to Securities Transaction tax.
10. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
11. As per the provisions of Section 90(2) of the Act, the provisions of the Act would apply over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

#### **D. Tax Benefits available to Other Non-Resident Shareholders**

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 01, 2003 is completely exempt from tax in the hands of the shareholders of the Company, as per the provisions of 10(34) of the IT Act read with Section 115O of the Act
2. Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

Section 48 of the Act contains special provisions in relation to computation of long term capital gains on transfer of an Indian company's shares by non-residents. Computation of long-term capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

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Gains arising on transfer of short term capital assets are normally chargeable at the tax rates as applicable to the status of the shareholder. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be subject to tax @ 10% (plus applicable surcharge and cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the Act.

3. In the event the shares have been subscribed to in Indian Rupees, Section 48 of the Act shall apply which prescribes the mode of computation of capital gains and provides for deduction of cost of acquisition/ improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.

Long-term capital gains would be subject to tax @ 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the Act. However, as per the proviso to Section 112(1)(b), if the tax payable in respect of long-term capital gains resulting on transfer of listed securities or units (not covered by section 10(38)), calculated @ 20% with indexation benefit exceeds the tax payable on gains computed @ 10% without indexation benefit, then such gains are chargeable to tax @ 10% without indexation benefit (plus applicable surcharge and education cess).

4. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and the transaction is subject to Securities Transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, the non-resident shareholders would be entitled to exemption from tax on capital gains arising from transfer of the long term capital asset (not covered by section 10 (38)), if such capital gain is invested in certain notified bonds within six months after the date of transfer. Where the notified bonds are transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the notified bonds are transferred or converted into money.
7. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the non-resident shareholders would be entitled to exemption from tax on long term capital gains arising on transfer of their shares in the company, being listed securities (not covered by 10(38)), to the extent such capital gains are invested in acquiring Equity Shares forming part of an 'eligible issue of capital' within six months after the date of such transfer..

Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

8. As per the provisions of section 54F of the Act and subject to the conditions specified therein, in case of a non-resident shareholder, being an individual or a Hindu Undivided Family (HUF), the non-resident shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by section 10 (38)), upon investment of net consideration in purchase /construction of a residential house within a period of one year before and 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, provided that the individual / HUF should not own more than one residential house other than the new residential house on the date of transfer. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis.

If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

Similarly, if the non-resident shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired or constructed.

9. As per the provisions of Section 90(2) of the Act, the provisions of the Act would apply over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

#### **E. Tax Benefits available to Foreign Institutional Investors (FIIs)**

1. Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company, as per the provisions of section 10(34) of the IT Act read with Section 115O of the Act.
2. In case of a shareholder being a Foreign Institutional Investor (FIIs), in accordance with and subject to the conditions and to the extent specified in Section 115AD of the Act, tax on long-term capital gain (not covered by section 10(38)) will be 10% (plus applicable surcharge and education cess) and on short-term capital gain will be 30% (plus applicable surcharge and education cess) in either case. However, short-term capital gains from the transfer of Equity Shares in any company through a recognised stock exchange shall be subject to tax @ 10% (plus applicable surcharge and education cess), provided such a transaction is entered into after October 01, 2004 and the transaction is subject to Securities transaction tax as per the provisions of section 111A of the Act. It is to be noted that the benefits of Indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to FIIs.
3. As per the provision of Section 90(2) of the Act, the provisions of the Act would apply over the provisions of the tax treaty to the extent they are more beneficial to the FII.
4. As per the provisions of section 10(38) of the Act, long term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange shall be exempt from tax if such transfer takes place after October 01, 2004 and such transaction is subject to Securities Transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, the FII shareholders would be entitled to exemption from tax on long term capital gains arising on transfer of their shares in the company, being listed securities (not covered by 10(38)), to the extent such capital gains are invested in acquiring Equity Shares forming part of an 'eligible issue of capital' within six months after the date of such transfer..

Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions:

- the issue is made by a public company formed and registered in India; and
- the shares forming part of the issue are offered for subscription to the public.

Where the specified equity shares are sold or otherwise transferred within a period of one year from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the specified equity shares are sold or otherwise transferred.

## **NITCO TILES LIMITED**

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### **F. Tax Benefits available to Mutual Funds**

In case of a shareholder being a Mutual fund, as per the provisions of 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 there under, Mutual Funds set up 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 the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

### **G. Tax Benefits available to Venture Capital Companies/Funds**

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would be exempt from Income Tax, subject to the conditions specified.

### **H. Benefits available under the Wealth Tax Act, 1957**

As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

### **I. Benefits available under the Gift Tax Act**

As no Gift tax is leviable in respect of gifts made on or after October 1, 1998, any gift of shares will not attract gift tax.

#### **Notes:**

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2005 and will be available only to the sole / first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
3. 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 participation in the scheme. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

**For A. Husein Noumanali & Co.**

**Chartered Accountants**

**Sd/-**

**A. Husein Noumanali**

**Proprietor**

**Membership No. 14757**

**Place: Mumbai**

**Date: December 1, 2005**

## SECTION IV

### ABOUT NITCO TILES LIMITED

#### 1. INDUSTRY OVERVIEW

##### Origin

Historically, man has desired to create living spaces, which were beautiful, durable, and user friendly. With that in mind, ceramic tile has been used since 4000 BC. Beautiful tiled surfaces have been found in the oldest pyramids, the ruins of Babylon, and ancient ruins of Greek cities. Decorative tile-work was invented in the near east, where it has enjoyed a longer popularity and assumed a greater variety of design than anywhere in the world. During the Islamic period, all methods of tile decoration were brought to perfection in Persia.

In Europe decorated tiles did not come into general use outside Moorish Spain until the second half of the 12th century. The tile mosaics of Spain and Portugal, the maiolica floor tiles of renaissance Italy, the faiences of Antwerp, the development of tile iconography in England and in the Netherlands, and the ceramic tiles of Germany are all prominent landmarks in the history of ceramic tiles.

Eventually, tile making spread throughout the world and became more affordable and more commonly used. This was made possible due to tiles being a beautiful, durable, easily cleaned, affordable surface. While some of today's manufacturers still make tile by hand, Modern Ceramic industry has automated the process to a large extent and this has resulted in tiles being made faster and more economically.

Most of the countries have their own ceramic tile industry, which was supplying to the growing needs of housing and industrial segment. During the last decade, China, Turkey, Iran have emerged as major player in the international arena due to its lower cost of production. Traditional supply structures, which were highly localized, are now changing. A classic example is that of the United States, which imported 79% of its supplies in 2004 in comparison to using 75% of local supplies in 1975. (*Source: thetiledoctor.com*)

##### Important aspects of Ceramic Tiles and material used in tile making

Tiles come in different sizes, ranging from mosaic tiles whose surface area measures less than 90 sq.mm to tiles with sides as long as 1.8 meters. The thickness of the tile ranges from about 5 mm to 22 to 25mm.

Ceramic products are used extensively in day-to-day use by the average homeowner, for flooring, paving, wall tiles, kitchenware, and bathroom accessories.

The covering to be used on any given wall or floor must serve two functions:

The aesthetic function and secondly, the technical function as a construction material capable of withstanding a range of environmental stresses without breakage or wear. These two functions are basic and essential and both are indispensable. This is where ceramic tiles are important and due to its age-old properties of versatility, durability, rigidity, mechanical strength and inertia, they have never become obsolete and continue to be used for a vast range of contemporary products.

The "hardness" is a distinctive property of ceramic tiles as opposed to other families of materials - is the result of reactions and transformations that occur in the tile body during firing. These reactions lead to the formation of a partially glass-like structure, compact and with a high level of internal cohesion: in short, a "hard" material.

The compounds formed in the ceramic high temperature firing process are stable compounds tending to react either not at all or extremely little with other substances or with the environment. This negligible reaction lends the property of inertia to the tiles.

##### The Ceramic Tiles Industry

The industry is capital intensive with a requirement of working capital cycle of at least seven and a half months of sales. Location of a plant vis-à-vis the market and raw material sources are important as freight is an important component of price (7-10 per cent). Manufacturing units are generally concentrated around raw material sources, which include china clay, feldspar, flint and talc.

## NITCO TILES LIMITED

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With new technology and large economic size, the capital costs are high. So are the capital working requirements because of the need to store a wide variety of the product and long credits.

World over, a regional strategy has been adopted, that is, meeting local demand with local supply. This strategy has traditionally worked well for the industry, as it is similar to the trend in the cement industry. The industry is also freight sensitive and this regional strategy helps in reducing the freight as the respective manufacturing centres can meet regional demand. (Source: *Corporate Catalyst India and The Hindu*)

### World Ceramic Tile Industry at a glance

- There are number of technologies available from low cost segments to high priced designer products, which enables the industry to market products to a large range of consumers;
- The largest markets for ceramic tiles in the Europe are Italy, Spain, Germany, France, and the United Kingdom.
- The European ceramics industry continues to be highly competitive internationally, with strong production concentrations in Sassuolo (Italy about 180 firms) and Castellón (Spain over 200 firms), and sizeable activities in Germany, Portugal and France.
- The Italian ceramic tile industry is the world leader both in terms of production and exports. Italian production is concentrated in the provinces of Modena and Reggio Emilia, whose ceramic tiles production constitutes 80 percent of the overall Italian total.
- China, Turkey, Egypt, South Africa, Morocco, Thailand, Tunisia are major exporters.
- China has emerged as the world leader in production and export of tiles, which have a very low unit production cost.
- Unit price of tiles is on a downward trend due to competitive pricing from China
- Countries like Malaysia, Thailand, Indonesia, Sri Lanka and Vietnam are setting up their own plants due to a construction and housing boom in these countries.
- Producers from Spain and Italy have the advantage of lower transportation costs while exporting to USA and Germany.
- The rising Euro has prompted European exporters to raise prices and import from low cost producing countries
- Imports of finished tiles from low cost producing countries like Brazil, Turkey, Venezuela, Colombia and China into USA has shown massive growth of around 71% in dollar terms
- Per capita consumption of tiles was 9.88 sq. ft. For USA in 2003 compared to mature markets like Italy with per capita consumption of 35.2 sq. ft. and Spain with 85.2 sq. ft. so this shows immense potential in the American market.

(Source: *Deccan Herald, Corporate Catalyst India, Tile council of America, ctasc.com*)

### Factors affecting Global Ceramic Tile industry

**The major factors affecting the industry worldwide are as follows:**

**Economic Growth:** 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 or remodeling material for existing houses in both the cases the demand for flooring increases in such period where there is growth in economic activity.

**Input cost of raw material:** The tile industry consumes large quantities of clay. Although clay is easily available, the transportation cost and the escalation of attendant fuel costs adversely impacts the cost at which our industry obtains this raw material.

**Increase in cost of fuel viz., Petroleum products Oil and Gas:** Second major cost for the tile manufacturer is fuel. The recent increase in petroleum costs has not only increased cost of inputs substantially, but has also impacted distribution.

Currency Valuations: Currency valuation has a dual impact on the tile industry. It affects, (i) fuel import costs, and, (ii) the devaluation/ revaluation of currencies, also affects the attendant import costs and viability of importing tiles from India or elsewhere.

## India

### Ceramic Industry

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. Today, state-of-the-art technology is being used to manufacture ceramic products of international standards in India.

By basic product variation, the tiles market has three component segments: a)mosaic b)ceramic and c)natural stones. Mosaic tiles claim a 70% share. The ceramic tiles and natural stones share the rest almost equally. The main product segments are the Wall tile, Floor tile, Vitrified tile and Porcelain tile segments.

Ceramic tiles as a product segment has grown to a sizeable chunk today at 3.8 mn. tons production per annum. India ranks 7th in the world in term of production of ceramic tiles and produced 200 mn. sq. meters of ceramic tiles, out of a global production of 6400 mn. sq. meters during 2003-04. The informal sector has a relatively variable capacity profile. Apart from the 6 major players at the top, there are about 29 smaller players in the organised sector. Some 10% of the capacity in the organised sector is generally non-operational.

Ever since liberalisation process was initiated in 1991, the excise duty for the industry has been on the slide down and is levied presently at 16% from as high as 55% in 1993-94. The cuts reduced the price differential between ceramic and mosaic tiles. This resulted in a sort of boom in the industry. The companies expanded their capacities and a few new players entered the field. The market grew at more than 18% from 1996-97 to 2001-02 and is expected to grow at a robust 14%+ till 2007 pegging the demand at 5 mn. tones in 2006-07. However, the floor tiles segment is anticipated to grow faster than the wall tiles as the consumption ratio shifts from 2:1 to almost 1:1 as is in the developed countries. Out of this the institutional to retail sales ratio is about 40:60.

(Source: Projections made by Corporate Catalyst India in 1998-99, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Gol)

### Ceramic Tile Industry - A Snapshot

1	<b>World production:</b>	6400 Million sq.mt.
2	<b>India's Share:</b>	200 Million sq.mt..
3	<b>World ranking (in production):</b>	7
4	<b>Per capita consumption:</b>	0.15 sq.mt.
5	<b>Global Industry Growth Rate:</b>	6%
6	<b>Growth Rate (India Domestic Market):</b>	12%
7	<b>Organized industry turnover (India):</b>	INR 22.50 Billion
	Glazed Wall Tile share:	40%
	Glazed Floor Tile share:	46%
	Unglazed Vitrified Tile share:	8%
	Glazed Porcelain Tile Share:	6%
	<b>Unorganised Industry Turnover</b>	
	Glazed Wall Tile share:	57%
	Glazed Floor Tile share:	35%
	Unglazed Vitrified Tile share:	6%
	Glazed Porcelain Tile Share:	2%
8	<b>Investments in last 5 years:</b>	INR 20 Billion

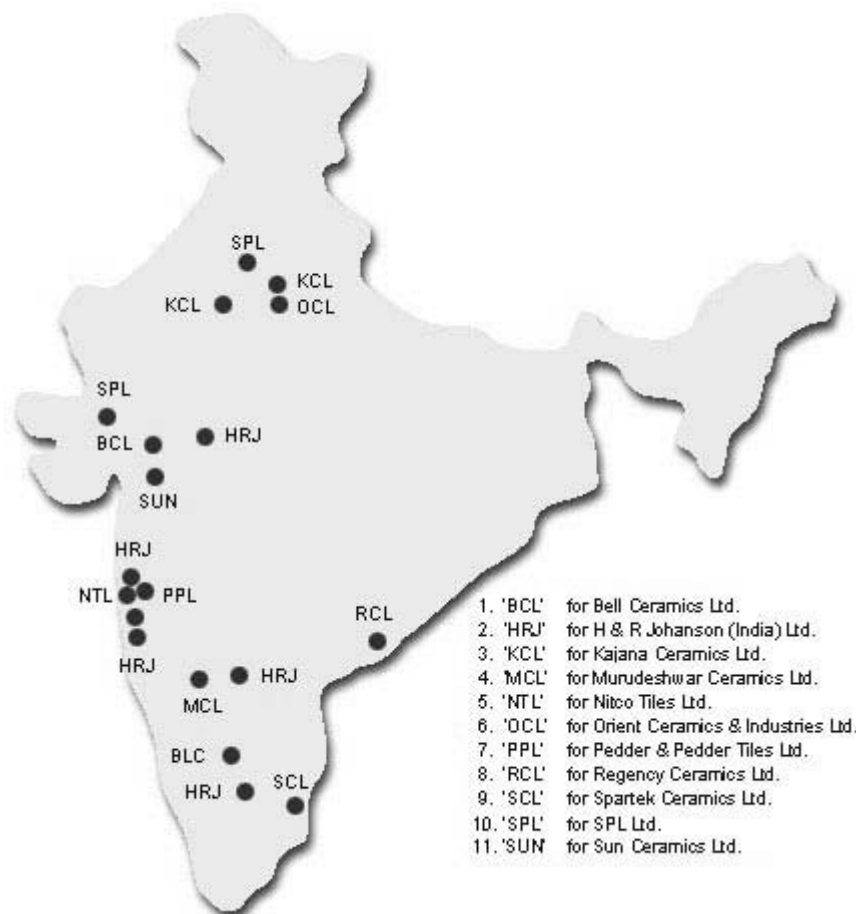
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9	<b>Organized sector:</b> Share of Production: No. of units: Revenue (excise duty):	56% 15 INR 2.3 Billion per annum approx.
10	<b>Unorganized sector:</b> Share of Production: No. of units: Revenue (excise duty):	44% 200 (approx..) (70% based in Gujarat region) INR 0.7 Billion per annum or less
11	<b>Job Potential:</b>	50,000 direct 500,000 indirect

(Source: ICCTAS)

### Indian Tile map:

The major players in the Ceramic Tiles industry in India are H&R Johnson, Kajaria Ceramics, Bell Ceramics, SPL Ltd., Regency Ceramics and Murdeshwar Ceramics. The map shows the location of the production facilities of the major producers. The map is followed by a production chart which shows the total production, import into and export from India over a period of 12 months from June 2004 to June 2005.



Source : ICCTAS

	Prodn. (Tonnes)	Prodn. (% chg.)	Imports (Tonnes)	Imports (% chg.)	Exports (Tonnes)	Exports (% chg.)
Jun 04	67530	7.24	93	447.06	391	193.98
Jul 04	64700	6.35	24	-83.89	43	-86.73
Aug 04	69779	15.56	117	368.00	286	-6.84
Sept 04	69056	11.56	59	47.50	237	-9.20
Oct 04	73879	4.51	34	212	-70.80	
Nov 04	71784	41.08	47	422.22	522	194.92
Dec 04	72656	13.88	48	26.32	689	550.00
Jan 05	71322	19.41	421	-49.40		
Feb 05	71568	13.52	80	-26.61	889	12.53
Mar 05	75936	17.15	1	-99.37	613	295.48
Apr 05	72937	35.81				
May 05	70096	7.10				
Jun 05	67010	-0.77				
	<b>Apr-Jun</b>	<b>Apr-Jun</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>
2003-04	187503	6.91	571	106.47	4246	-20.45
2004-05	186685	-0.44	523	-8.41	5444	28.21
2005-06	210043	12.51				
	<b>Apr-Mar</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>	<b>Apr-Mar</b>
2004-05	827364	11.27	523	-8.41	5444	28.21

(Source: CMIE)

### Present scenario and future prospects for the Industry in India

The total ceramic tiles industry is worth around Rs 4000 crore and provides direct and indirect employment to five lakh workers across the country. The products are extensively used in the household sector and at homes, and also for industrial applications. . The ceramic tiles industry, whose fortunes depend on the construction industry, has been seeing a lot of activity recently. A consolidation of sorts is under way with the established players gearing up for a crest in the construction cycle. The floor tile segment is growing and the main reason is replacing of mosaic tiles as well as offering various options better than marbles and granites.

### Vitrified Tiles: the future

The introduction of vitrified and porcelain tiles in the India market signal a paradigm shift. These new product types are said to be the tiles of the future. Internationally these tiles are already the major sellers. The main factors to drive the growth of Vitrified tiles is the quality of the product as compared to Ceramic tiles. Even though price of Vitrified tiles is 3-4 times more than the Ceramic tiles, considering the strength, porosity, utility and maintenance and good look, the Vitrified tiles are far superior to Ceramic tiles. The polished Vitrified tiles look similar to Natural Granite and Italian Marble but are priced between ceramic tiles and natural granite/marble, giving the consumer a high quality product at a competitive price.. These new products and the conventional wall & floor tiles have together made the organized industry grow to a formidable Rs. 2250 crores (INR 22.50 billion) industry. This coupled with a spate of expansions by many players make the industry look very promising in the future.

(Source: indiainfoline)

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### **The Construction and Housing Boom**

The softening interest rate regime and the real-estate and construction boom have played key roles in bolstering demand for ceramic tiles. Apart from the retail segment, comprising primarily of residential housing, the demand for tiles picked up from the institutional segment as well. The increased activity in retailing business alongwith the economic growth has propelled the institutional segment. The continued boom in the construction sector, housing industry in particular, will spur the demand for ceramic tiles in future. With expanded capacity in place, the industry would also have the option to enhance its export earnings if there is surplus capacity.

### **Per Capita Consumption and Penetration**

Moreover, the ceramic tile penetration is still very low in India. The per capita consumption is as low as 0.15 sq.mt. as 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 mn. units of housing shortage hold out a great potential.

Consider this: In India, a mere 10% of all flooring is covered by Ceramic while Mosaic accounts for nearly 85%. There is a huge opportunity in the hands of Ceramic manufacturers to provide an aggressive awareness campaign to develop a replacement market. Shifting of 5% to 10% from Mosaic to Ceramic will create a lot of demand for Ceramic tiles in India creating a huge gap between demand and supply. For this purpose, the Industries should focus on cost reduction to make ceramic tiles available to the customers at reasonable rates. In addition to the above, the Government Policies to boost the housing sector is also creating an additional demand for Ceramic tiles. Considering the fact that India has the lowest consumption of tiles per capita, there is ample scope for growth.

(Source: Indiainfoline)

### **Lowering of Excise Duty**

Along with the factors listed above, gradual lowering of excise duty on ceramic tiles has also helped the industry's cause. This has effectively narrowed the price differential between ceramic tiles and the traditionally popular mosaic tiles. Earlier, the industry was hit by excise duty of 24 per cent which constituted 16 per cent CENVAT and 8 per cent SED. However, since last year, this has been rationalised with the removal of the 8 per cent SED. (Source: *The Hindu*)

### **Capacity Expansions**

Buoyed by robust demand, ceramic tile producers in the country are pouring in an unprecedented Rs. 500 crore of fresh investments to expand capacities. The proposed investments are the largest that the sector has witnessed after the rash of new capacities that were put up in the early 90's. The proposed expansion will increase the existing installed capacity of three lakh square meters per day by about 18 per cent.

The capacity expansion plans come at a time when input costs are on the rise and competition from imports is stiff. In addition, most of the tile producers had added to their capacities only recently. On an average, a 15-per cent increase in demand is projected by industry sources. The robust demand for tiles has also translated into improved financial performance of industry majors. Almost all tile companies have recorded a healthy growth in earnings in the recent quarters. This has been possible despite an increase in energy costs and rising competition, especially from imports. (Source: *Hindu Business Line, Indiainfoline*)

### **The Export Scenario**

In addition, 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. (Presently India does not figure in the list of major exporting countries). 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: *Hindu Business Line*)

According to a recent study by the Export Import Bank of India titled "India ceramic industry: perspective and export potential" said export potential of Indian ceramic sector is not fully tapped and it is the time to make conscious effort to increase export of select ceramic products by identifying probable markets and that there is potential in the export market and it was not fully tapped considering the size, diversity and price competitiveness of this sector. The study has made an attempt to analyse India's export opportunities for select ceramic products like unglazed ceramic tiles, glazed ceramic tiles, ceramic household articles and ornamental ceramic products.

The study said that the industry had also laid greater thrust on cost control measures, capacity expansion, exploration of newer markets and introduction of newer designs. All these measures are expected to facilitate better growth in industry's revenues and profitability in future.

However, the study in its attempt to analyse the problems faced by the ceramic sector had observed that dumping of tiles from China was the biggest problem of the industry.

### **China and the Import Scenario**

Importers of ceramic tiles industry represent around 10 per cent of the total manufacturers across the country but the share is slowly and gradually increasing by two per cent every month. It may be easy to say that a little competition may be good for the Indian industry but not when a majority of the manufacturing cost of ceramic tiles is linked to raw materials and equipment imported from abroad in the form of Ukraine clay (for vitrified tiles only), diamond cutting tools, abrasives, ceramic colour pigments and printing bases, borax pentahydrate and boric acid etc. And, while the centre has reduced import duties on finished tiles to 6.45 per cent, the import duty on raw materials is still more than 15 per cent. The result is that a local manufacturer importing raw materials pays nearly double the duty than that paid by an importer who imports tiles directly. This puts the former at a big disadvantage vis-à-vis the importer.

As a counter measure, the Indian government levied an anti-dumping duty on goods from China and the UAE, but even this hasn't helped as the tiles now come routed via countries like Malaysia and Indonesia and the industry tends to get affected in terms of the overall pricing policies and depletion of the market shares of domestic players. This is highlighted by the fact that despite the levy of anti-dumping duty, China accounted for over 42 percent share (0.7 mn. sq mt) in the total imports of unglazed ceramic tiles (1.7 mn. sq mt) by India in 2003-04. This is because of China's low cost of production. The unit price of Chinese unglazed ceramic products stood at \$3.1 per sq mt as compared to the world average price of \$3.8 per sq mt in 2003-04. The imports continue to flow into India. According to industry estimates, the total import of tiles in 2004 was worth Rs. 100 crore. But, in the first nine months of the current year, the imports have gone up to Rs. 300 crore.

Despite these problems, the industry has a positive outlook mainly because of booming construction activities and low interest rate on housing loans. The message is clear that the Tiles industry will be a numbers driven business. (Source: *Hindu Business Line, ICCTAS, The Hindustan Times, Deccan Herald*)

### **Overall picture of the Industry**

There seems to be potential in this industry, particularly as the housing sector, retail sector, IT & BPO sectors have been witnessing an unprecedented boom in recent years.

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 investments in the last three years have been approx. Rs. 2500 crores. The industry also enjoys the unique distinction of being highly indigenous with an abundance of raw material (clay), technical skills and good infrastructural facilities despite being fairly capital intensive. A total of 5,50,000 people are employed, 50,000 directly and 5,00,000 indirectly. The potential is huge considering the per capita consumption of ceramic tiles in India is very low.

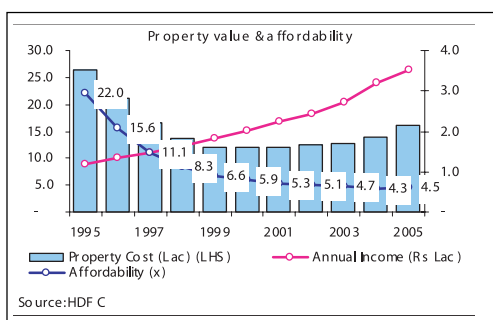
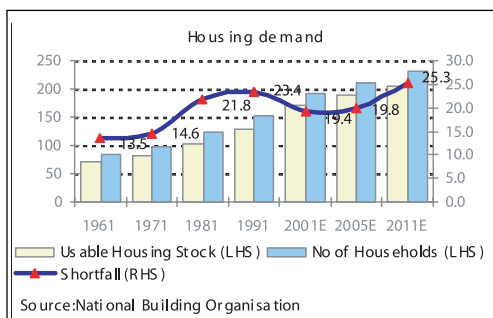
(Source: *www.sify.com*)

### **Factors that will sustain the growth of the Ceramic Tile Industry**

#### **Housing growth to likely sustain**

The housing sector currently accounts for more than 70% of the total ceramic tile consumption and demand for housing expected to sustain, going forward, due to the following reasons.

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- Higher affordability due to higher real incomes:** In the last ten years, there has been a significant change in the income patterns of urban housing consumers. As per a study conducted by HDFC, in 1995 the average cost of a suburban property was Rs. 2.2 mn. when the average salary levels were at Rs. 0.12 mn. In 2001, the average annual income increased to Rs. 0.23 mn while property prices dropped to Rs. 1.2 mn. In 2005, property prices hovered at Rs. 1.6 mn. as against an annual income of Rs. 0.35 mn. This indicates the increasing affordability of property in the last ten years – made possible by a sharp increase in real income.

- 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 has 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 from 5.9 times in CY00 to 4.5 times in CY05.

- Increasing number of nuclear families:** The family sizes too are shrinking as the Indian social fabric alters from a joint family system to nuclear families. This too increases the requirement for houses and drives up housing demand. The gradual shift from 'kutcha' to 'pucca' houses is also adding to the total demand with a result that – total housing deficit is expected to increase to 25.3 mn. by 2011 from the deficit estimated at 19.8 mn. in 2005. These figures have been derived from a National Building Organisation study which projected a deficit of 19.4 million units by 2001 based on the 1991 census. Thus, growth potential in the housing sector remains strong. (Source: National Building Organisation)
- Sustained lower rates on housing loans:** The domestic interest rates have remained easy for better part of the last three years at around 8%. This makes home finance more attractive. Also, there is another added advantage of easily available housing finance.
- ITES, retail boom to bolster demand:** The growing middle-class and an increase in real incomes has led to a strong growth in organised retailing – leading to a boom in the construction of malls and multiplexes. As per Images Retail, there are 180 malls under construction that will be ready in the next two years. Currently, over 30 malls are operational in India while approx. 300 malls are in various stages of planning and execution. The strong growth in ITES exports has also necessitated the construction of commercial complexes and office space.
- It is estimated that around 100,000 seats are added every year in the ITES space and as per IT Industry estimates, Rs. 25 bn. worth of investments are expected in the IT/ITES space in the next five years. Allowing foreign direct investment in retail and real estate development is also slated to attract huge investments in these sectors – resulting in increased demand for cement.
- Incremental demand from industrial projects:** India is in an up cycle of industrial investments with huge capex plans lined up by steel and refining companies. The operating rates in most industries too have peaked – implying the need for investments in expansion projects. According to Government of India estimates, annual average investments in industrial projects are expected to increase from Rs220bn (during 1998-99 – 2004-05) to Rs580bn (during 2005-06 – 2009-10). Further, the industrial growth at 7.6% and capital goods growth at 13% in FY05 was the highest in the last 10 years.

## 2. BUSINESS OVERVIEW

### Brief history

We started our operations in the year 1966 with a mosaic tile manufacturing facility at Thane in the state of Maharashtra. The initial capacity of the plant was 0.6 mn. sq. feet per annum, which was subsequently increased to 5.0 mn. sq. feet per annum. In the year 2001, Mahalaxmi Tiles & Marble Company Private Limited, engaged in the business of manufacture of mosaic tiles merged with us raising our total capacity to 7.4 mn. square feet per annum. In the same year, Cospar Impex Pvt. Ltd., which was engaged in import of marble, was also merged with us. During 2004, our Company also started manufacturing paving tiles. The total capacity for mosaic tiles now stands at 8.49 mn. square feet per annum.

In the year 1984, we started our operations in Kanjurmarg for import, processing and distribution of marble in India. Marble is imported from Italy, Turkey, Spain, Greece, etc. In 2002, we set up a unit in Silvassa for processing and sale of imported marble.

In March 1995, we began the implementation of a green field project for manufacture of ceramic floor tiles at Alibaug, Maharashtra. Full-scale commercial production started in 1997. The initial capacity of ceramic floor tiles was 3.6 mn. sq. meters per annum which was subsequently increased to 4.032 mn. sq. meters per annum.

During 2001, when the import of ceramic / vitrified tiles was freely allowed, our Company decided to outsource vitrified tiles from China rather than manufacture the same ourselves in India. In 2002 we tied up with Nanhai Shangyuan Oulian Construction Ceramics Co. Ltd. now known as Foshan Chancheng Oulian Construction Ceramic Company Ltd. (manufacturer of vitrified tiles from China) ("FCL") and Prestige General Trading (Dubai, the exporter of said vitrified tiles) ("PGT") for sourcing our entire requirement of vitrified tiles from them. Depending on the requirements of the domestic market, we also import wall tiles, paving tiles and other related products as well.

### Our Products:

We are in the business of providing flooring solutions to our customers. We provide a range of tiles at various price points. Our products include mosaic tiles, ceramic floor tiles, vitrified tiles, paving tiles and imported marble. Out of the various products that we deal in, mosaic tiles are manufactured at our plant in Thane and ceramic floor tiles are manufactured at our plant in Alibaug. The rest of the product range namely marble, vitrified tiles, wall tiles are imported from reputed suppliers worldwide.

Ceramic/Porcelor	Vitrified	Pavers
Glossy	Homogeneous	Mosaic
Satin Matt	Non Homogeneous	Road pavers
Matt		
Rustics		

### Application:

Based on usage of tiles it can be classified in two categories. Given below is the table indicating usage area i.e. residential and commercial.

Residential	Commercial/Public Places
Bedrooms	Auditoriums
Bathrooms- Floor and wall	Footpaths
Toilets	Staircases
Kitchens	Lobby (offices and residential complexes)
Driveways	Bus Stops
Swimming pools	Shop floors
Verandahs	Offices
Halls	Pavements
Terraces	

## NITCO TILES LIMITED

### Our Production Facilities

Our existing production facilities are located at:

Thane – Mosaic Tiles

Poynad, Alibaug – Ceramic and Porcelain Tiles

Our marble processing facilities are located at:

Kanjurmarg and Silvassa

### Land and building

#### Land:

Our existing facility located at Poynad, Alibaug is based on land admeasuring 251208.07 sq. mts. The land was purchased in 1994.

#### Building:

The constructed area for our existing floor tile facility is admeasuring 33373 sq. mts. and additional 2142 sq. mts. will be constructed for the additional capacity of the 6500 sq. mts. per day floor tile facility.

### Our capacities

#### Our Existing production capacities:

(In million sq. mts. per annum)

	FY 2003	FY 2004	FY2005
At Thane – Mosaic Tiles (*)	0.7	0.7	0.8
At Poynad, Dist Raigarh- Ceramic Floor Tiles	4.0	4.0	4.0

(\*) In FY 2005, we purchased machinery, which increased our capacity from 0.7 to 0.8. The increase pertains to paving tiles.

### Capacity Utilization

The following table gives the capacity utilization figures for the past three years:

	2004-05	2003-04	2002-03
<b>Mosaic Tiles</b>			
Installed Capacity (In Mn Sq. mts.)	0.8	0.68	0.68
Actual Production (In Mn Sq. mts.)	0.52	0.46	0.34
<b>Capacity Utilization (%)</b>	<b>65.00</b>	<b>67.65</b>	<b>50.00</b>
<b>Ceramic Tiles</b>			
Installed Capacity (In Mn Sq. mts.)*	4.03	4.03	4.03
Actual Production (In Mn Sq. mts.)	3.51	3.88	3.66
<b>Capacity Utilization (%)</b>	<b>87.10</b>	<b>96.28</b>	<b>90.82</b>

(\*) Installed capacity of the plant has been estimated on the basis of standard size of Ceramic Tiles of 300 mm x 300 mm.

## Our Proposed capacities and capacity utilization for Ceramic Tiles and Mosaic Tiles

### Proposed Capacities

(In million sq. mts. per annum)

	FY 2006	FY 2007	FY2008
At Thane - Mosaic Tiles	0.8	0.8	0.8
At Poynad, Dist Raigarh			
- Existing Ceramic Floor Tiles	4.03	4.03	4.03
- New Ceramic Floor Tiles facility (#)		2.28	2.28
- New Ceramic Wall Tiles facility (*)			1.75

(#) Capacity of the ceramic tile plant is for size 300mmx300mm. The plant capacity will vary as per size viz 450mmx450mm, 600mmx300mm and 600mmx600mm.

(\*) The capacity in case of acquisition of the wall tile manufacturing facility will be based on the capacity of the acquired unit. In the event we are unable to identify a suitable acquisition upto May 31, 2006, we propose to set up a manufacturing facility having an installed facility 1.75 mn. sq. mts. per annum.

### Proposed Capacity Utilizations

	FY 2006	FY 2007	FY 2008
<b>Ceramic Floor Tiles</b>			
Installed Capacity (In Mn. Sq. mt.)	4.03	6.31	6.31
Proposed Production (In Mn. Sq. mt.)	3.47	4.83	5.31
Capacity Utilization (%)	<b>86.10</b>	<b>76.55</b>	<b>84.15</b>
<b>Ceramic Wall Tiles</b>			
Installed Capacity (In Mn Sq. mt.)	-	-	1.75
Proposed Production (In Mn Sq. mt.)	NA	NA	1.70
Capacity Utilization (%)	<b>NA</b>	<b>NA</b>	<b>97.14</b>

### Our Proposed Capacities and Capacity Utilizations for Windmill

	FY 2006	FY 2007	FY 2008
At Dhulia – Windmill Project			
- Proposed Power Generation Capacity (in MW)	7.50	7.50	7.50
- Capacity Utilisation	-	23%	23%
- Proposed Generation	NA	1.50	1.50

### Out Sourcing of Vitrified Tiles:

Until 2000, tiles being consumer products were not allowed to be imported. With import of tiles being freely allowed from April 2000 as per India's commitment to the WTO, we decided to outsource vitrified tiles not being manufactured by us from China. Initially, we were importing vitrified tiles from several suppliers from China. In 2002, we tied up with FCL and PGT for sourcing our entire requirement of vitrified tiles from the said manufacturer from China. We have entered into a tripartite agreement with FCL and PGT on April 1, 2004 for supply of vitrified tiles to us on an exclusive basis. The tenure of the agreement is 5 years and expires on March 31, 2009.

## **NITCO TILES LIMITED**

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The salient features of the agreement are as follows:

1. The agreement will continue unless it is terminated by written communication six months prior to the exact date of termination
2. Nitco has agreed to purchase vitrified tiles to the tune of 15,00,000 sq. mts. annually from PGT (manufactured by FCL) which has to be uniform throughout a 12 month period with a 20% variation
3. NITCO and FCL have agreed to exclusivity for the transaction
4. Designs supplied by Nitco to FCL shall not be used for sale to any other party and such designs shall at all times remain the exclusive property of Nitco
5. FCL cannot sell Vitrified Tiles to any other party for sale in India and in turn Nitco can purchase vitrified tiles only from FCL.
6. FCL to compensate Nitco for any loss suffered by it due to complaints from customers in India and overseas w.r.t. quality of the Vitrified Tiles
7. Nitco will have the right to monitor the quality control and other process checks in the manufacturing process

### **Import of Vitrified Tiles and Anti Dumping Duties**

Our Company imports vitrified tiles, (the "**Products**"), from M/s Nanhai Shaguyan Oulian Construction Ceramic Company Limited (now known as M/s Foshan Changcheng Oulian Construction Ceramic Company Limited), a company incorporated in China, ("**Nanghai China**"), through M/s Prestige General Trading, Dubai, UAE, ("**Prestige Dubai**"). The Central Government issued a notification, which sought to impose anti dumping duties on imports of the Products from China and the UAE, ("**First Notification**"). The extent of the said anti dumping duty was USD 8.28 per square meter for China Products, and, USD 5.54 for Dubai Products.

Vide a subsequent notification, ("**Second Notification**"), the previous notification, which facilitated the provisional levy and/ or assessment of anti dumping duties on imports of the Products from Nanghai China and Prestige Dubai, was rescinded, and consequently no anti dumping duty was leviable on the Products exported by the said companies.

In light of a Writ Petition filed before the High Court of Gujarat, the said High Court, without providing any reasons, granted interim reliefs which in effect restrained the Company from giving effect to the Second Notification ("**Impugned Order**").

The Supreme Court had, in another matter, relating to the notifications in question, directed that a challenge against the designated authority appointed under, Customs Tariff Act, 1985, ("**DA**", which DA was instrumental in the issuance of the notifications in question), be preferred against the Central Excise and Sales Tax Appellate Tribunal, ("**CESTAT**"). The Impugned Order was accordingly set aside and the Supreme Court directed that the Writ filed before the Gujarat High Court itself should be dismissed, as an alternative remedy was available before the CESTAT. Accordingly, the said Gujarat High Court Writ has been dismissed.

Consequently, an appeal was filed before the CESTAT by H&R Johnson India Limited, wherein they challenged the Second Notification and the DA's related findings. The said appeal was filed against the Secretary, Revenue, MoF, Gol and the DA. Pursuant to the said appeal, the CESTAT passed an order dated May 19, 2005, which order, (i) set aside the Second Notification and the DA's related findings, and, (ii) directed that the DA examine certain aspects relating to confidentiality of the matter and make final findings within three months, after hearing interested parties.

The DA, after hearing the contentions of the concerned parties, issued final findings dated December 30, 2005, wherein, the DA confirmed the earlier findings and recommended that no anti dumping duty be imposed on imports of vitrified/ porcelain tiles as produced by Nanghai China and exported through Prestige Dubai.

### **Change in GOI policy towards importing of marble:**

#### **Old policy:**

As per the Import Export Policy the import of marble blocks/slabs is restricted to and is subject to import licensing procedures.

As per the policy in force until August 30, 2005, licences for import of marble are issued only to following categories:-

- 1) Firms who have set up manufacturing / processing units in the country and have made imports of these items in the preceding years when these items were under Special Import Licence (SIL) list.
- 2) 4/5 star hotels on the basis of recommendation of Ministry of Tourism
- 3) Temples / trusts of international repute on the basis of recommendation of Ministry of Home Affairs.

The licences were further subject to the following floor price:

- i) For crude or roughly trimmed marble – US\$ 300 per Metric Tonne (MT)
- ii) For rough marble blocks – US\$ 300 per Metric Tonne (MT); and
- iii) For Slabs – US\$ 450 per Metric Tonne (MT)

In the case of Firms referred to (1) above who were engaged in the manufacturing / processing of marble were given licences subject to the limit of 50% of the average CIF value of imports made by them during the years when this item was under SIL. In other words, those firms which had imported significant quantities of marble in the relevant period were eligible for higher value of licences.

#### **Amendment to import policy:**

The guidelines / policy for import of rough Marble Blocks / Slabs have been substantially modified from August 31, 2005. As per the revised guidelines, licences for import of marble will be given only to those units who have set up manufacturing / processing units and have made imports of these items in the preceding years when these items were under SIL list. The total entitlement of licences to be issued for import of marble blocks to all units put together is now subject to a ceiling of 1.30 lakh MT per licensing year. The entitlement of individual eligible firm will be worked out on the basis of the turnover of each of the eligible firms in the preceding year. The major changes with regard to the new policy are as follows:

- 1) 4/5 star hotels, temples / trusts of international repute will now no longer be allowed to import marble blocks / slabs directly.
- 2) Import of marble blocks can in future be made only by marble processing units.
- 3) The eligibility for issue of import licences to eligible firms will be on the basis of the turnover in the preceding year as against on the basis of imports made by the parties in the earlier years.

The above policy will be beneficial to the players in the organized sector. Hotels / temples in future will now have to import marble only through firms engaged in processing of marble.

#### **Existing duty structure:**

Following is the duty structure for our products:

	<b>Basic</b>	<b>CVD &amp; Cess</b>	<b>Education Cess</b>	<b>Total</b>
<b>For Marble:</b>				
Marble Slab	15.00%	16.32%	2.00%	34.44%
Marble Blocks	15.00%	—	2.00%	15.30%
<b>Raw Materials for ceramic</b>				
Pigments/Glazes/Punches	15.00%	16.32%	2.00%	34.44%
Frits/Ball Clay	10.00%	16.32%	2.00%	28.51%
Vitrified Tiles imported from China	6.45%	16.32%	2.00%	24.30%

## NITCO TILES LIMITED

### Export Obligation

Our Company has to fulfill the export obligation under EPCG Scheme amounting to USD 22,368,301. This obligation has to be fulfilled by various years ranging from 2006 to 2012.

Sr. No.	EPCG License No.	Date	Details of Capital Goods purchased	Nature of Export Requirement	Amount of Export Obligation (in Rs.)	Export Obligation Expiry Dt.
1	330000439	25.07.2000	Printing M/C, Shrink Wrap M/C & Kiln Pintoms	Ceramic Tiles - Glazed & Unglazed, Marble Articles	62,702,705	24-07-2008
2	330006662	21.09.2004	Spare Parts & Punches	Ceramic Tiles - Glazed & Unglazed, Marble : All type & Granite: All type.	3,725,157	21.09.2012
3	330001996	17.04.2002	Kiln Parts & Ceramic Roller	Ceramic Tiles - Glazed & Unglazed, Marble : All type & Granite: All type.	13,455,190	16-04-2010
4	330003340	03.03.2003	Spares for Press & Display Unit	Coloured Ceramic Glazed Tiles, Marble, Granite	24,866,973	02-03-2011
5	330003753	10.06.2003	Horizontal Splindle	Ceramic Glazed Floor Tiles, Marble Tiles/Slab/Articles/ Granite Slabs/Bulbs & Vitrified Tiles.	3,203,258	06-09-2011
6	330004130	13.08.2003	Spares for Kiln, Press & Printing M/C	Ceramic Tiles - Glazed & Unglazed, Marble : All type	19,215,103	08-12-2011
7	330004357	22.09.2003	Water Vehicle	Ceramic Tiles - Glazed & Unglazed, Marble : All type & Granite: All type.	1,451,907	21-09-2011
8	330005068	16.01.2004	Spare Parts for Ceramic Plant	Ceramic Tiles - Glazed & Unglazed, Marble : All type & Granite: All type.	34,577,428	15-01-2012
9	330005460	23.03.2004	Spare Parts for Ceramic Plant	Ceramic Tiles - Glazed & Unglazed, Marble : All type & Granite: All type.	17,823,363	22-03-2012
10	330006745	01.10.2004	Hydraulic Ejector & Mould Assembly Spares	Ceramic Tiles - Glazed/ Unglazed, Articles & Tiles Made of Marble & Granite	5,649,031	30-09-2012
11	01500322	21.03.1996	Plant & Machinery and parts for Ceramics	Ceramic Tiles (Glazed & Unglazed), Marble Articles & Tiles, Granite Articles & Tiles	840,929,604	21.03.2006*
				<b>TOTAL</b>	<b>1,027,599,718</b>	

The Export Obligation is in Dollar terms. The conversion to Rupee terms have been made taking the conversion rate as on November 30, 2005 which was 1 USD = 45.94 INR as per the Reserve Bank of India.

\* The Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India vide its letter number 20/1019/AM-96/EPCG-I dated September 27, 2005 has granted an extension by two years till March 20, 2006 for license number 01500322.

### Competition:

Our 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 H&R Johnson, Kajaria Ceramics, Murdeshwar Ceramics and SPL. ICCTAS estimates that organized sector has a market share of 56% and has 15 major players.

### Comparative Sales Quantity (Ceramic and Vitrified Tiles) and Revenue of Some Listed Entities

Name	Location of the plant	Sales Quantity FY05	Sales in Rs. Crores
Bell Ceramics Limited	Bharuch, Gujarat	9.88 mn. sq. mts.	158.86
Kajaria Ceramics Limited	Sikandrabad, Uttar Pradesh	14.22 mn. sq. mts.	297.72
Murdeshwar Ceramics Limited	Hubli, Karikal, Karnataka	3.49 mn. sq. mts.	173.61
SPL Limited.	Kasar, Haryana and Kadi, Gujarat	9.72 mn. sq. mts.	197.00
Regency Ceramics Limited	Pondicherry	10.05 mn. sq. mts.	157.38
Nitco Tiles Limited (*)	Poynad, Alibaug, Maharashtra	4.92 mn. sq. mts.	168.43

(\*) Unlisted.

(Source: Capitaline plus)

### Unorganised sector:

Unorganised and smaller players control some parts of ceramic tile markets. However these players have a restricted role to play and operate in the specific towns where construction projects are underway.

Unorganised and smaller players use tunnel kilns. Tunnel kilns restrict quality and flexibility, as opposed to roller kilns. The market share of the unorganized sector is 44%. There are 200 units in the unorganized sector out of which 70% are located in Gujarat. (Source: ICCTAS).

### Our Production processes and technology

#### Ceramic Tiles:

#### Technology

We have set up our plant for manufacture of ceramic floor tiles at Poynad Alibaug, District Raigad, using the energy efficient single firing technology. The technology and the plant and machinery were provided by SACMI, Imola, Italy.

Machinery for the proposed ceramic floor tiles facility shall be imported from SACMI, Imola Italy. We have also received quotations in connection with the import of machinery for the production of wall tiles, although the decision to so invest will be taken at a later stage.

#### Production process:

Ceramic tiles can be either glazed or unglazed. In glazed 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.

## **NITCO TILES LIMITED**

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### **Raw materials for the body**

The mixes for the manufacturing of ceramic tiles are blends of various raw materials, including:

- clay, whose 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;
- quartz sand, whose function is to reduce any size variation that may otherwise occur due to the firing process that glazed tiles undergo;
- feldspar dspathic and carbonatic (in powder form), whose function is mainly to facilitate a glossy finish on tiles.

### **The preparation of the mixture**

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 4-7% water content (for pressure molding), or, a 15-20% water content (for extrusion molding). In both cases, the basic operations of this production phase are three: grinding, mixing-blending, and regulating the water content.

### **Shaping**

Most ceramic tiles produced are moulded by 'dust pressing'. During the dust pressing process, the mixture - a powder with an average humidity of 4-7%- is compressed between two surfaces, with an average pressure between 200 and 400 kg/cm<sup>2</sup> 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 moulded by the 'plastic method', starting with a mixture whose humidity content ranges from 15 to 20%, 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 moulding 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 heat 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 (frit, which is prefabricated glass, kaolin, silicious 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 firing temperature, (which ranges from about 900°C to over 1250°C (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 and Quality Control**

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 process.

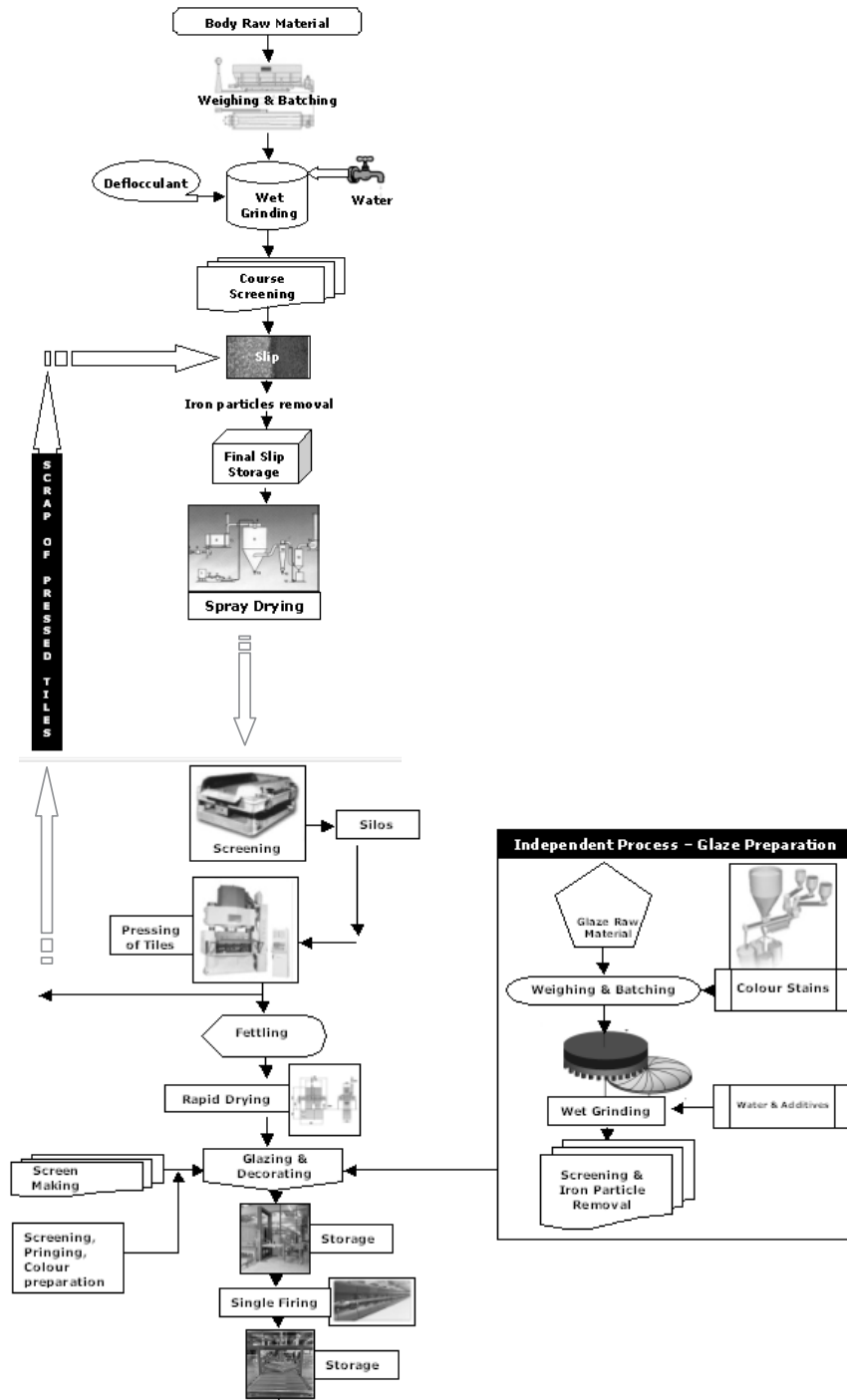
The sorting process seeks to (i) eliminate defective pieces, and (ii) grade the tiles depending on the quality achieved. As the tiles leave the kiln, weight is applied on each individual tile to check the strength and durability. Weak tiles are discarded and the rest of the tiles are sent for sorting. There are two kinds of sorting (i) Asthetic and (ii) Geometric. Tiles are checked through these two sorting processes and graded accordingly to the level of defects.

In asthetic sorting, surface and colour defects are identified by trained qualified personnel. Here, the tiles are marked with flourescent colours, which can be detected by the computer at a later stage to categorize the tiles into various grades.

In Geometric sorting, which is done automatically, the computer checks the dimension, tolerance and flatness or warpage and accordingly the tiles are sorted into various grades. After this, the system stacks the tiles separately as per the grades and they are automatically packed.

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The Manufacturing Process Chart:



## **Mosaic tiles and Paver Blocks**

We also produce mosaic tiles and paver blocks for roads, which are cement-based products. The production process is as follows.

### **Mosaic Tiles:**

The mosaic tiles are made in two layers. The top layer is for designs made out of different types of stones in various sizes and colours and is mixed with cement, stone powder, dolomite powder, sand, grit, etc. The bottom layer uses filler material and is added to increase the thickness resulting in higher strength.

#### *Mixing, shaping and compression:*

The tiles are made in automatic machines having both vibration and compression mode. The top layer materials including all ingredients are mixed in a mixing machine with addition of water in measured quantity and the mixed material is then transferred to automatic tile making machine. The mix is poured in continuous moving moulds for a particular design and is mixed while in circular motion. Subsequently both the prepared layers are added to the same mould and moved to the compression station. Hydraulic pressure is applied at this station and the mix takes the shape and size of the mould. At this stage, the tile is hard enough to be taken out without breakage. The tiles are ejected out in the next station and stacked in crates.

#### *Curing:*

The crates are then transferred to curing chambers and cured for 24 hours. Natural curing is allowed for a further period of 5 to 10 days depending on the product. If the tiles are meant for external use, they are dispatched after curing.

#### *Polishing:*

For tiles having internal application the top surface is polished with the help of polishing machines.

### **Paver Blocks:**

#### *Mixing, shaping and compression:*

In the case of paver blocks, cement, sand, stone powder and grit is fed into a machine where it is vibrated followed by compression with hydraulic pressure in the mould.

#### *Curing:*

After hydraulic pressure the paver block is ejected out and cured for 18 hours in curing chamber.

#### *Cooling:*

The blocks are then removed and cooled for at least 10 days. The blocks are then ready for despatch.

## **Marble Processing**

We import marble blocks / slabs from Italy, Spain, Greece, Portugal, Egypt, Turkey, etc. We have a marble processing unit at Kanjurmarg and Silvassa. Based on the customer selection, the selected marble is applied with a resin for leveling the surface, filling all the pores in the marble and the same is allowed to dry for at least a day. Once the pores are filled, the marble goes for polishing and cutting.

## **Infrastructure Facilities for Raw Materials and Utilities like Water, Electricity, etc.**

### **Raw material:**

The primary material namely clay is available from various mines located in India. The major locations where we source this clay are Bikaner and Bewar in Rajasthan, Uppal in Andhra Pradesh and Indore in Madhya Pradesh. We have finalized the composition of the body based on the easy availability of such clay. All the varieties of clay used in the manufacture are available in plenty from their respective locations. These materials are dispatched from the mines on a regular basis. Our 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.

## NITCO TILES LIMITED

All the other raw materials are readily available and do not require any long term arrangements. 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.

Raw material required for the current capacity of 10,000 sq. mts. per day.

S. No.	Material	Monthly Quantity required
1.	Clays	3000 MT
2.	Feldspar	1500 MT
3.	Silica Sand	500 MT
4.	Glaze	200 MT
5.	Light Diesel Oil	240 KL
6.	LPG/Propane	300 MT

### Utilities

#### Power:

Our daily requirement of power at our plants located at Thane, Kanjurmarg, Poynad, Dist Raigad and Silvassa is 341 KVA, 144 KVA, 3000 KVA and 14.914 KVA respectively. The entire requirement of power is currently met out of power supply from MSEB.

We also have standby GENSETS at each of these locations

#### Water:

Our requirement of water at the various plants is:

Facility	Water requirement (in litres)
Poynad, Raigad	9000 cubic meter per month
Kanjurmarg, Mumbai	210 cubic meter per month
Thane	4700 cubic meter per month

The above water requirement is met by water supply from MIDC for our Poynad, Dist Raigad facility, from Municipal Corporation, Mumbai, for Kanjurmarg Facility and from Thane Municipal Corporation for our Thane facility.

For our Silvassa factory, we use water from a bore well which is sufficient for our needs.

### BUSINESS STRATEGY

Our business strategy is three pronged:

- Manufacturing of ceramic floor tiles in India
- Outsourcing of Vitrified Tiles from China
- Import and distribution of a wide variety of Marble from various countries

Our approach towards manufacturing facility in India is primarily focused on

- Leadership through product innovation
- Rationalization of cost structure by changing to cheaper fuel which is LNG from current LPG.
- Increasing capacity of floor tiles to achieve better economies of scale
- Entry in to wall tiles to address wider markets
- To widen range of products across all price points

We strategically decided to supply value added product i.e. Vitrified Tile at a competitive price. We have accordingly streamlined our operations whereby our monthly demand schedule for both ceramic and vitrified tiles are sent to respective manufacturing units in India and China to achieve timeliness in supplies.

#### OUR MARKETING AND SELLING NETWORK

We have our headquarters at Mumbai, India and have 14 offices across the country. We have exclusive showrooms in major cities of India namely Mumbai, Pune, New Delhi, Chandigarh, Kolkata, Chennai, Hyderabad, Bangalore and Cochin. Additionally we also have 130 NITCO nooks across the country which are shop in shops which helps us to promote and sell our range of products to the consumers. The direct dealer network covers 28 states in the country.

#### Institutional Sales:

We sell our products to large institutional players like Hiranandanis', Rahejas', Pantaloon Retail, Godrej Properties, Oberoi Construction, Keystone, Piramals', Nirmal Lifestyle, Shruti, Runwal, RNA, several large corporates, banks and financial institutions etc. on a regular basis. We have a dedicated team for servicing institutional clients.

#### Retail Sales:

We follow NITCO- Dealer – Retailer approach in distribution. The dealer stocks inventory of the products based on his demand estimation. Based on the stock level and the estimated demand, a dealer sends his requirement for the month, which is dispatched, based on the availability of the stocks at our depot/factory. Our Company also holds inventory of its finished products at its factory as also at its depots in all major cities. This makes the products available to customer/ dealer at short notice.

Our distribution network is spread across the length and breadth of the country with over 550 direct dealers and more than 5000 outlets that sell our products. Our marketing offices located in all the metros and other important cities across the country, service the dealer network in their respective regions.

#### PROPERTY

Our Company has entered into an agreement for sale for additional land admeasuring 2.23 acres with Mr. Laxman Maru Patil and others on October 11, 2005. We have paid Rs. 0.2 mn. as advance towards this land and have already received possession thereof. The transfer formalities in this regard are already in progress. The total cost of the said land would be around Rs. 4 mn., including stamp duty and other incidental expenses.

For further details on property, please refer to the section titled 'Our Management' on page no. 71 of this Prospectus.

#### HUMAN RESOURCES

We have a total of 725 employees as on January 31, 2006. Out of the total 725 employees, 268 are workmen; and of these, 230 are skilled and 38 are unskilled. In addition to them, we also employ approximately 566 number of contractual labour. Our success depends on our ability to recruit, train and retain quality employees and workers. The details of Key Managerial Personnel are given in the section titled 'Our Management' on page no. 71 of this Prospectus. The following table sets out the breakup of our employees categorized by our various locations and job functions:

	Mosaico	Marble	Mosaic	Ceramic Mktg.	H.O.	Alibaug	Total
Managers	3	12	8	65	19	30	137
Staff	8	33	29	45	26	92	233
Workmen	11	38	36	0	0	183	268
Trainees/ Apprentice	0	0	0	2	0	19	21
Temp Staff/ Workmen	1	15	9	13	15	13	66
<b>Total</b>	<b>23</b>	<b>98</b>	<b>82</b>	<b>125</b>	<b>60</b>	<b>337</b>	<b>725</b>

## **NITCO TILES LIMITED**

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### **HR Policy**

The HR policies of our Company are based upon the belief that the success of our company is primarily dependent on its people and that the development of potential of each employee is good both for the employee and the business and therefore the Company.

In view of this basic premise, a comprehensive set of policies are laid down. Our HR policies aim at attracting, retaining and motivating the best talent to achieve higher goals and attain greater opportunities for the advancement in their business career.

The guiding principles of our HR policies are:

- To be fair and competitive.
- To encourage and facilitate employee potential and therefore growth.
- To offer compensation commensurate with responsibilities, performance and achievements.

### **Recruitment**

Our Company's recruitment policy is to attract the best talent at the Induction level and after familiarization with the Group, offer them a fair and open field for development and growth purely on performance and business success.

The recruitment process based on the above, has the following objectives:

- To ensure that all positions identified in the organization structure are filled with people who have the requisite skills, knowledge, experience and qualifications required to perform them effectively.
- To provide career opportunities for deserving personnel in line with their skills and potential.
- To infuse fresh ideas and caliber in the organization to help alleviate current organizational ills, wherever required and possible.

### **Training**

Human resources have been recognized as a very important resource of our Company. The training policy is geared towards enabling the individual employee to enhance his/her capability, at the same time contributing towards the company's growth and achievement of other corporate objectives.

In order to improve organizational efficiency and effectiveness, the necessary skills will be imparted within the organization through a combination of organizational development and training and development activities. Training aims to help the employees improve their performance on-the-job, while programmes aimed at development expose them to new ideas and new techniques, including change in attitude.

The objectives of training & development for the Company are:

- To upgrade the existing skill set of its staff.
- To expose them to modern techniques and systems of Management.
- To encourage employees with potential to take on higher responsibilities.
- To inculcate a sense of appreciation for other functional areas, and an understanding of the linkage of their activities with other areas; and
- To bring about changes in attitude.

### **Employee Retention and Care**

We strive to promote a feeling of well being in our employees through care and respect. We have several structured processes including employee monitoring, grievance management and corporate ethics programmes which are intended to facilitate a friendly and cohesive organizational culture. We have created an environment, which promotes an open community culture among our employees.

## Compensation and Performance Management

Our compensation policy is performance based and we believe it is competitive with industry standards in India. Our compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. We believe in offering compensation commensurate with responsibilities, performance and achievements.

## INSURANCE COVERAGE

We have insurance coverage, which we consider adequate to cover all normal risks associated with the operations of the business. The insurance covers the entire plant and machinery and inventories at all our locations as well as goods in transit. We believe that our current levels of insurance coverage are in line with industry norms in India.

### Keyman Insurance Policy

We have purchased two insurance policies for our keyman, being our Managing Director, Mr. Vivek Talwar from Kotak Old Mutual Life Insurance Company. He is insured for a cumulative sum of Rs. 50,000,000/- being 5 times the premium paid. The term of the said policies is 51 years starting from 2005. Rs. 5,000,000/- was paid as premium for each policy which totals Rs. 10,000,000/-. The insurance cover then works out to be 5 times. In the case of death of Keyman, the sum assured will be paid to our Company by the insurance company.

## OUR COMPETITIVE STRENGTHS

Various factors have contributed to our growth over the years. Our emphasis on quality, innovation and competitive pricing has held us in good stead. Following are our competitive strengths:

- 1. Experienced Management Team** – We have an experienced management team with hands on experience in all areas of operations. The team has rich experience in related industries and is equipped to handle future challenges.
- 2. Operational Efficiency** – We constantly monitor our labour and productivity and have adopted a policy of constant improvement. In addition, we use MIS tools for operating at optimal efficiency. We have paid adequate attention to related areas like shipping and logistics, materials outsourcing and financial planning to increase our overall efficiency.
- 3. Innovation and product excellence** – We have constantly endeavored to bring new and improved products into the market. Our vast range of tiles is testimony to the constant product innovation and development within our company.
- 4. Good Labor Relations** – By following a proactive labor policy, we have been able to develop a workforce that identifies themselves as a part of a family rather than as mere employees. Our units have enjoyed the distinction of never having suffered any labor unrest from inception.
- 5. Proximity to major markets** – All our units are based in Maharashtra which are very close to the major market of Mumbai. This proximity to a metropolitan city has its inherent advantages.
- 6. Outsourcing of Vitrified Tiles** – We were one of the first companies in India to outsource an entire range of vitrified tiles to a manufacturer in China.

## **NITCO TILES LIMITED**

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### **3. REGULATIONS AND POLICIES**

The tile manufacturing industry is an unregulated industry and as such there is no specific legislation governing the same. As clay is a major component of the raw materials utilized by the industry, any notification issued by the Ministry of Mines and Minerals which impacts the supply of clay would however affect the industry.

#### **Policy for Import of Vitrified Tiles and Anti Dumping Duties**

The import of vitrified tiles by Indian companies from China and United Arab Emirates has come under scrutiny following complaints filed by domestic manufacturers of vitrified tiles. Pursuant to such complaints, the authorities have by a notification dated February 4, 2003, after conducting an assessment of the true impact of such imports on the domestic vitrified tiles manufacturers sought to impose anti-dumping duties on tiles manufactured and exported by Chinese and UAE companies to India. For further details in this regard, please see the section titled 'Business Overview' on page no. 51 of this Prospectus.

Any exporter who has not exported vitrified tiles from China or UAE to India during the relevant period can request for a review to ascertain the anti-dumping duty payable by them in connection with exports of vitrified tiles.

#### **Policy for import of Marble**

Import of marble into India is regulated by the Government of India. Under the erstwhile export import policy, which ceased to be in effect from August 31, 2005, the import of marble blocks / slabs was restricted and subject to certain import licensing procedures.

As per the erstwhile policy licences for import of marble were issued only to following categories:-

- (i) Firms who have set up manufacturing / processing units in the country and have made imports of these items in the preceding years when these items were under Special Import Licence (SIL) list.
- (ii) 4/5 star hotels on the basis of recommendation of Ministry of Tourism; and
- (iii) Temples / trusts of international repute on the basis of recommendation of Ministry of Home Affairs.

The licences were further subject to the following floor price:

- (a) For crude or roughly trimmed marble – US\$ 300 per Metric Tonne (MT)
- (b) For rough marble blocks – US\$ 300 per Metric Tonne (MT); and
- (c) For Slabs – US\$ 450 per Metric Tonne (MT)

In the case of Firms, referred to in para (i) above, who were engaged in the manufacturing / processing of marble were given licences subject to the limit of 50% of the average CIF value of imports made by them during the years when this item was under SIL. In other words, those firms which had imported significant quantities of marble in the relevant period were eligible for higher value of licences.

However, the erstwhile policy for import of rough marble blocks / slabs has been replaced with a new policy with effect from August 31, 2005. The current policy is advantageous to companies in the organized sector, since from now onwards, licences for import of marble will be given only to those units who have set up manufacturing / processing units and have made imports of these items in the preceding years when these items were under SIL list, for which documentary evidence showing establishment of manufacturing / processing units during the concerned period would have to be produced. Further, the total entitlement of licences to be issued for import of marble blocks to all units put together is now subject to a ceiling of 1.30 lakh MT per licensing year. The entitlement of individual eligible firm will be worked out on the basis of the turnover of each of the eligible firms in the preceding year.

The major changes with regard to the new policy are as follows:

- 4/5 star hotels, temples / trusts of international repute will now no longer be allowed to import marble blocks / slabs directly;
- Import of marble blocks can in future be made only by marble processing units; and
- The eligibility for issue of import licences to eligible firms will be on the basis of the turnover in the preceding year as against on the basis of imports made by the parties in the earlier years.

The above policy will be beneficial to the players in the organized sector. Hotels / temples in future will now have to import marble only through companies engaged in processing of marble.

#### **4. OUR HISTORY AND CORPORATE STRUCTURE**

##### **NITCO Group**

The NITCO Group came into existence in the year 1956 with the formation of a partnership firm at Delhi under the name of The Northern India Tiles Corporation (Delhi) for manufacturing mosaic tiles. The partners of this firm were Mr. A.N. Talwar (HUF), Mr. P.N. Talwar and Mr. W. N. Talwar.

In the year 1964, another partnership firm was formed under the name of The Northern India Tiles Corporation (Bombay), with Mr.A.N.Talwar, Mr. P.N.Talwar, Mr.W.N.Talwar, and others as partners to manufacture mosaic tiles at Thane, Mumbai, wherein by an agreement, a license was granted by The Northern India Tiles Corporation (Delhi) to use the brand "NITCO".

NITCO Group is engaged in segments relating to construction industry, which includes building products, manufacturing tiles, paints and other construction activities. Our Company is the flagship company of the group. Mr. Vivek Talwar and Ms. Poonam Talwar, son and daughter of Mr. Pran Nath Talwar respectively, joined the Nitco Group and are now in charge of the management of our Company as well as our group companies.

##### **Our Company**

Nitco Tiles Private Limited was incorporated on July 25, 1966 at Delhi to take over the business of manufacturing and marketing of tiles from The Northern India Tiles Corporation (Bombay). On May 11, 1973, the registered office of the Company was shifted from the Union Territory of Delhi to the State of Maharashtra vide order of the High Court at Delhi. Subsequently, our company was converted into a public limited company with effect from January 25, 1996. Pursuant to this, the name of our Company changed to Nitco Tiles Limited.

Pursuant to the take over of the business of the partnership firm, our Company started to manufacture mosaic and terrazzo tiles at Thane, Maharashtra. In 1984, we started our operation at Kanjurmarg, Mumbai for processing and distribution of imported marble in India. Growing further, in 1995, we began the implementation of a green field project for manufacture of ceramic floor tiles at Alibaug, Maharashtra and started the commercial production of ceramic tiles in 1997. In 2002, we started one more marble processing unit at Slivassa. In 2004, we scaled up operations of outsourcing vitrified tiles from China. Currently, our product portfolio comprises of ceramic tiles, vitrified/wall tiles, cement terrazzo tiles, pavers and marbles etc.

In 1995, our Company commenced to set up a project for the manufacture of ceramic tiles at Alibaug in Maharashtra. The project cost was appraised by ICICI at Rs. 812 mn. The cost of setting up the project was proposed to be financed through a mix of debt of Rs. 451 mn, promoter's contribution of Rs. 222 mn and public issue of equity shares of Rs. 139 mn. for which our Company received the SEBI acknowledgment card in February 1997. However, we decided not to proceed ahead with the public issue due to bad market conditions. We successfully completed the project in 1997 with a delay of ten months and cost overrun to the extent of Rs. 80 mn.

##### **Consolidation of our Business**

In October 2001, to consolidate the business of the Nitco Group, two group companies, Mahalakshmi Tiles and Marble Company Private Limited engaged in the business of manufacturing and marketing of mosaic tiles and marble, and Cospa Impex Private Limited engaged in the business of Trading of Marble were amalgamated with our Company. As per the Scheme of Amalgamation, the assets and liabilities of Mahalakshmi Tiles and Marble Company Private Limited and Cospa Impex Private Limited merged with our Company and the shareholders of those companies have been issued total of 16 Equity Shares in our Company.

##### **One Time Settlement with ICICI Bank Limited (erstwhile ICICI Limited)**

Our Company had availed financial assistance of Rs. 439 mn. from ICICI Bank Limited comprising of Rs. 329 mn. as a Foreign Currency Loan and Rs. 110 mn. as Rupee Term Loan. Subsequently, due to rupee devaluation, the liability under Foreign Currency Loan was increased to approximately Rs. 355 mn. With a view to correct our debt-equity ratio, we entered into following arrangement with ICICI Bank Limited:

- A subscription agreement was entered into by our Company with ICICI Bank Limited on March 24, 1999 wherein the Rupee Term Loan amounting to Rs. 110 mn. was treated as subscription to 3,666,667 equity shares of Rs. 10/- each at a premium of Rs. 20/- per equity share. Further, this agreement provided for the buy-back of these equity shares by Mr. Vivek Talwar from ICICI Bank Limited;

## NITCO TILES LIMITED

- Conversion of Foreign Currency Loan into Rupee Term Loan due to rupee depreciation / devaluation; and
- To avail further additional loan of Rs. 50 mn.

In March 2000, ICICI Bank Limited subscribed to 965,000 Redeemable Cumulative Preference Shares of Rs. 100/- each amounting to Rs. 96.50 mn. consequent to conversion of the additional loan of Rs. 50 mn. and interest dues of Rs. 46.50 mn. thereon.

In April 2003, we entered into a One Time Settlement (OTS) with ICICI Bank Limited wherein our erstwhile group company viz., Autumn Estate and Investment Private Limited (Autumn) transferred its commercial complex 'Autumn Arcade' (admeasuring 1,80,568.264 sq. ft.) developed by Autumn valued at Rs. 487.53 mn. in lieu of the following:

1. Dues payable by our Company comprising of term loan of Rs. 334.38 mn. and interest of Rs. 36.98 mn. thereon aggregating to Rs. 371.36 mn.;
2. Redemption of 965,000 Redeemable Cumulative Preference Shares of Rs. 100/- each amounting to Rs. 96.50 mn.; and
3. Acquisition of 655,747 Equity shares of Rs. 10/- each of our Company from ICICI Bank Limited at a price of Rs. 30/- per share.

### Key Events in the History of the NITCO Group/Nitco Tiles Limited

Year	Key Events
1966	Nitco Tiles Private Limited, the first company in the NITCO Group, was incorporated for undertaking the business of manufacture of mosaic tiles. Commencement of manufacturing of mosaic tiles at Thane.
1984	Commencement of marble operations at Kanjur Marg
1995	Started setting up the Greenfield plant to manufacture ceramic floor tiles at an approx. cost of Rs. 900 mn.
1997	Commenced production at Alibaug with a capacity of 10000 sq. mts. per day. The entire ceramic floor tile plant was imported on a turnkey basis from SACMI Imola, Italy
2001	<ul style="list-style-type: none"> <li>❑ With liberalization in policy of import of tiles in April 2000, our Company took a strategic decision to outsource vitrified/wall tiles from China</li> <li>❑ Merged with two group companies viz., Mahalaxmi Tiles and Marbles Company Private Limited and Cospas Impex Private Limited</li> </ul>
2002	Institute of Trade and Industrial Development – Quality Excellence Award for Ceramic Floor tiles
2004	Upgraded Alibaug plant for manufacturing Porcelain tiles

### Changes in Registered Office of our Company

Date of Change	Previous Address	New Address	Reasons for change
May 11, 1973	Jindal Trust Building, 1/8B, Asaf Ali Road, New Delhi – 110 002	G-5, Court Chambers, New Marine Lines, Mumbai - 400 020	Registered office shifted from New Delhi to Mumbai
July 10, 1985	G-5, Court Chambers, New Marine Lines, Mumbai - 400 020	86-A, Maker Chamber III, 8th Floor, Nariman Point, Mumbai - 400 021	Moved to a bigger office and better location

The objects clauses of the Memorandum of Association enable our Company to undertake activities for which the funds are being raised in the IPO and also the activities, which our Company has been carrying on till date.

### Main Objects of our Company

The main objects of our Company as stated in the Memorandum of Association include the following:

1. To manufacture, produce, buy, sell, prepare for market manipulate, treat, cure, submit to any purpose, trade in import, export and otherwise deal in and carry on business of tiles in mosaic, stone marble, tera cota, ceramic and other types for floorings and walls.
2. To undertake and execute as contractors, the works for laying floorings in mosaic tiles, in mosaic situ, concrete, marble, cement, ashler stones or in any other material, for Government, State or Central, Semi Government, Corporations and Individuals and either for factory, office, residential or other buildings.
3. To carry on business as contractors in all branches, more particularly, as contractors for laying floorings and building contractors, and as timber merchants, sawmill proprietors, quarry owners for ashler stones, marbles, granites, lime, sand, bricks, hardware and other building requisites.

### Changes in Memorandum of Association

Date of change	Changes
May 11, 1973	Change of registered address from New Delhi to Mumbai
January 5, 1994	Increase in the authorised share capital to Rs. 10 mn. consisting of 100,000 equity shares of Rs. 100/- each
January 17, 1995	Increase in the authorised share capital to Rs. 50 mn. consisting of 500,000 lakhs equity shares of Rs. 100/- each
October 18, 1995	Sub-division of equity shares of face value of Rs. 100/- each to that of face value of Rs. 10 each and increase in authorized share capital to Rs. 150 mn. consisting of 15,000,000 equity shares of Rs. 10/- each
June 17, 1996	Increase in the authorised share capital to Rs. 175 mn. consisting of 17,500,000 equity shares of Rs. 10/- each
March 21, 2000	Increase in the authorised share capital to Rs. 275 mn. consisting of 17,500,000 equity shares of Rs. 10/- each and 1,000,000 preference shares of Rs. 100/- each
May 31, 2004	Re-classification of the share capital from Rs.275 mn. consisting of 17,500,000 equity shares of Rs. 10/- each and 1,000,000 Preference shares of Rs. 100/- each to Rs.275 mn. consisting of 27,500,000 equity shares of Rs.10/- each
November 22, 2005	Alteration of the objects clause to re-classify our objects into main objects, objects incidental or ancillary and other objects

### Subsidiaries of the Company

Our Company does not have any subsidiaries.

### Shareholders Agreement

Our Company had entered into the Subscription Agreement dated March 24, 1999 ("Subscription Agreement") with ICICI Bank Limited (erstwhile ICICI Limited). Under the terms of this agreement, ICICI Bank Limited agreed to convert the outstanding Rupee Term Loan of Rs. 110 mn. into 3,666,667 Equity Shares of Rs. 10/- each at Rs. 30/- per share. As per the terms of the Subscription Agreement, ICICI Bank Limited was given the right to appoint one nominee director on the Board of our Company who shall not be liable to retire by rotation and/or not hold any qualification shares in our Company. Further, this agreement provided for the buy-back of these equity shares by Mr. Vivek Talwar from ICICI Bank Limited. Subsequently, 870,000 Equity Shares were bought back by Aurella Estates and Investments Pvt. Ltd., 655,747 Equity Shares by Autumn Estates and Investments Pvt. Ltd. and the balance 2,140,920 Equity Shares by Mr. Vivek Talwar.

## **NITCO TILES LIMITED**

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### **Other Agreements**

Except the contracts/agreements entered in the ordinary course of the business carried on or intended to be carried on by our Company and those mentioned herein, our Company has not entered into any other Agreement/Contract.

The Company has entered into a tripartite agreement with Nanhai Shangyuan Oulian Construction Ceramics Company Limited, China (Nanhai) now known as Foshan Chancheng Oulian Construction Ceramic Company Ltd (FCL) and Prestige General Trading Company Limited, Dubai (PGT) for sourcing of vitrified tiles manufactured in China. For the salient features of this agreement, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

### **Strategic and Financial Partners**

We do not have any strategic or financial partners.

## 5. OUR MANAGEMENT

### Board of Directors

Under our Articles of Association we cannot have less than 3 directors or more than 12 directors. Presently we have six directors. The day-to-day affairs of our Company are managed by Mr. Vivek Talwar, Managing Director and Ms. Poonam Talwar, Wholetime Director under the overall supervision and control of our Board of Directors.

The following table sets forth current details regarding our Board of Directors:

Name, Designation, Father's Name, Address and Occupation	Age	Date of Appointment and Term	Other Directorships
<b>Mr. Pran Nath Talwar</b> Non-Executive Chairman S/O Late Amarnath Talwar 16-B, IL Palazzo, Ridge Road, Malabar Hill, Mumbai - 400 006. Industrialist	79 years	July 25, 1966 Liable to retire by rotation	Nitco Paints Pvt. Ltd. Nitco Tiles and Marble Industries (Andhra) Pvt. Ltd. Nitco Construction Materials Pvt. Ltd. Nitco Terrazzo Tiles Pvt. Ltd. <b>Partner</b> Nitco Tiles Sales Corporation (Bombay) Northern India Tiles (Sales) Corporation The Northern India Tiles Corporation (Delhi)
<b>Mr. Vivek Talwar</b> Managing Director S/o Mr. Pran Nath Talwar 17-B, IL Palazzo, Ridge Road, Malabar Hill, Mumbai - 400 006. Industrialist	49 years	April 1, 2001 For a period of 5 years	Nitco Paints Pvt. Ltd. Nitco Construction Materials Pvt. Ltd. Nitco Tiles & Marbles Industries (Andhra) Pvt. Ltd. Nitco Terrazzo Tiles Pvt. Ltd. Anandshree Holdings Pvt. Ltd. Cosmos Realtors Pvt. Ltd. Rhythm Real Estates Pvt. Ltd. Orchid Realtors Pvt. Ltd. Merino Realtors Pvt. Ltd. Opera Properties Pvt. Ltd. Harmony Construction Pvt. Ltd. <b>Partner</b> Mahalaxmi Tiles Corporation Nitco Tiles Sales Corporation (Bombay) Northern India Tiles (Sales) Corporation Nitco Tiles Nitco Sales Corporation (Delhi)
<b>Ms. Poonam Talwar</b> Whole Time Director. D/o Mr. Pran Nath Talwar 5 - A, IL Palazzo, Ridge Road, Malabar Hill, Mumbai - 400 006. Industrialist	41 Years	April 1, 2002 For a period of 5 years	Nitco Paints Pvt. Ltd. Nitco Tiles & Marble Industries (Andhra) Pvt. Ltd. Nitco Construction Materials Pvt. Ltd. Nitco Terrazzo Tiles Pvt. Ltd.
<b>Mr. Dinesh H. Kanabar</b> Independent Director S/o Late Mr. Hasmukhlal Tulsidas Kanabar 14- A, Sett Minar, Dr. G Desmukh marg, Opp. Jaslok Hospital, Mumbai - 400 026. Chartered Accountant	47 years	January 4, 1996 Liable to retire by rotation	RSM Advisory Service Pvt. Ltd. RSM Holding Pvt. Ltd. Sunpra Estates Pvt. Ltd. Ambit Corporate Finance Pvt. Ltd. Ambit RSM Pvt. Ltd. Ambit RSM (Singapore) Pvt. Ltd. Ruby Travels Pvt. Ltd. <b>Partner</b> RSM & Co. (Deputy Managing Partner) Pannell Kerr Foster, U.A.E. Ratan S. Mama (Oman)

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Name, Designation, Father's Name, Address and Occupation	Age	Date of Appointment and Term	Other Directorships
<b>Mr. S. K. Bhardwaj</b> Independent Director S/o Ramanand Bhardwaj 142/143, Maker Towers 'J', Cuffe Parade, Colaba, Mumbai - 400 005. Advisor – Tax Laws	61 years	September 23, 2005 Appointed as Additional Director, will hold office upto next AGM	Taurus Agile Technology Corporation, Pvt. Ltd. (Chairman) Indian Petrochemicals Corporation Limited
<b>Mr. Atul Sud</b> Independent Director S/o Kishanchand Sud 12-C Harbour Heights, N.A. Sawant Marg, Colaba, Mumbai - 400 005. Business	49 years	September 23, 2005 Appointed as Additional Director, will hold office upto next AGM	Stratcap Securities (India) Pvt. Ltd. (Managing Director) Strategic Trading Pvt. Ltd. 21st Century Printers Ltd. Growell Consultants Pvt. Ltd. Stratcap Portfolio Advisory Co. Pvt. Ltd.

### Brief Profile of our Directors:

**Mr. Pran Nath Talwar**, aged 79 years, is the Chairman of our Company. He started his industrial venture in 1956 by setting up a partnership firm Northern India Tiles Corporation (Delhi) for manufacturing mosaic tiles. He is a founder of Nitco Group and our Company. He has 50 years of experience in tile industry. He has been instrumental in the growth of the Nitco Group. In recognition of his contribution to industry, in the year 1999 and 2000, he received award from Institute of Trade and Industrial Development for excellence in Industrial performance.

**Mr. Vivek Talwar**, son of Mr. Pran Nath Talwar and aged 49 years, is the Managing Director of our Company. He has over 25 years of experience in the tile industry. He joined our Company as a director in 1980. The operational responsibility and the day-to-day functioning of our Company were gradually handed over to him. He was instrumental in setting up plant at Alibaug to manufacture ceramic floor tiles and also in diversifying the business of our Company by entering into new activities such as marketing of imported - marble and vitrified tiles in India.

**Ms. Poonam Talwar**, aged 41 years, daughter of Mr. Pran Nath Talwar holds a Bachelors Degree in Commerce and an LLB and is the Wholetime Director of our Company. She joined the Company as a Director in 2002. She is in charge of mosaic tiles business of our Company. Under her leadership the mosaic tiles division has witnessed growth. She is also instrumental in marketing of interlocking pavers in the domestic market.

**Mr. Dinesh H. Kanabar**, aged 47 years, is an Independent Director of our Company. He is an eminent Chartered Accountant and is a senior partner in the RSM and Company, Chartered Accountants. After qualifying as a Chartered Accountant, Dinesh H. Kanabar has specialized in Tax and Business Advisory Services with specialization in International Taxation. Mr. Kanabar is an advisor to several global organizations for providing expert counsel on cross-border tax issues encompassing transfer pricing regulations applicable to multinational corporations and the taxation of e-commerce.

**Mr. S. K. Bhardwaj**, aged 61 years, is an Independent Director of our Company. He is a Postgraduate from Punjab University. He has held various senior positions with the Government of India such as Chief Commissioner Customs – Mumbai, Chief Commissioner Central Excise & Service Tax – Mumbai, Commissioner Customs & Central Excise – Baroda, Commissioner of Customs – Mumbai and Joint Secretary Ministry of Defence. He has vast experience of nearly 36 years in the field of indirect Taxation, Public administration, etc. He has dealt with issues relating to the fiscal policy and VAT at the Harvard University, Boston, USA. He retired as a Member, Central Board of Excise and Customs, Ministry of Finance, Government of India.

**Mr. Atul Sud**, aged 49 years, is an Independent Director of our Company. Mr. Sud has completed Post Graduate Diploma in Business Management from IIM Ahmedabad, and holds Masters in Economics degree from the Delhi School of Economics. After over a decade of service at a senior position at American Express Bank as India head for commercial banking, treasury and investment banking, he left the bank and founded the Strategic Group.

### **Details of Borrowing Powers of Directors**

The shareholders of our Company have passed a resolution at the EGM of the Company held on November 22, 2005, authorising the Board of Directors of our company pursuant to Section 293(1)(d) of the Companies Act, 1956 to borrow, such sum or sums of money as they may deem requisite for the purpose of the business of the Company not withstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the bankers of the company in the ordinary course of business) shall exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set up for any specific purposes provided that the total amount together with the monies already borrowed by the Board of Directors shall not at time exceed the sum of Rs.3000 mn. only.

For details regarding powers of our Board in this regard, please refer to the section titled 'Description of Equity Shares and Terms of the Articles of Association' on page no. 191 of this Prospectus.

Details of Compensation payable to Managing Director and Wholetime director

In the AGM of our Company held on December 10, 2001, our shareholders have approved the re-appointment of, Managing Director:

#### **1. Terms of appointment and compensation of Mr. Vivek Talwar, Managing director is as follows**

Mr. Vivek Talwar has been re-appointed as Managing Director of our Company for a period of five years from 1st April 2001 to 31st March 2006 as per the following terms and conditions:

##### **Remuneration:**

- (i) Salary: Rs. 150,000/- per month
- (ii) Commission: 1% of the net profit of the Company for the financial year computed in the manner laid down in Section 349 to 351 of the Companies Act, 1956.

##### **Part A:**

- (i) Housing I: The expenditure by the Company on hiring furnished accommodation for the Managing Director will be subject to the following ceiling:

60 % of the salary over and above 10% payable by the Managing Director.

Housing II: In case the accommodation is owned by our Company, 10% of the salary of the Managing Director shall be deducted by the Company.

Housing III: In case no accommodation is provided by our Company, the Managing Director shall be entitled for House Rent Allowance subject to the ceiling laid down in the Housing I.

##### **Explanation:**

The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income tax Rule, 1962. This shall, however, be subject to a ceiling of 10 % of the Salary of the Managing Director.

- (ii) Medical Reimbursement: Expenses incurred by the Managing Director and his family subject to a ceiling "of " one month salary in a year or three months' salary over a period of three years.
- (iii) Leave Travel Concession: Once in a year, expenses incurred by the Managing Director and his family, in accordance with any rules specified by the Company.
- (iv) Club Fees: Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal Accident Insurance: Premium not to exceed Rs. 10,000/- per annum.

In addition to the perquisites at (i) (ii), (iii), (iv) and (v) as above, the Managing Director shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on perquisites.

## NITCO TILES LIMITED

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### Part B:

1. Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.
2. Gratuity payable at a rate not exceeding half a month's salary for each year of completed service.
3. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling or perquisites.

### Part C:

Provision of a car for use of Company's business and a telephone at his residence will not be considered as perquisites. Personal long distance telephonic calls and the use of the car for private purposes shall be billed by the Company to the Managing Director.

Notwithstanding anything contained hereinabove, where in any financial year during the currency of his tenure as the Managing Director of the Company, the Company has no profits or its profits are inadequate, the Company may pay remuneration to Mr. Vivek Talwar by way of salary, perquisites and any other allowances not exceeding the ceiling limit of Rs. 2,400,000/- per annum or Rs. 200,000/- per month.

In calculation of the said ceiling, perquisites as defined in Part B of Clause 2 shall not be included.

The Board of Directors is also hereby authorised to enhance, alter or vary the scope and quantum of remuneration and perquisites of Mr. Vivek Talwar in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956.

## 2. Terms of appointment and compensation of Ms. Poonam Talwar, Wholetime Director:

In the AGM of our Company held on December 20, 2002, our shareholders have approved the appointment of, our Whole Time Director:

Terms of appointment and compensation of Ms. Poonam Talwar, Whole Time Director: is as follows:

Ms. Poonam Talwar has been appointed as Whole Time Director of our Company for a period of five years from April 1, 2002 to March 31, 2007 as per the following terms and conditions:

### Remuneration:

1. Salary: Rs. 50,000/- per month

### Part A:

- (i) Housing I: The expenditure by the Company on hiring furnished accommodation for the Wholetime Director will be subject to a ceiling of 40 % of the salary.

Housing II: In case the accommodation is owned by the Company, 10 % of the salary of the Wholetime Director shall be deducted by the Company.

Housing III: In case no accommodation is provided by the Company, the Wholetime Director shall be entitled to House Rent Allowance at the rate of 40% of the salary

- (ii) Medical Reimbursement: Expenses incurred for Ms. Poonam Talwar and her family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
- (iii) Leave Travel Concession: Once in a year, expenses incurred by Ms. Poonam Talwar and her family in accordance with any rules specified by the Company.
- (iv) Club Fees: Fees of club subject to a maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal Accident Insurance: Premium not to exceed Rs. 4,000/- per annum.

In addition to the perquisites at (i) (ii), (iii), (iv) and (v) as above, Ms. Poonam Talwar shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on perquisites.

**Part B:**

1. Contribution to provident fund, superannuation fund or annuity fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together are not taxable under the Income Tax Act.
2. Gratuity payable at a rate not exceeding half a month's salary for each year of completed service.
3. Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling or perquisites.

**Part C:**

4. Provision of car for use on Company's business and a telephone at her residence will not be considered as perquisites. Personal long distance telephonic calls and the use of the car for private purposes shall be billed by the Company to the Wholetime Director.
5. Notwithstanding anything contained hereinabove, where in any financial year during the currency of her tenure as Wholetime Director of the Company, the Company has no profits or its profits are inadequate, the Company may pay remuneration to Ms. Poonam Talwar by way of salary, perquisites and any other allowances not exceeding the ceiling limit of Rs. 1,200,000/- per annum or Rs. 100,000/- per month.

In calculation of the said ceiling, perquisites as defined in Part B of Clause 2 shall not be included.

6. The Board of Directors is hereby authorised to enhance, alter or vary the scope and quantum of remuneration and perquisites of Ms. Poonam Talwar in the light of and in conformity with any amendments to the relevant provisions of the Companies Act, 1956.

**Shareholding of the Directors in our Company**

The following table provides the details of the shareholding of the directors of and as on date:

<b>Name of Shareholder</b>	<b>Number of shares</b>	<b>% Shareholding</b>
Mr. Pran Nath Talwar	302,661	2.47
Mr. Vivek Talwar	3,084,487	25.14
Ms. Poonam Talwar	62,562	0.51
Mr. Dinesh H. Kanabar	15,000	0.12

**Changes in Our Board of Directors during last 3 years**

The changes in the Board of Directors of our Company during last three years are as under:

<b>Name of Director</b>	<b>Date of change</b>	<b>Reasons for change</b>
Mr. Sandip C. Shah	April 14, 2003	Resigned as director
Mr. N. P. Subramanian	June 4, 2004	Ceased to be a nominee director
Mr. S. K. Bhardwaj	September 23, 2005	Appointed as additional director
Mr. Atul Sud	September 23, 2005	Appointed as additional director

**Interest of Promoters and / or Directors**

All the Directors of our Company may be deemed to be interested to the extent of sitting fees and/or other remuneration if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of reimbursement of expenses if any payable to them under our Articles of Association. The Managing Director and the Whole Time Director will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company.

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All our Directors may also be deemed to be interested in the Equity Shares in our Company, if any, held by them, their relatives or by the companies and firms in which they are interested as directors / members / partners or that may be subscribed for and allotted to them, out of the present Issue in terms of this Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, our Company has entered into leave and license agreements for properties owned by its group entities / Promoters. Our Promoters will be interested to the extent of interest free deposits and license fees as per details given below:

S. No.	Name and Address of the Property	Licensor	Interest Free Deposit (Rs. in Million)	License Fee (Rs.)	Date of the Agreement	Tenure
1	Recondo Compound, S.K.Ahira Marg, Worli, Mumbai - 400 025, Office No. 4	Enjoy Builders Pvt. Ltd.	12	29,000 p.m.	November 21, 2005	3 Years
2	Recondo Compound, S.K.Ahira Marg, Worli, Mumbai - 400 025, Office No. 3	Rang Mandir Builders Pvt Ltd.	12	28,000 p.m.	November 21, 2005	3 Years
3	Recondo Compound, S.K.Ahira Marg, Worli, Mumbai - 400 025, Office No. 5	Usha Kiran Builders Pvt Ltd	9	21,000 p.m.	October 1, 2005	3 Years
4	Recondo Compound, S.K.Ahira Marg, Worli, Mumbai - 400 025, Office No. 7	Lavender properties Pvt. Ltd.	9	21,000 p.m.	November 21, 2005	3 Years
5	Recondo Compound, S.K.Ahira Marg, Worli, Mumbai - 400 025, Office No. 8	Eden Garden Builders Pvt Ltd.	9	21,000 p.m.	October 1, 2005	3 Years
6	Recondo Compound, S.K. Ahira Marg, Worli, Mumbai - 400 025, Office No. 6	Prakal Properties Pvt. Ltd.	9	20,000 p.m.	November 21, 2005	3 Years
7	Plot No.3, Kanjur Village Marg (East), Mumbai - 400 042	Particle Boards India Ltd.	60	2,00,000 p.m.	October 1, 2005	3 Years
8	Office No. 86-B, 8th Floor, Maker Chamber III, Nariman Point, Mumbai - 400 021.	Northern India Tiles (Sales) Corporation	10	15,000 p.m.	November 21,	3 Years
9	Office No. 85-B, 8th Floor, Maker Chamber III, Nariman Point, Mumbai - 400 021.	Mr. Vivek Talwar	20	25,000 p.m.	November 21, 2005	3 Years
10	86-IDA Jeedimetla, Hyderabad - 500854	Nitco Tiles and Marble (Andhra) Pvt Ltd.	-	85,000 p.m.	Letter dated April 11, 2005	1 year

For further information on transactions which our Company has entered into with companies in which our Promoters and / or Directors are interested, please refer to the section titled 'Financial Information' on page no. 109 of this Prospectus.

Mr. Pran Nath Talwar, a promoter / director of our Company, is one of the partners of The Northern India Tiles Corporation (Delhi) which has given our Company an adequate right to use the brand "NITCO" for all tiles. For further details, please refer to the section titled 'Government and Other Approvals' on page no. 155 of this Prospectus.

All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they have direct /indirect interest or any partnership firm in which they are partners.

#### **Property acquired by our Promoters and/or Directors within two years**

Our Company has not acquired any Property in last two years from the Promoters and/or Directors of our Company or from any company in which they are directly and/or indirectly related.

#### **Corporate Governance**

Our Company stands committed to good Corporate Governance practices based on the principles such as accountability, transparency in dealings with our stakeholders, emphasis on communication and transparent reporting.

The SEBI Guidelines issued in respect of Corporate Governance will be applicable to us immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, we have undertaken steps to comply with the SEBI Guidelines on Corporate Governance.

The Board has six Directors, of which three are independent directors in accordance with the requirements of clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is a non-executive Director. Committees of the Board have been constituted in order to look into the matters in respect of audit, compensation of whole time directors, shareholders / Investors Grievance Redressal, details of which are as follows:

#### **Audit Committee**

The Audit Committee was constituted on December 15, 2000 with Mr. Pran Nath Talwar, Mr. Vivek Talwar and Mr. Dinesh H. Kanabar as its members. The Committee has been re-constituted on September 23, 2005 and currently consists of three directors Mr. Dinesh H. Kanabar, Chairman, Mr. S.K Bhardwaj, Mr. Vivek Talwar. Mr. Vivek Talwar is the Managing Director of our Company and the other two are Independent Directors on the Board. Further, Mr. Dinesh H. Kanabar has finance and accounting background.

The terms of the Audit Committee is to comply with the requirements of Section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange (s). The scope of Audit Committee shall include but shall not be restricted to the following:

1. Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board
2. Investigate any activity within its terms of reference
3. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
4. Review, with the management, of the annual financial statements
5. Review, with the management, and the external and internal auditors, of the adequacy of internal control systems
6. Review of the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
7. Review of our Company's financial and risk management policies
8. Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

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### Remuneration Committee

The Remuneration Committee was constituted on March 27, 2002 with Mr. Dinesh H. Kanabar, Mr. Sandip Shah and Mr. N. P. Subramanian as its members. The Committee has been re-constituted on September 23, 2005. The committee currently consists of three directors, Mr. Atul Sud, Mr. Dinesh H. Kanabar and Mr. S. K. Bhardwaj. All the directors are Independent Directors. The members shall elect the chairman of the committee from amongst themselves.

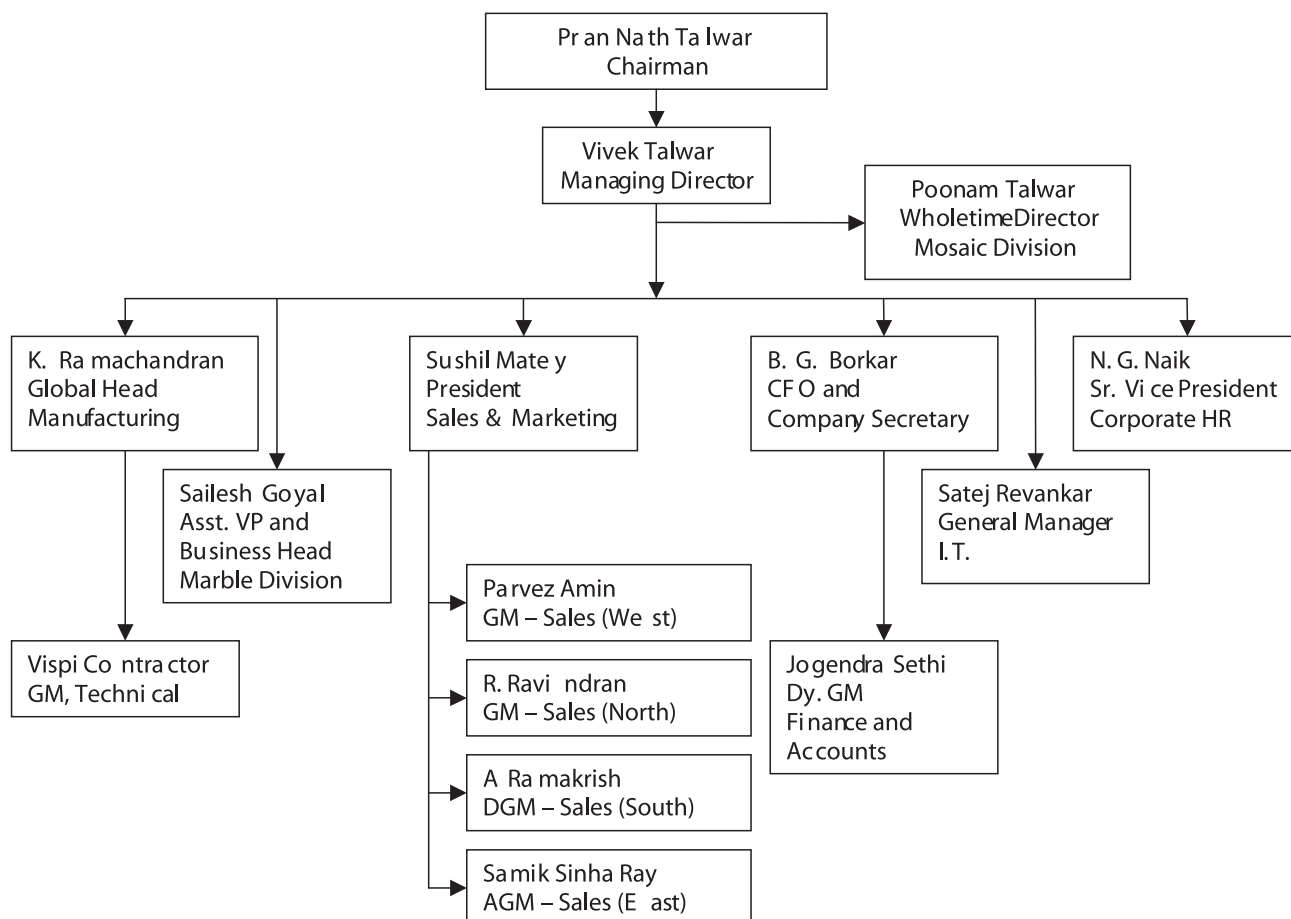
The committee has been formed to decide and approve the terms and conditions for appointment of executive directors and/or wholetime directors and remuneration payable to other directors and other matters related thereto.

### Shareholders / Investor Grievance and Share Transfer Committee

The Shareholders / Investor Grievance Committee has been constituted on September 23, 2005. The Committee currently consists of three directors, Mr. S. K. Bhardwaj, Chairman, Mr. Atul Sud and Mr. Vivek Talwar. Out of the three directors, two directors are Independent Directors on the Board.

The committee has been constituted to look into the redressal of shareholders and investors' complaints like non-receipt of share certificates sent for transfer, non receipt of balance sheets, non receipt of declared dividends etc. The committee also approves issue of duplicate share certificates and oversees the matters connected with the transfer of securities.

### Organisational Chart



## Key Managerial Personnel

The key managerial personnel of our Company are as follows: Mr. Vivek Talwar - Managing Director - For a brief profile, kindly refer to the section titled 'Our Management' on page no. 71 of this Prospectus; Ms. Poonam Talwar - Wholetime Director - For a brief profile, kindly refer to the section titled 'Our Management' on page no. 71 of this Prospectus.

**Mr. K. Ramachandran – Global Head-Manufacturing**, aged 56 years, holds a degree in Mechanical Engineering from IIT Madras, a degree from the Institute of Cost and Works Accountants of India and a Diploma in Ceramics from Indian Institute of Ceramic Technology, Jadavpur University, Kolkata. He has more than 27 years of experience in ceramic tiles manufacturing. He joined our Company in August 1995 and was responsible for setting up of the Greenfield project for manufacture of ceramic floor tiles at Alibaug. He is responsible for the entire manufacturing operations of the ceramic tiles unit at Alibaug and is also responsible for ensuring the quality standards by the outsourcing vitrified tiles unit to China. He left the organization in March 2001 and rejoined the company in August 2003. During this time, he worked as a Director Technical of Sanex SRL, Romania, a company engaged in the manufacture of ceramic tiles and sanitaryware. His compensation for FY 2005, including all benefits was Rs. 2.55 mn.

**Mr. B. G. Borkar – Chief Financial Officer and Company Secretary (CFO & CS)**, aged 43 years, has graduated in Commerce from the University of Mumbai and is also a Qualified Chartered Accountant and Qualified Company Secretary. He joined our Company in August 1995 during the implementation of the Greenfield project for manufacture of ceramic tiles at Alibaug and was responsible for project funding as well as setting up the systems and procedures. He is responsible for accounts, finance and secretarial functions. Prior to joining us, he was the Financial Controller and Company Secretary with J.F.Laboratories Limited for a period of four years. His compensation for FY 2005, including all benefits was Rs. 2.80 mn.

**Mr. Sushil Matey - President–Sales and Marketing**, aged 41 years, holds a degree in Electronics and Power from VRCE, Nagpur. He holds a Post Graduate Diploma in Management from IIM, Calcutta. He joined our Company in April 2002 and is responsible for the entire sales and marketing function of our company excluding marble and mosaic tiles division. Prior to joining us, he was the Head of Sales – National for LML Limited for a period of one year and four months. His compensation for FY 2005, including all benefits was Rs. 2.95 mn.

**Mr. N.G.Naik – Sr.Vice President-Corporate HR**, aged 49 years, holds a degree in Commerce from Karnataka University and also done an LLB, a Diploma in Labour Laws and Labour Welfare and a Master of Labour Studies from University of Mumbai. He joined our Company in December 1996 and is responsible for the entire HR and IR functions. Prior to joining us, he was the Manager - Personnel with Unichem Laboratories Limited in their Corporate HR department for a period of one and half years. His compensation for FY 2005, including all benefits was Rs. 2.15 mn.

**Mr. Sailesh Goyal – Associate Vice President and Buss. Head – Marble Division**, aged 41 years, holds a degree in Civil Engineering from Sardar Patel University, Gujarat and also done MBA with specialization in Marketing. He joined our Company in June 2000. He is responsible for the entire business of the marble division of our Company. Prior to joining us, he was working as Assistant General Manager – Business Development and Projects with Gateway Distriparks Limited for a period of three and half years. His compensation for FY 2005, including all benefits was Rs. 1.66 mn.

**Mr. Vispi Contractor – General Manager- Technical**, aged 50 years, holds a degree in Science from Gujarat University and also done M.S. in Ceramic Engineering from Alferd University, U.S.A. He joined our Company in March 2005. Prior to joining us, he was working as Sr. Manager- Technology and Quality for a period of twenty five years with Grindwell Norton Limited. During his twenty five years of service, he has handled development, quality control and process control functions of ceramic products. He is drawing a compensation of Rs. 1.46 mn. per annum.

**Mr. Satej Revankar –General Manager- IT**, aged 37 years, holds a degree in Chemical Engineering from Mumbai University and has also done MMS from NMIMS, Mumbai. He joined us in December 2003. Prior to joining us, he was working as IT Manager with PRS Permacel Private Limited;[ erstwhile Division of Johnson and Johnson ] for a period of four years. His compensation for FY 2005, including all benefits was Rs. 1.17 mn.

**Mr. Parvez Amin – General Manager- Sales (Western Zone)**, aged 47 years, holds a degree in Commerce from Osmania University, Hyderabad. He joined us in December 2002. Prior to joining us, he was working as Regional Sales Manager with Godrej Appliances Limited for a period of twenty-two years. His compensation for FY 2005, including all benefits was Rs. 1.04 mn.

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**Mr. R. Ravindran – General Manager- Sales (Northern Zone)**, aged 45 years, holds a degree in Arts from Delhi University. He joined us in November 2004. Prior to joining us, he was working as General Manager with Murudeshwar Ceramics Limited for a period of two years. He is drawing a compensation of Rs. 0.85 mn. per annum.

**Mr. A. Ramkrish – Deputy General Manager-Sales (Southern Zone)**, aged 43 years, holds a post-graduate degree in Commerce from Bhartiya University and also done an MBA from Madras University. He joined us in November 2002. Prior to joining us, he was working as Regional Manager with IFB Industries Limited for a period of three years. His compensation for FY 2005, including all benefits was Rs. 0.86 mn.

**Mr. Jogendra Sethi – Deputy General Manager-Finance and Accounts**, aged 39 years, holds a degree in Commerce from Meerut University and also done his CA and ICWA. He joined us in March 2005. Prior to joining us, he was working as Assistant General Manager- Finance with Vidyut Metalics Private Limited for a period of three years. He is drawing a compensation of Rs. 1.10 mn. per annum.

**Mr. Samik Sinha Ray – Assistant General Manager- Sales (Eastern Zone)**, aged 41 years, holds a degree in Commerce from Calcutta University. He joined us in November 2002. Prior to joining us, he was working as Regional Manager with Hindustan Sanitaryware and Industries Limited for a period of two years. His compensation for FY 2005, including all benefits was Rs. 0.75 mn.

The key managerial personnel whose names appear above are the permanent employees and are on the rolls of our Company.

### Shareholding of Key Managerial Personnel

The shareholding of the key employees except for Directors of our Company as on the date of this Prospectus is as given below:

Name of Key Managerial Personnel	No. of Equity Shares
Mr. Vivek Talwar	3,084,487
Ms. Poonam Talwar	62,562
Mr. K. Ramachandran	50,400
Mr. B.G.Borkar	51,200
Mr. Sushil Matey	50,000
Mr. N. G. Naik	50,000
Mr. Sailesh Goyal	50,000

### Changes in Key Managerial Personnel in last three years

There have been the following changes in the key managerial personnel of our Company in the last three years:

Name	Designation	Date of Joining	Date of Leaving
Mr. Satej Revankar	General Manager –IT	December 1, 2003	-
Mr. Rohit Jaykar	Vice President – Operations	-	February 1, 2004
Mr. R. Ravindran	General Manager-Sales (Northern Zone)	November 10, 2004	-
Mr. Sanjay Arora	Assistant General Manager – Sales	-	February 1, 2005
Mr. Balasubramanian Iyer	Assistant General Manager – Accounts	-	February 16, 2005
Mr. Vispi Contractor	General Manager-Technical	March 21, 2005	-
Mr. Jogendra Sethi	Dy. General Manager-Finance and Accounts	March 5, 2005	-

**Bonus or Profit Sharing Plan for the Key Managerial Personnel**

Our Company does not have any bonus or profit-sharing plan for Key Managerial Personnel. The Key Managerial Personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and to the extent of benefits derived on Equity Shares held by them in our Company.

**Employees Stock Option Scheme**

Our Company has not granted any stock options to the employees.

**Non Salary Related Payment or Benefit to Employees/Key Managerial Personnel of our Company**

There has been no other payment or benefit given to the employees / key managerial personnel of our Company other than salary

## NITCO TILES LIMITED

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### 6. OUR PROMOTERS

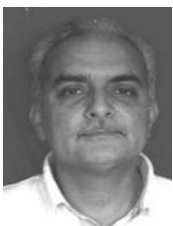
The Promoters of our Company are Mr. Pran Nath Talwar, Mr. Vivek Talwar, and Aurella Estate and Investments Private Limited. The brief profile of our Promoters is as follows:



**Mr. Pran Nath Talwar**, aged 79 years, is the Chairman of our Company. He started his industrial venture in 1956 by setting up a partnership firm Northern India Tiles Corporation (Delhi) for manufacturing mosaic tiles. He is a founder of Nitco Group and our Company. He has 50 years of experience in tile industry. He has been instrumental in the growth of the Nitco Group. In recognition of his contribution to industry, in the year 1999 and 2000, he received award from Institute of Trade and Industrial Development for excellence in Industrial performance.

Personal details are as under:

Permanent Account Number	AAAPT3992J
Voters ID Number	MT/04/024/045991
Passport Number	E 2544879
Driving License	Not available
Bank Account Number	11000065902, HDFC Bank Limited, Nariman Point Branch, Mumbai.



**Mr. Vivek Talwar**, son of Mr. Pran Nath Talwar and aged 49 years, is the Managing Director of our Company. He has over 25 years of experience in the tile industry. He joined our Company as a director in 1980. The operational responsibility and the day-to-day functioning of our Company were gradually handed over to him. He was instrumental in setting up plant at Alibaug to manufacture ceramic floor tiles and also in diversifying the business of our Company by entering into new activities such as marketing of imported - marble and vitrified tiles in India.

Personal details are as under:

Permanent Account Number	AAAPT3994Q
Voters ID Number	MT/04/024/046003
Passport Number	Z 1591738
Driving License	531209
Bank Account Number	38370, Punjab National Bank, Nariman Point Branch, Mumbai.

We confirm that the Permanent Account Number, Passport Number and Bank Account Number of all the above individual promoters have been submitted to BSE and NSE at the time of filing this Prospectus with them.

## PROMOTER COMPANY

### Aurella Estate and Investments Private Limited

Aurella Estate and Investments Private Limited was incorporated on April 6, 1995, in the State of Maharashtra. The Company was promoted by Mr. Vivek Talwar. It is engaged in the business of investments. The shareholding of Aurella Estate and Investments Private Limited is as follows:

Name of the Shareholder	Number of shares held	% of number of shares held
Mr. Vivek Talwar	190	95%
Mr. P. D. Purohit	10	5%
<b>Total</b>	<b>200</b>	<b>100%</b>

The share capital of company also consists of 9,800 6% Non-Cumulative Redeemable Preference Shares of Rs. 10/- each aggregating to Rs. 0.09 mn.

We confirm that the Permanent Account Number, Bank Account Number, the Company's registration number and the address of the ROC where the promoter company is registered has been submitted to BSE and NSE at the time of filing this Prospectus with them.

### Board of Directors

The Board of Directors of Aurella Estate and Investments Private Limited as on November 30, 2005 consisted of:

Name of Directors	Designation
Mr. J B Shetty	Director
Mr. N G Naik	Director

### Financial Performance

(Rs. in million, except per share data)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	-	-	-
Profit after tax	(0.002)	(0.002)	(0.002)
Equity Share Capital (FV of Rs.10 per share)	0.002	0.002	0.002
Reserves and Surplus*	(0.03)	(0.03)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	(18.02)	(11.70)	(8.55)
Book Value per share (Rs.)	(134.23)	(116.21)	(104.51)

\* Adjusted for miscellaneous expenditure

### Relationship between the Promoters, Directors and Key Managerial Personnel

S. No.	Director	Relationship with	Relationships
1	Mr. Pran Nath Talwar	Mr.Vivek Talwar Ms.Poonam Talwar	Son Daughter
2	Mr.Vivek Talwar	Mr. Pran Nath Talwar Ms.Poonam Talwar	Father Sister
3	Ms. Poonam Talwar	Mr. Pran Nath Talwar Mr.Vivek Talwar	Father Brother

Except as stated above, there is no relation between any Promoters, Directors and Key Managerial Personnel of our Company.

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### Common Pursuits

The list of the entities having similar line of activity is given below:

S. No.	Name of the Entity	Similar line of activities
1	Nitco Tiles and Marble Industries (Andhra) Private Limited	Manufacturing and marketing of mosaic tiles
2	Nitco Construction Materials Private Limited	Manufacturing, buying and selling of mosaic tiles
3	Nitco Terrazzo Tiles Pvt Limited	Manufacturing and marketing of mosaic tiles
4	Nitco Tiles Sales Corporation, Bombay	Trading in terrazzo and mosaic tiles
5	Northern India Tiles (Sales) Corporation	Trading in terrazzo tiles and imported marble
6	Nitco Exports	Trading in mosaic tiles
7	Nitco Tiles	Trading in mosaic tiles
8	The Northern India Tiles Corporation (Delhi)	Trading and manufacturing of mosaic tiles
9	Nitco Sales Corporation (Delhi)	Trading in mosaic tiles
10	Maharashtra Marble Company	Trading in marble
11	Mahalakshmi Tiles Corporation	Trading in Mosaic Tiles

For further details, please refer to the section titled 'Our Group Companies' on page no. 85 of this Prospectus.

### Interest of the Promoters

Please refer to the section titled 'Our Management' on page no. 71 of this Prospectus.

### Property acquired by our Company in the last two years

Our Company has not acquired any Property in last two years from the Promoters of our Company or from any company in which the Promoters are directly and/or indirectly related.

### Payment or benefit to the Promoters

The Promoters and Directors of our Company may be deemed to be interested to the extent of remuneration received by them in their respective capacities and reimbursement of expenses and to the extent of any Equity Shares of our Company held by them. There is no interest of Promoters or any payment or benefit to Promoters / Directors other than as mentioned in the section titled 'Our Management' on page no. 71 of this Prospectus.

### Related Party Transactions

For related party transactions, please refer to the section titled 'Related Party Transactions' on page no. 107 of this Prospectus.

## 7. OUR GROUP COMPANIES

The companies, which can be classified as our Group Companies are as under:

### Nitco Paints Pvt. Ltd.

Nitco Paints Private Limited was incorporated on June 19, 1981 as a private limited company under the Companies Act, 1956. The company is engaged in the business of manufacturing, producing, processing, selling, distributing, dealing in, importing and exporting of paints, primers, and concrete additives.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Pran Nath Talwar	1400	14.00
Mr. Vivek Talwar	2475	24.75
Vivek Talwar (HUF)	1000	10.00
Mrs. Rajeshwari Talwar	1355	13.55
Others	3770	37.70
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Pran Nath Talwar	Director
Mr. Vivek Talwar	Director
Ms. Poonam Talwar	Director
Mr. Sanjiv Batra	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	355.45	319.87	272.20
Profit after tax	21.46	22.66	16.49
Equity Capital (FV of Rs.100 per share)	1.00	1.00	1.00
Reserves and Surplus*	137.28	115.98	93.49
Dividend (%)	15.00	15.00	15.00
Earning Per Share (Rs.)	2146.30	2266.20	1648.80
Book Value per share (Rs.)	13827.80	11698.70	9449.40

\*Adjusted for Miscellaneous expenditure

## NITCO TILES LIMITED

### Nitco Tiles & Marble Industries (Andhra) Pvt. Ltd.

Nitco Tiles & Marble Industries (Andhra) Private Limited was incorporated on November 9, 1977 as a private limited company under the Companies Act, 1956 The Company is engaged in the business of manufacturing & marketing of mosaic tiles.

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Pran Nath Talwar	4385	14.62
Ms. Poonam Talwar	23490	78.30
Others	2125	7.08
<b>Total Equity Shares</b>	<b>30000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Pran Nath Talwar	Director
Mr. Vivek Talwar	Director
Mrs. Rajeshwari Talwar	Director
Ms. Poonam Talwar	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	23.24	17.05	15.31
Profit after tax	3.09	0.29	0.35
Equity Capital (FV of Rs.100 per share)	0.66	0.66	0.66
Reserves and Surplus*	17.79	14.70	14.47
Dividend (%)	Nil	Nil	Nil
Earning Per Share (Rs.)	467.47	44.48	53.55
Book Value per share (Rs.)	2791.17	2323.60	2289.56

\*Adjusted for Miscellaneous expenditure



### Nitco Construction Materials Pvt. Limited

Nitco Construction Materials Pvt. Limited was incorporated on April 24, 1969 as a private limited company under the Companies Act, 1956. The company is engaged in the business of manufacturing, buying and selling mosaic tiles

#### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Pran Nath Talwar	10510	33.90
Mr. Vivek Talwar	7500	24.19
Mrs. Rajeshwari Talwar	10490	33.84
Ms. Poonam Talwar	600	1.94
Others	1900	6.13
<b>Total Equity Shares</b>	<b>31000</b>	<b>100.00</b>

#### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Pran Nath Talwar	Director
Mr. Vivek Talwar	Director
Mrs. Rajeshwari Talwar	Director
Ms. Poonam Talwar	Director

#### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Millions)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.80	2.19	2.40
Profit after tax	0.18	0.83	1.02
Equity Capital (FV of Rs.100 per share)	3.10	3.10	3.10
Reserves and Surplus*	18.98	18.80	18.33
Dividend (%)	-	-	-
Earning Per Share (Rs.)	5.71	26.90	32.81
Book Value per share (Rs.)	712.17	706.45	691.45

\*Adjusted for Miscellaneous expenditure

## NITCO TILES LIMITED

### Nitco Terrazzo Tiles Pvt. Ltd.

Nitco Terrazzo Tiles Pvt. Ltd. was incorporated on November 29, 1983 as a private limited company under the Companies Act, 1956. The company is engaged in the business of manufacturing & marketing of mosaic tiles.

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Pran Nath Talwar	8330	23.80
Mr. Vivek Talwar	5460	15.60
Mrs. Rajeshwari Talwar	11600	33.14
Ms. Poonam Talwar	6385	18.24
Others	3225	9.22
<b>Total Equity Shares</b>	<b>35000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Pran Nath Talwar	Director
Mrs. Rajeshwari Talwar	Director
Mr. Vivek Talwar	Director
Ms. Poonam Talwar	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	39.03	32.60	30.00
Profit after tax	2.26	2.39	2.30
Equity Capital (FV of Rs.100 per share)	3.50	3.50	3.50
Reserves and Surplus *	(0.48)	(2.74)	(5.13)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	64.54	68.31	65.71
Book Value per share (Rs.)	86.29	21.74	(46.57)

\*Adjusted for Miscellaneous expenditure

### Watco Engineering Co. Pvt. Ltd.

Watco Engineering Co. Pvt. Ltd was incorporated on December 4, 1973 as a private limited company under the Companies Act, 1956 in the name of Watco Corrosion Services Pvt. Ltd. Subsequently, the name of the company was changed to Watco Chemicals Pvt. Ltd. and then to Watco Engineering Company Pvt. Ltd in February 1975. The company is engaged in the business of trading, investments & real estate development.

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mrs. Anjali Talwar	50000	76.92
Mr. Rohan Talwar	7500	11.54
Ms. Sanjana Talwar	7500	11.54
<b>Total Equity Shares</b>	<b>65000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr.Avinash Jagtap	Director
Mr.Zaver Dadina	Director

### Financial Performance

The audited financial performance for the last three financial year is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	17.14	10.75	56.40
Profit after tax	10.00	3.55	25.11
Equity Capital (FV of Rs.10 per share)	0.65	0.65	0.65
Reserves and Surplus*	56.02	46.02	42.47
Dividend (%)	-	-	-
Earning Per Share (Rs.)	153.89	54.57	386.23
Book Value per share (Rs.)	871.83	717.93	663.35

\*Adjusted for Miscellaneous expenditure

## NITCO TILES LIMITED

### Nitco Consultants & Exports Pvt. Ltd.

Nitco Consultants & Exports Private Limited was incorporated on November 16, 1976 as a private limited company under the Companies Act, 1956. The company is an investment company.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr.Vivek Talwar	4732	94.64
Others	268	5.36
<b>Total Equity Shares</b>	<b>5000</b>	<b>100</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. P D Purohit	Director
Mr. Bhushan Punekar	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.03	0.03	0.03
Profit after tax	0.02	0.02	0.02
Equity Capital (FV of Rs.100 per share)	0.50	0.50	0.50
Reserves and Surplus*	1.02	0.99	0.99
Dividend (%)	-	-	-
Earning Per Share (Rs.)	4.75	4.73	3.12
Book Value per share (Rs.)	303.87	299.12	294.39

\*Adjusted for Miscellaneous expenditure

### Norita Investments Pvt. Ltd.

Norita Investments Private Limited was incorporated on November 4, 1988 as a private limited company under the Companies Act, 1956. The company is engaged in the business of investment and trading.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr.Vivek Talwar	9980	99.80
Mrs. Anjali Talwar	20	0.20
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. P D Purohit	Director
Mr Y R Singh	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	(0.01)	(0.00)	(0.00)
Equity Capital (FV of Rs.10 per share)	0.10	0.10	0.10
Reserves and Surplus*	(0.07)	(0.06)	(0.06)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	(0.50)	(0.40)	(0.40)
Book Value per share (Rs.)	3.05	3.60	4.00

\*Adjusted for Miscellaneous expenditure

## NITCO TILES LIMITED

### Particle Boards India Ltd.

Particle Board India Limited was incorporated on May 11, 1961 as a public limited company under the Companies Act, 1956. As stated in the main objects in its Memorandum of Association, the company is into manufacturing particle boards and related by-products and is permitted to carry on any other business (manufacturing or otherwise) which may seem convenient and profitable. The company is currently engaged in the business of warehousing services.

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr Pran Nath Talwar	3955	15.82
Mr.Vivek Talwar	5320	21.28
Mr.Vivek Talwar (HUF)	2961	11.84
Mrs. Rajeshwari Talwar	4000	16.00
Mrs. Anjali Talwar	3144	12.58
Others	5620	22.48
<b>Total Equity Shares</b>	<b>25000</b>	<b>100.00</b>

The company has also issued 5000 9.30% Cumulative Redeemable Preference Shares of Rs.10/- each.

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Anup Parashar	Director
Mr. P.D.Purohit	Director
Mr. Sanjeev Batra	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	3.35	3.30	3.75
Profit after tax	0.05	(0.01)	(0.01)
Equity Capital (FV of Rs. 100 per share)	2.50	2.50	2.50
Reserves and Surplus*	(2.93)	(2.98)	(2.97)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	1.91	(0.44)	(0.28)
Book Value per share (Rs.)	(17.31)	(19.22)	(18.80)

\*Adjusted for Miscellaneous expenditure

### Ferocity Properties Pvt. Ltd.

Ferocity Properties Pvt. Ltd. was incorporated on September 16, 2003 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company has not yet started any commercial activity.

#### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	4900	49.00
Mrs. Anjali Talwar	5000	50.00
Others	100	10.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

#### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Avinash Jagtap	Director
Mr. Madhiyala Ramdas	Director

### Financial Performance

The audited financial performance for the last two financial years is as given below:

(Rs. in Million)

For the year ended		FY 2005	FY 2004
Total Income		0.00	0.00
Profit after tax		0.00	0.00
Equity Capital (FV of Rs.10 per share)		0.10	0.10
Reserves and Surplus*		(0.12)	(0.01)
Dividend (%)		-	-
Earning Per Share (Rs.)		0.00	0.00
Book Value per share (Rs.)		(2.43)	9.11

\*Adjusted for Miscellaneous expenditure

### Opera Properties Pvt. Ltd.

Opera Properties Pvt. Ltd was incorporated on June 21, 1996 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

#### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	2500	50.00
Mrs. Anjali Talwar	2500	50.00
<b>Total Equity Shares</b>	<b>5000</b>	<b>100.00</b>

## NITCO TILES LIMITED

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Vivek Talwar	Director
Mrs. Anjali Talwar	Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs.100 per share)	0.50	0.50	0.50
Reserves and Surplus*	(0.17)	(0.12)	(0.10)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	66.88	76.11	79.13

\*Adjusted for Miscellaneous expenditure

### Cosmos Realtors Pvt. Ltd.

Cosmos Realtors Pvt. Ltd. was incorporated on April 18, 2005 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr.Vivek Talwar	5000	50.00
Mr.Dharamdas N. Mehta	5000	50.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Vivek Talwar	Director
Mr.Dharamdas N. Mehta	Director

#### Rhythm Real Estates Pvt. Ltd.

Rhythm Real Estates Pvt. Ltd. was incorporated on April 21, 2005 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	5000	50
Mr. Dharamdas N. Mehta	5000	50
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

#### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr.Vivek Talwar	Director
Mr. Dharamdas N. Mehta	Director

#### Orchid Realtors Pvt. Ltd.

Orchid Realtors Pvt. Ltd. was incorporated on April 18, 2005 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	5000	50.00
Mr. Dharamdas N. Mehta	5000	50.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

#### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr.Vivek Talwar	Director
Mr.Dharamdas N. Mehta	Director

#### Anandshree (Bombay) Holding Pvt. Ltd.

Anandshree (Bombay) Holding Pvt. Ltd. was incorporated on March 26, 1985 as a private limited company under the Companies Act, 1956 and the company is in the business of real estate development.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Rakesh Kumar Wadhwan	3800	50.33
Mr. Vivek Talwar	1750	23.18
Mr. Niranjani Hiranandani	1750	23.18
Others	250	3.31
<b>Total Equity Shares</b>	<b>7550</b>	<b>100.00</b>

## NITCO TILES LIMITED

### Board of Directors as on November 30, 2005

Name of Directors		Designation
Mr. Vivek Talwar		Director
Mr. N.Hiranandani		Director
Mr. V.K.Anand		Director

### Financial Performance

The audited financial performance for the last three financial years is as given below:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.40	0.00	0.00
Profit after tax	0.36	0.00	(0.55)
Equity Capital (FV of Rs.100 per share)	0.76	0.76	0.73
Reserves and Surplus	(.82)	(1.18)	(1.18)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	47.01	0.14	(76.61)
Book Value per share (Rs.)	(8.76)	(55.77)	(62.37)

\* Adjusted for Miscellaneous expenditure

### Merino Realtors Pvt. Ltd.

Merino Realtors Pvt. Ltd was incorporated on 3rd August 2005 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Dharamdas N. Mehta	5000	50.00
Mr. Vivek Talwar	5000	50.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors		Designation
Mr. Dharamdas N. Mehta		Director
Mr. Vivek Talwar		Director



### Eden Garden Builders Pvt. Ltd

Eden Garden Builders Pvt. Ltd. was incorporated on June 23, 1998 as a private limited company under the Companies Act, 1956. The company is in the business of real estate development.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	9800	98.00
Others	200	2.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Madiyali Ramdas	Director
Mr. Nandkumar	Director

### Financial Performance

The audited financial performance for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs.10 per share)	0.002	0.002	0.002
Reserves and Surplus*	(0.03)	(0.02)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	(113.27)	(101.26)	(10.18)

\* Adjusted for Miscellaneous expenditure

### Enjoy Builders Pvt. Ltd.

Enjoy Builders Pvt. Ltd. was incorporated on January 28, 1998 as a private limited company under the Companies Act, 1956. The company is in the business of real estate development.

Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	9800	98.00
Mr. Vinay Punjabi	10	0.10
Mr. B.G. Borkar	190	1.90
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

## NITCO TILES LIMITED

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mrs. Zaver Dadina	Director
Mr. Bhushan Punekar	Director

### Financial Performance

The audited financial performance for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs.10 per share)	0.002	0.002	0.002
Reserves and Surplus *	(0.02)	(0.02)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	(91.27)	(83.76)	(91.75)

\* Adjusted for Miscellaneous expenditure

### Lavender Properties Pvt. Ltd.

Lavender Properties Pvt. Ltd. was incorporated on June 25, 1998 as a private limited company under the Companies Act, 1956. The company is in the business of real estate development. .

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	9800	98.00
Others	200	2.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr.J.B.Shetty	Director
Mr.Sanjeev Batra	Director

## Financial Performance

The audited financial performance for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs. 10 per share)	0.002	0.002	0.002
Reserves and Surplus *	(0.03)	(0.02)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	(115.42)	(102.41)	(91.90)

\*Adjusted for Miscellaneous expenditure

## Prakalp Properties Pvt. Ltd.

Prakalp Properties Pvt. Ltd. was incorporated on May 18, 1998 as a private limited company under the Companies Act, 1956. The company is in the business of real estate development.

## Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	9800	98.00
Others	200	2.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

## Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Y R Singh	Director
Mr. Milind Khadilkar	Director

## Financial Performance

The audited financial performance for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs. 10 per share)	0.002	0.002	0.002
Reserves and Surplus *	(0.02)	(0.02)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	(108.94)	(100.86)	(92.85)

\*Adjusted for Miscellaneous expenditure

## NITCO TILES LIMITED

### Rangmandir Builders Pvt. Ltd.

Rangmandir Builders Pvt. Ltd. was incorporated on March 09, 1998 as a private limited company under the Companies Act, 1956. The company is in the business of real estate development.

#### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	9800	98.00
Others	200	2.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

#### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. P.D.Purohit	Director
Mr.N.G.Naik	Director

### Financial Performance

The audited financial performance for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs. 10 per share)	0.002	0.002	0.002
Reserves and Surplus*	(0.02)	(0.02)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	(109.97)	(102.06)	(92.80)

\* Adjusted for Miscellaneous expenditure

### Ushakiran Builders Pvt. Ltd.

Ushakiran Builders Pvt. Ltd. was incorporated on March 04, 1998 as a private limited company under the Companies Act, 1956. The company is in the business of real estate development.

#### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	9800	98.00
Others	200	2.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

**Board of Directors as on November 30, 2005**

Name of Directors	Designation
Mr. Anup Parashar	Director
Mr. P.K.Sunny	Director

**Financial Performance**

The audited financial performance for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Equity Capital (FV of Rs. 10 per share)	0.002	0.002	0.002
Reserves and Surplus *	(0.02)	(0.02)	(0.02)
Dividend (%)	-	-	-
Earning Per Share (Rs.)	0.00	0.00	0.00
Book Value per share (Rs.)	(109.82)	(101.91)	(96.40)

\* Adjusted for Miscellaneous expenditure

**Strength Properties Pvt. Ltd.**

Strength Properties Pvt. Ltd. was incorporated on July 6, 2005 as a private limited company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

**Shareholding Pattern as on November 30, 2005**

Category	Number of shares	% of Total
Mr. Vivek Talwar	5000	50.00
Others	5000	50.00
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

**Board of Directors as on November 30, 2005**

Name of Directors	Designation
Mr. Joginder Sethi	Director
Mr.Y.R.Singh	Director

## NITCO TILES LIMITED

### Delicious Properties Pvt. Ltd.

Delicious Properties Pvt. Ltd. was incorporated on June 23, 2005 as a Private Limited Company under the Companies Act, 1956. The main object of the company is real estate development. The company is yet to commence operations.

### Shareholding Pattern as on November 30, 2005

Category	Number of shares	% of Total
Mr. Vivek Talwar	5000	50.00
Mrs. Anjali Talwar	4999	49.99
Others	1	0.01
<b>Total Equity Shares</b>	<b>10000</b>	<b>100.00</b>

### Board of Directors as on November 30, 2005

Name of Directors	Designation
Mr. Joginder Sethi	Director
Mr. Kashyap Shah	Director

### Mahalakshmi Tiles Corporation

Mahalakshmi Tiles Corporation is a partnership firm established on November 22, 1972 and is engaged in the business of trading in mosaic tiles. Currently, no business activity is being carried on.

Name of Partner	Interest (as on November 30, 2005)
Mr. Vivek Talwar	10%
Mr. Vijay Talwar	20%
Mr. Pawan Talwar	19%
Mrs. Parvati P Punjabi	12%
Mr. Vinay V Punjabi	10%
Lovraj Talwar HUF	10%
Mrs. Dolly Talwar	19%

### Financial Performance

The unaudited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	(0.001)	(0.001)	0.00
Partners Capital*	(0.19)	(0.19)	(0.19)

\* Net-off Current A/c



### Nitco Tiles Sales Corporation (Bombay)

Nitco Tiles Sales Corporation is a partnership firm established on September 1, 1992 and is engaged in the business of trading in terrazzo and mosaic tiles. Currently, no business activity is being carried on.

Name of Partner	Interest (as on November 30, 2005)
Mr. Vivek Talwar	35%
Mrs. Anjali Talwar	30%
P N Talwar & Sons (HUF)	35%

### Financial Performance

The unaudited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	(0.002)	(0.001)	0.00
Partners Capital*	0.42	0.42	0.42

\* Net-off Current A/c

### Northern India Tiles (Sales) Corporation

Northern India Tiles (Sales) Corporation a partnership firm established on September 1, 1992 and is engaged in the business of trading in terrazzo tiles and imported marble. Currently, no business activity is being carried on.

Name of Partner	Interest (as on November 30, 2005)
P N Talwar & Sons (HUF)	15%
Mr. Lovraj Talwar	25%
Mr. Vivek Talwar	60%

### Financial Performance

The unaudited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	(0.001)	(0.002)	0.00
Partners Capital*	(3.35)	(3.35)	(3.56)

\* Net-off Current A/c

## NITCO TILES LIMITED

### Nitco Exports

Nitco Exports a partnership firm established on February 9, 1994 and is engaged in the business of Trading in Mosaic Tiles. Currently no activity is being carried on.

Particulars	Interest (as on November 30, 2005)
Vivek Talwar (HUF)	35%
Mrs. Anjali Talwar	35%
Mr. Rohan Talwar	15%
Ms. Sanjana Talwar	15%

### Financial Performance

The unaudited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.00
Profit after tax	0.00	0.00	0.00
Partners Capital *	(9.89)	(9.89)	(9.89)

\* Net-off Current A/c

### Nitco Tiles

Nitco Tiles a partnership firm established on March 26, 1992 and is engaged in the business of trading in mosaic tiles. Currently, no business activity is being carried on.

Name of Partner	Interest (as on November 30, 2005)
Vivek Talwar (HUF)	35%
Lovraj Talwar (HUF)	35%
Mrs. Dolly Talwar	30%

### Financial Performance

The audited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	0.00	0.02
Profit after tax	0.00	0.00	0.02
Partners Capital*	1.52	1.52	1.00

\* Net-off Current A/c



### The Northern India Tiles Corporation, (Delhi)

The Northern India Tiles Corporation, (Delhi) a partnership firm established on January 14, 1956 and is engaged in the business of Trading & Manufacturing of Mosaic Tiles.

Name of Partner	Interest (as on November 30, 2005)
A. N. Talwar (HUF)	38%
Mr. P. N. Talwar	31%
Mr. Vijay Talwar	15.50%
Mr. Pawan Talwar	15.50%

### Financial Performance

The audited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	12.18	12.23	12.49
Profit after tax	0.03	0.02	0.02
Partners Capital*	1.05	1.02	0.86

\* Net-off Current A/c

### Nitco Sales Corporation, (Delhi)

Nitco Sales Corporation, (Delhi) a partnership firm is engaged in the business of Trading in mosaic tiles.

Name of Partner	Interest (as on November 30, 2005)
A. N. Talwar (HUF)	20%
Mr. Lovraj Talwar	20%
Mr. Vijay Talwar	20%
Mr. Vivek Talwar	20%
Mr. Pawan Talwar	20%

### Financial Performance

The unaudited financial performance of the firm for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003
Total Income	0.00	2.02	2.82
Profit after tax	0.00	0.01	0.002
Partners Capital*	0.00	0.00	(0.01)

\* Net-off Current A/c

## NITCO TILES LIMITED

### Maharashtra Marble Co.

Maharashtra Marble Co. is a proprietorship concern and is engaged in the business of marble trading and property development.

### Financial Performance

The financial performance of the concern for the last three financial years is as under:

(Rs. in Million)

Particulars	FY 2005	FY 2004	FY 2003 (Audited)
Total Income	0.07	0.37	16.21
Profit after tax	0.02	0.03	12.67
Capital	(50.73)	(50.51)	(49.84)

### Companies with which the Promoter has disassociated itself in the last three years

Name of the Company	Date of Disassociation	Quantity Holding	% of Holding	Sold to	Reasons for Disassociation
Autumn Estate & Investment Pvt. Ltd. (AEIPL)	November 1, 2002	20	100%	Mr. Jayantilal Karia & Mr. Chandrakant Kotecha	AEIPL, was a special purpose vehicle for constructing a commercial building. The property developed by AEIPL was sold to ICICI Bank and promoters divested their holding Cymbal Finance Services Pvt. Ltd.
April 1, 2005	10,00,000		48.88%	Mr. Samuel Das	Promoters divested their holding by transfer of shares

**8. RELATED PARTY TRANSACTIONS**

For related party transactions, please refer to the section titled 'Financial Information' on page no. 109 and section titled 'Our Management' on page no. 71 of this Prospectus.

## **NITCO TILES LIMITED**

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### **9. DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders. However, the declaration of dividend may require prior approval of some of our lenders as per the terms of the loan agreements executed with them. Declaration of dividend will also depend on a number of factors, including but not limited to our Company's earnings, capital requirements and overall financial condition. Our Company has no stated dividend policy. In order to conserve funds, we have neither declared nor paid any equity dividend in the last five years.

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## SECTION V

### FINANCIAL STATEMENTS

#### 1. FINANCIAL INFORMATION

##### AUDITORS' REPORT

December 1, 2005

The Board of Directors,  
**NITCO TILES LTD.**  
8<sup>th</sup> Floor, Maker Chambers III  
Nariman Point,  
Mumbai – 400 021.

Dear Sirs,

- A. a) We have examined the annexed financial information of NITCO TILES LTD. ("the Company"), for the year ended March 31, 2001,2002,2003,2004,2005 and Six months period ended on September 30,2005 being the last date to which the accounts of the Company have been made up and audited by us. The financial statements for the period ended September 30,2005 are approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the Public Issue of Equity Shares of the Company (referred to as 'the Issue').
- b) In accordance with the requirements of
- (i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
  - (ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange of Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
  - (iii) Our terms of reference with the Company dated 5<sup>th</sup> September 2005 requesting us to carry out work in connection with the Offer Document as aforesaid,

We report that the restated assets and liabilities of the Company as at, March 31, 2001, 2002, 2003, 2004, 2005 and September 30, 2005 are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure III.

We report that the restated profits of the Company for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and for period ended September 30, 2005 are as set out in Annexure II to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts appearing in Annexure III to this report. The Company has not paid any dividend on equity shares in any of the years mentioned above.

- B. We have examined the following financial information relating to the Company proposed to be included in the Offer Document, as approved by you and annexed to this report.
- i. Statement of Cash Flow as appearing in Annexure IV to this report;
  - ii. Statement of Debtors enclosed as Annexure V to this report;
  - iii. Details of loans and advances as appearing in Annexure VI to this report;
  - iv. Statement of Secured Loans as appearing in Annexure VII to this report.
  - v. Statement of Unsecured Loans as appearing in Annexure VIII to this report;

## **NITCO TILES LIMITED**

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- vi. Statement of Operational Income as appearing in Annexure IX to this report;
  - vii. Statement of Other Income as appearing in Annexure X to this report;
  - viii. Details of Contingent Liabilities as appearing in Annexure XI to this report;
  - ix. Accounting Ratios as appearing in Annexure XII to this Report;
  - x. Capitalisation Statement as at September 30,2005 as appearing in Annexure XIII to this report;
  - xi. Statement of Tax Shelters as appearing in Annexure XIV to this report;
  - xii. Statement of Related Party transactions as appearing in Annexure XV to this report.
  - xiii. Statement of Reserves and Surplus as appearing in Annexure XVI to this report.
- C. a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Accounts, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
- b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Issue of the Company and for submission to the ROC and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **A. Husein Noumanali & Co.**  
Chartered Accountants

Sd/-

**A. Husein Noumanali**  
Proprietor  
Membership No. 14757

Place : Mumbai  
Date : December 1, 2005

STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

(Figures in Rs. Million)

As at	30-Sept-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
<b>A. Fixed Assets:</b>						
Gross Block	1409.90	1360.55	1232.14	1149.55	1118.43	1083.00
Less: Depreciation	380.54	349.88	294.67	243.99	195.70	149.29
Net Block	1029.35	1010.67	937.47	905.56	922.73	933.71
Capital Work-in-progress	121.92	87.76	70.75	64.41	36.24	4.03
	1151.28	1098.43	1008.22	969.97	958.97	937.74
<b>B. Current Assets, Loans and Advances:</b>						
Inventories	783.15	771.23	402.02	303.03	285.24	275.16
Sundry debtors	438.16	324.91	286.44	378.25	341.57	329.05
Cash and Bank Balances	67.72	44.65	27.15	25.10	20.90	28.95
Loans and Advances	238.25	248.48	211.89	229.84	204.94	173.64
	1527.28	1389.26	927.50	936.22	852.64	806.79
<b>C. Liabilities and Provisions:</b>						
Secured Loans	928.23	1045.25	727.55	734.27	829.92	840.80
Unsecured Loans	354.48	154.26	201.79	160.35	53.54	89.21
Current Liabilities and Provisions	418.63	406.85	215.11	207.97	207.67	173.07
	1701.34	1606.35	1144.45	1102.59	1091.12	1103.07
<b>D. Deferred Tax Liabilities</b>	35.99	33.49	126.29	95.80	80.07	68.96
<b>E. Networth</b>	941.23	847.85	664.98	707.80	640.42	572.50
Represented by						
1. Share Capital	122.71	122.71	122.71	219.21	219.21	219.21
2. Reserves & Surplus	818.52	725.14	542.26	487.60	423.10	361.08
3. Share Application Money Pending Allotment	0.00	0.00	0.00	0.99	1.08	1.12
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	0.00	0.00	0.00	0.00	(2.97)	(8.91)
<b>Networth</b>	941.23	847.85	664.98	707.80	640.42	572.50

# NITCO TILES LIMITED

Annexure II

## STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Figures in Rs. Million)

For the Year / Period Ended	30-Sept-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
<b>Income</b>						
<b>Sales:</b>						
Of products manufactured by the Company	519.20	1036.78	1076.99	1018.46	1005.45	1037.39
Of products traded by the Company.	891.37	1051.33	646.78	492.51	414.83	263.34
<i>Total</i>	1410.57	2088.11	1723.77	1510.96	1420.27	1300.73
Other Income	0.05	0.11	0.11	0.11	0.11	1.67
Increase (Decrease) in Inventories	42.39	316.03	56.15	8.84	43.59	(7.48)
Total Income	1453.02	2404.25	1780.02	1519.91	1463.97	1294.93
<b>Expenditure</b>						
Raw Materials Consumed	687.85	1217.16	708.17	589.95	567.23	442.21
Excise duty	39.84	64.59	77.49	105.59	93.65	124.96
Personnel Expenses	68.91	116.16	108.23	89.79	77.80	56.56
Other Manufacturing Expenses	129.11	261.50	267.58	217.41	226.54	230.17
Administration Expenses	169.42	256.59	203.40	134.17	106.39	70.10
Selling & Distribution Expenses	157.72	248.11	193.85	153.94	134.34	102.48
Interest	62.82	85.55	76.24	97.87	131.07	150.78
Depreciation	30.66	56.41	52.49	48.91	47.51	43.67
Total Expenditure	1346.33	2306.08	1687.46	1437.63	1384.53	1220.93
<b>Net Profit before Tax and Extraordinary Items</b>	106.68	98.18	92.56	82.28	79.44	74.00
Provision for Taxation	9.00	7.70	7.00	6.50	6.00	5.50
Provision for FBT	1.80	0.00	0.00	0.00	0.00	0.00
Provision for Deferred Tax	2.50	15.09	30.49	15.73	0.00	0.00
Net Profit before Extraordinary Items	93.38	75.39	55.08	60.05	73.44	68.50
<b>(Short) / Excess Provision for Tax in earlier years</b>	0.00	(0.40)	(0.42)	4.46	(0.32)	0.06
<b>Deferred Tax Liability for the earlier years</b>	0.00	107.89	0.00	0.00	0.00	0.00
Net Profit as per audited Statement of Accounts	93.38	182.88	54.66	64.50	73.13	68.55
<b>Adjustment on account of changes in Accounting Policies &amp; Prior Period Items</b>						
Deferred Tax Adjustment	0.00	0.00	0.00	0.00	(11.11)	(30.20)
<b>Adjusted Profit / (Loss)</b>	<b>93.38</b>	<b>182.88</b>	<b>54.66</b>	<b>64.50</b>	<b>62.02</b>	<b>38.35</b>

## Significant Accounting Policies and notes to accounts

### (1) Notes on Adjustments

There are no adjustments as there are no changes in the Significant Accounting Policies during the financial years 2001 to 2005 and for the period ended September 30,2005

### (2) Significant Accounting Policies

#### A. Basis of Preparation of Financial Statements

- i) The financial statements are prepared under the Historical Cost convention in accordance with generally applicable accounting principles and relevant provisions of the Companies Act, 1956, as adopted consistently by the Company. The same are prepared on a going concern basis.
- ii) The Company follows mercantile system of accounting and recognises significant items of income and expenditure on accrual basis.

#### B. Fixed Assets and Depreciation

- i) Fixed assets are stated at cost / professional valuation less accumulated depreciation.
- ii) Depreciation on fixed assets is provided in the books of accounts -
  - a) on written down values in accordance with and at the rates prescribed in the Income-tax Act, 1961 in respect of assets purchased prior to January 31, 1994.
  - b) on straight line method in accordance with and at the rates prescribed in the Companies Act, 1956 in respect of assets purchased after January 31, 1994.
  - c) on straight line method in accordance with and at the rates prescribed in the Companies Act, 1956 in respect of assets taken over on merger on 31.3.2001.
- iii) Modvat Credit availed on capital goods is accounted for by credit to respective assets, and no depreciation is availed thereon.

#### C. Inventories

- i) Raw Materials are valued at cost on FIFO basis.
- ii) Work in process is valued at average cost.
- iii) Finished Goods are valued at average cost or net realisable value, whichever is lower.
- iv) Stores and spare parts are stated at or below cost on FIFO basis.
- v) Goods-in-transit are stated at cost.
- vi) Cost of raw materials, stores, spare parts and consumables is net of applicable Modvat credit wherever applicable.

#### D. Customs & Excise Duty

Customs Duty and Excise Duty have been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in bonded warehouses.

#### E. Sales

Sales are inclusive of excise duty and sales tax as applicable.

#### F. Foreign Currency Transactions

- i) All loans repayable in foreign currency and outstanding at the close of the year are expressed in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. Any increase or decrease in these liabilities, to the extent they relate to borrowings for financing fixed assets, is shown as an addition to or deduction from the cost of the assets acquired out of such borrowings.

## NITCO TILES LIMITED

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- ii) Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the year, are converted in Indian Currency at the appropriate rates of exchange prevailing on the date of the Balance Sheet. Resultant gain or loss is accounted during the year.
- iii) All other incomes or expenditure in foreign currency, are recorded at the rates of exchange prevailing on the date of the transaction. The difference between the rate prevailing on the date of the transaction and on the date of the settlement is recognised as income or expense as the case may be.
- iv) In respect of forward exchange contracts the difference between the forward rate and the exchange rate at the inception of the contract is recognised as income or expense over the period of the contract, except in respect of fixed assets where it is adjusted to the cost of the acquisition thereof.
- v) Gains or losses on cancellation of forward exchange contracts are recognised as income or expense, except in respect of fixed assets where respective adjustment is made to the cost of acquisition thereof.

### G. Employment / Retirement Benefits

- i) Company's contribution to Provident Fund, Superannuation Fund and other Funds for the year is accounted for on accrual basis and charged to the Profit & Loss Account of the year.
- ii) Liability for Leave encashment benefits has been provided on accrual basis.
- iii) The Company has taken a Group Gratuity cum Life Insurance Policy with the Life Insurance Corporation of India for all eligible employees. The liability is actuarially assessed by LIC and accounted for on accrual basis.

### H. Provision for Taxation

Tax expense is the aggregate of current year tax and the deferred tax charged to the Profit and Loss account for the period ended Sept 30, 2005.

#### a) Current period charge:

The Income Tax Provision of Rs 9.00 Million has been made pursuant to section 115JB of the Income Tax Act (MAT). The Provision for tax has been made after considering benefits available to the Company pursuant to recent judgement of Special Bench of the Income Tax Appellate Tribunal, Mumbai. No tax is payable on regular income for the year. The Company has made a provision for FBT of Rs.1.80 mn. in accordance with the provision of Chapter XII-H of the Income Tax Act , 1961.

#### b) Deferred Tax:

The Company has been recognising in the financial statements the deferred tax assets / liabilities, in accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. During the period, the Company has debited the Profit and Loss Account with Deferred Tax Liability of Rs. 2.50 Million (Previous Year Rs.15.09 Million)

(Rs. Million)

	Upto 31/03/2005	During the year 2005-2006	Carried as at 30/09/2005
Deferred Tax Liabilities			
1) Difference between accounting and Tax Depreciation (Cumulative)	152.07	3.26	155.33
Deferred Tax Assets			
1) Unabsorbed Losses and Depreciation	107.89		107.89
2) Others	10.69	.76	11.45
<b>Net Deferred Tax Liabilities</b>	<b>33.49</b>	<b>2.50</b>	<b>35.99</b>

(3) **Change in Accounting Policy**

There is no change in accounting policy in the reporting years.

(4) **Earning per Share:**

	Qtr. Ended Sept 05	F.Y.2005	F.Y.2004	F.Y.2003	F.Y.2002	F.Y.2001
<b>Face Value per Share (Rs.)</b>	10	10	10	10	10	10
(A) Weighted average number of equity shares						
1. Number of Equity Shares at the beginning of the year	12271330	12271330	12271330	12271330	12271330	12271314
2. Number of Equity Shares at the end of the year	12271330	12271330	12271330	12271330	12271330	12271330
3. Weighted average number of Equity Shares Outstanding during the year (On annualized basis)	12271330	12271330	12271330	12271330	12271330	12271314
(B) Net Profit after tax available for Equity Sareholders (Rs. In Million)	93.38	75.39	55.08	60.05	73.44	68.50
(C) Basic and diluted earning per share (in Rs.) (annualised)	15.22	6.14	4.49	4.89	5.99	5.58

Note: 1) The Company does not have any dilutive potential Equity Shares. Consequently the basic and diluted earning per share of the Company remain the same.

2) Profits for 6 months have been annualised. .

(5) **Segment Information – Activity wise and Geography-wise**

The management has identified that the company's products, ceramic tiles, mosaic tiles, vitrified tiles and marble are products, which serve the flooring requirements of its customers. These products are interchangeable since the ultimate use of the said products is the same. As such the company has only one segment, i.e., flooring products segment and as such no separate details on segment reporting required under AS17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, is being furnished

## **NITCO TILES LIMITED**

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(6) **Change in the status and Name**

The status of the Company has been changed from private limited' to public limited w.e.f. January 25, 1996 by duly complying with the provisions of the section 31 of the Companies Act. Consequent upon the conversion and change of name, the Registrar of Companies has issued fresh certificates of incorporation.

- (7) In accordance with the Scheme of Amalgamation as sanctioned by the High Court of Judicature at Mumbai, Mahalakshmi Tiles & Marble Co. Pvt. Ltd. and Cospar Impex Pvt. Ltd. was amalgamated with the Company as going concern with effect from March 31, 2001, which is the appointed date under the Scheme. Mahalakshmi Tiles & Marble Co. Pvt. Ltd. was engaged in the business of manufacturing and Marketing of Mosaic Tiles & Marble, and Cospar Impex Pvt. Ltd. was in the business of Trading of Marble. In pursuance of the Scheme of Amalgamation, the assets and liabilities of the Mahalakshmi Tiles & Marble Co. Pvt. Ltd. and Cospar Impex Pvt. Ltd. has been merged with the Company and the shareholders of those companies have been issued 16 shares of Rs.10/- each in the Company.
- (8) The Fixed Assets have been revalued during the Financial Year 2000-01 based on valuations by an approved valuer. The resultant surplus on such revaluation over the written down value of the assets has been adjusted against the goodwill created at the time of merger of Mahalakshmi Tiles & Marble Co. Pvt. Ltd. and Cospar Impex Pvt. Ltd. with the Company.
- (9) In the opinion of the Board the current assets, loans and advances are approximately of the value stated and are realizable in the ordinary course of business. The provision for all known liabilities is adequate.
- (10) The previous year's figures have been regrouped and rearranged, wherever necessary.

For **A. Husein Noumanali & Co.**

Chartered Accountants

Sd/-

**A. Husein Noumanali**

Proprietor

Membership No. 14757

Place : Mumbai

Date : December 1, 2005

**Cash Flow Statement**

(Figures in Rs.Million)

Particulars	Period Ended 30.09.2005	Year Ended 31.03.2005	Year Ended 31.03.2004	Year Ended 31.03.2003	Year Ended 31.03.2002	Year Ended 31.03.2001
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net Profit, as restated before Tax and Extraordinary items	106.68	98.18	92.56	82.28	79.44	74.00
<i>Adjusted for:</i>						
Depreciation	30.66	56.41	52.49	48.91	47.51	43.67
Provision for Bad and Doubtful Debts	1.15	1.27	2.25	2.57	10.16	0.00
Opening stock adjustment						
(Profit)/Loss on sale of assets	0.00	5.04	1.85	0.61	0.97	0.00
Interest and Financial Charges (Net)	62.82	85.55	76.24	97.87	131.07	150.78
Deferred Revenue Expenditure written off	0.00	0.00	0.00	2.97	5.94	5.94
<b>Operating Profit before Working Capital Changes</b>	201.32	246.45	225.40	235.20	275.09	274.38
<i>Adjusted for:</i>						
(Increase) in Sundry Debtors	(114.40)	(39.74)	89.56	(39.25)	(22.68)	(43.25)
(Increase) in Inventories	(11.92)	(369.21)	(98.99)	(17.79)	(10.08)	(68.98)
(Increase) / Decrease in Other Receivables	15.04	(36.59)	17.95	(24.90)	(31.30)	(44.57)
Change in Current Liabilities	0.98	189.78	4.51	(1.20)	43.50	2.61
<b>Cash Generated from Operations</b>	91.00	(9.31)	238.43	152.05	254.53	120.19
Income Taxes Paid	(4.80)	(6.15)	(5.77)	(0.63)	(8.73)	6.39
<b>Net Cash from Operating activities</b>	86.20	(15.46)	232.67	151.42	245.80	126.58
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of Fixed Assets	(83.51)	(152.87)	(93.82)	(61.02)	(70.48)	(141.57)
Sale of Fixed Assets	0.00	1.20	1.25	0.50	0.77	0.00
<b>Net Cash used in Investing Activities</b>	(83.51)	(151.66)	(92.58)	(60.52)	(69.71)	(141.57)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from/(Repayment) of Long Term / Short Term Borrowings, net	83.21	270.17	34.71	11.17	(46.55)	180.31
Issue of shares/Redemption of Preference Shares)	0.00	0.00	(96.50)	0.00	0.00	0.00
Share Premium Received	0.00	0.00	0.00	0.00	0.00	0.00
Dividends paid	0.00	0.00	0.00	0.00	(5.79)	0.00
Tax on dividend paid	0.00	0.00	0.00	0.00	(0.69)	0.00
Share Application money received / (refunded)	0.00	0.00	0.00	0.00	(0.04)	(1.05)
Interest Paid	(62.82)	(85.55)	(76.24)	(97.87)	(131.07)	(150.78)
<b>Net Cash from/(used in) Financing Activities</b>	20.39	184.61	(138.03)	(86.70)	(184.14)	28.48
<b>Net Increase /(Decrease) in Cash &amp; Cash Equivalents</b>	23.08	17.49	2.06	4.20	(8.06)	13.50
Opening Balance of Cash and Cash Equivalents	44.65	27.15	25.10	20.90	28.95	15.45
Closing Balance of Cash and Cash Equivalents	67.72	44.65	27.15	25.10	20.90	28.95

## NITCO TILES LIMITED

*Annexure V*

### Sundry Debtors as on March 31st

(Figures in Rs.Million)

	As at 31.03.2001	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>A. Debts outstanding for a period exceeding six months :</b>						
Unsecured - Considered Good	37.35	26.06	31.96	33.13	22.69	20.55
Considered Doubtful	8.91	8.41	8.81	8.01	10.16	0.00
Less : Provision for Doubtful Debts	8.91	8.41	8.81	8.01	10.16	0.00
	37.35	26.06	31.96	33.13	22.69	20.55
<b>B. Other Debts :</b>						
Unsecured - Considered Good	399.75	297.78	253.62	344.37	317.81	307.43
Related Parties	1.07	1.07	.86	.75	1.07	1.07
Considered Doubtful	0.00	0.00	0.00	0.00	0.00	0.00
Less : Provision for Doubtful Debts	0.00	0.00	0.00	0.00	0.00	0.00
	400.82	298.85	254.48	345.12	318.88	308.50
<b>Total [A + B]</b>	<b>438.16</b>	<b>324.91</b>	<b>286.44</b>	<b>378.25</b>	<b>341.57</b>	<b>329.05</b>

*(Annexure VI*

### Loans and Advances

(Figures in Rs.Million)

As at	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
<b>A. Advance recoverable in cash or kind or for value to be received</b>						
Unsecured - Considered Good	196.90	216.03	185.54	208.41	173.65	143.72
Considered Doubtful	0.00	0.00	0.00	0.00	0.00	0.00
Less : Provision for Doubtful Advances	0.00	0.00	0.00	0.00	0.00	0.00
	196.90	216.03	185.54	208.41	173.65	143.72
<b>B. Income Tax Payments :</b>	31.85	23.60	17.81	17.72	20.95	18.58
<b>C. Balances with Customs and Excise</b>	9.49	8.85	8.54	3.72	10.34	11.34
<b>Total</b>	<b>238.24</b>	<b>248.48</b>	<b>211.89</b>	<b>229.85</b>	<b>204.94</b>	<b>173.64</b>

Note: None of the above mentioned Loans & Advances are related to directors/ promoters of the company except as stated in the Auditors Report under the related party transactions.

**Annexure VII**
**Details of Secured Loans**

(In Rs. Million)

As at	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
<b>Working Capital</b>						
Bank of Punjab Ltd	0.00	0.00	0.00	(0.08)	20.95	0.00
Punjab National Bank	175.55	178.23	144.98	191.07	106.52	124.49
State Bank of India	72.53	97.45	82.41	78.14	56.53	56.00
SBI Commercial & Intl Bank Ltd	33.86	38.22	29.69	36.33	26.18	29.32
Syndicate Bank	59.02	56.17	42.50	41.83	35.23	33.56
<b>Total (A)</b>	<b>340.97</b>	<b>370.08</b>	<b>299.58</b>	<b>347.30</b>	<b>245.41</b>	<b>243.38</b>
<b>Term Loan</b>						
ICICI Bank Ltd	0.00	0.00	30.68	203.20	334.38	334.38
State Bank of India	150.00	150.00	0.00	5.00	14.98	25.00
State Bank of Patiala	50.00	75.00	124.97	0.00	0.00	0.00
Bank Muscat -FC Loan	0.00	2.93	15.34	29.66	44.56	40.35
Exim Bank - FC Loan	18.19	27.34	45.52	69.92	92.37	73.55
Exim Bank - Rupee Loan	4.48	5.98	8.98	11.99	8.48	0.40
Vijaya Bank	59.99	69.99	89.99	0.00	0.00	0.00
State Bank of Indore	70.00	80.00	0.00	0.00	0.00	0.00
State Bank of Hyderabad	79.60	89.59	100.00	0.00	0.00	0.00
Corporation Bank	63.33	70.78	0.00	0.00	0.00	0.00
The Catholic Syrian Bank Ltd	80.00	90.00	0.00	0.00	0.00	0.00
UTI Bank Ltd	0.00	0.00	0.00	60.00	85.00	100.00
Bank of Punjab Ltd	0.00	0.00	0.00	0.00	0.00	21.48
Punjab National Bank	0.00	0.00	0.00	0.00	0.00	0.62
<b>Total (B)</b>	<b>575.59</b>	<b>661.62</b>	<b>415.49</b>	<b>379.78</b>	<b>579.78</b>	<b>595.78</b>
Hire Purchase agreements for Vehicles (C)	11.68	13.55	12.49	7.19	4.73	1.64
<b>Total (A+B+C)</b>	<b>928.23</b>	<b>1045.25</b>	<b>727.55</b>	<b>734.27</b>	<b>829.92</b>	<b>840.80</b>

## NITCO TILES LIMITED

### Statement of Secured Term Loans

Bank	Nature of Loan	Sanctioned Amount Rs. Mn	Rate of Interest p.a.	Repayment Terms	Securities offered
Exim Bank – FC	Long Term WC Loan (FC)	USD 2.10 mn	Libor + 1.75%	10 equal half yrly installments of USD 21 mn starting from 20/12/01 up to June 2006.	First pari passu charge on all immovable & movable fixed assets of NTL except immovable assets of Mosaic Tiles Division located at Thane.
Exim Bank - Rupee Loan	Export Mktg Finance (EMF)	30.00	13.00%	10 equal half yrly installments of 1.50 mn starting from 20/6/02 up to 20/12/06	First pari passu charge on all immovable & movable fixed assets of NTL except immovable assets of Mosaic Tiles Division located at Thane
State Bank of India	Term Loan	150.00	8.50%	Qtrly Rs. 5.00 mn starting from 30/06/06 up to 31/3/07 (four Installments) Qtrly Rs. 7.50 mn starting from 30/06/07 up to 31/3/08 (four Installments) Qtrly Rs. 12.50 mn starting from 30/06/08 up to 31/3/10 (eight Installments)	First charge on pari passu basis along with other lending banks/ FIs on entire net block of NTL's Alibag unit.
State Bank of Hyderabad	Term Loan	100.00	9.00%	20 equal Installments of Rs. 5.00 mn starting from 29/11/04	First Charge (on pari passu basis) on NTL's assets of the Ceramic Tiles unit at Alibag
Vijaya Bank	Term Loan	100.00	9.00%	20 equal Installments of Rs. 5.00 mn starting from 29/12/03	First Charge (on pari passu basis) on NTL's assets of the Ceramic Tiles unit at Alibag
State Bank of Indore	Term Loan	100.00	9.00%	20 equal Installments of Rs. 5.00 mn starting from 30/06/04	First Charge (on pari passu basis) on NTL's assets of the Ceramic Tiles unit at Alibag
The Catholic Syrian Bank Ltd	Term Loan	100.00	8.00%	20 equal Installments of Rs. 5.00 mn starting from 27/12/04	First Charge (on pari passu basis) on NTL's assets of the Ceramic Tiles unit – Alibag
Corporation Bank	Term Loan	74.50	8.25%	20 equal Installments of Rs. 3.72 mn starting from 28/02/05	First Charge (on pari passu basis) on NTL's assets of the Ceramic Tiles unit – Alibag
State Bank of Patiala	Term Loan	150.00	9.00%	12 equal Installments of Rs. 12.50 mn starting from 17/10/03	First Charge (on pari passu basis) on NTL's assets of the Ceramic Tiles unit – Alibag

**Statement of Secured Working Capital Loans**

Bank	Nature of Loan	Sanctioned Amount Rs. Mn	Rate of Interest p.a.	Securities offered
Punjab National Bank	Cash Credit/WCDL	200.00	BPLR i.e. 10.75%	(a) Hypothecation of Raw material/ Stock in progress/Finished Goods of All type of tiles, Marble, Spares, Packing Materials stored at Factory & godown, Current assets (Present & Future) book debts  (b) First charge on the immovable assets of Mosaic Tile division at Thane;  (c) Second charge on net block of assets at Alibag factory of NTL
State Bank of India	Cash Credit/WCDL	100.00	1.5% p.a.over SBAR rate	(a) Hypothecation of Raw material/ Stock in progress/Finished Goods of All type of tiles, Marble, Spares, Packing Materials stored at Factory & godown, Current assets (Present & Future) book debts  (b) First charge on the immovable assets of Mosaic Tile division at Thane;  (c) Second charge on net block of assets at Alibag factory of NTL
SBI Commercial & Intl Bank Ltd.	Cash Credit/WCDL	44.00	2% above SBICI BPLR & Term Premia	(a) Hypothecation of Raw material/ Stock in progress/Finished Goods of All type of tiles, Marble, Spares, Packing Materials stored at Factory & godown, Current assets (Present & Future) book debts  (b) First charge on the immovable assets of Mosaic Tile division at Thane;  (c) Second charge on net block of assets at Alibag factory of NTL
Syndicate Bank	SOD(H) ODBD	56.00	BPLR + 1.5%	(a) Hypothecation of Raw material/ Stock in progress/Finished Goods of All type of tiles, Marble, Spares, Packing Materials stored at Factory & godown, Current assets (Present & Future) book debts  (b) First charge on the immovable assets of Mosaic Tile division at Thane;  (c) Second charge on net block of assets at Alibag factory of NTL

## NITCO TILES LIMITED

### Statement of Secured Hire Purchase Arrangements

Bank	Nature of Loan	Sanctioned Amount Rs. Mn	Balance as at Sept 30,05 Rs Mn	Rate of Interest p.a.	Securities offered
ICICI Bank Ltd.	Car Loans	10.83	8.04	3.5 % to 8 %	Secured by hypothecation of specified vehicles against which finance is obtained
GE Countrywide Consumer Financial Ser. Ltd	Car Loans	3.01	1.73	3.5 % to 8 %	Secured by hypothecation of specified vehicles against which finance is obtained
HDFC Bank Ltd.	Car Loans	0.39	0.59	3.5 % to 8 %	Secured by hypothecation of specified vehicles against which finance is obtained
Kotak Mahindra Bank Ltd	Equipment Loan	2.06	1.32	7.22% p.a.	Secured by hypothecation of specified Equipments against which finance is obtained

**Annexure VIII**

### Statement of Unsecured Loans

(In Rs. million)

As at	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Syndicate bank	0.00	0.00	0.00	50.03	0.00	0.00
Indusind Bank	0.00	0.00	75.00	50.00	0.00	25.00
The United Western Bank Ltd.	100.00	0.00	50.35	0.00	0.00	0.00
State Bank of Patiala	60.00	60.00	0.00	0.00	0.00	0.00
Karnataka Bank Ltd	100.00	20.00	0.00	0.00	0.00	0.00
State Bank of Hyderabad	50.00	0.00	0.00	0.00	0.00	0.00
The Development Bank of Singapore	20.05	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>330.05</b>	<b>80.00</b>	<b>125.35</b>	<b>100.03</b>	<b>0.00</b>	<b>25.00</b>
Promoters/Directors	16.94	29.90	41.34	36.88	21.22	6.46
Others	7.49	44.35	35.10	23.44	32.32	57.75
<b>Grand Total</b>	<b>354.48</b>	<b>154.26</b>	<b>201.79</b>	<b>160.35</b>	<b>53.54</b>	<b>89.21</b>

**Statement of Unsecured Loans**

Bank	Nature of Loan	Rate of Interest p.a.	Repayment Terms
The United Western Bank Ltd.	Working Capital Support	7.50%	Bullet Payment at the end of 1 year from the date of disbursal
State Bank of Hyderabad	Working Capital Support	8.00%	Bullet Payment at the end of 1 year from the date of disbursal
State Bank of Patiala	Working Capital Support	8.00%	Rs.10.00 Mn & Rs.50.00 Mn at he end of 12th & 15th months from the date of disbursal
The Development Bank of Singapore	Working Capital Support	8.00%	Facilities being repayble on demand
Karnataka Bank Ltd	Short Term DPN Loan	8.00%	Bullet Payment at the end of 1 year from the date of disbursal
Promoters/Directors/Others	Working Capital Support	9% - 12%	On Demand

*Annexure IX*

**Statement of Operational Income**

(In Rs. million)

For the Year/Period	Sept-05	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Sales	1410.45	2078.15	1718.71	1510.62	1396.87	1275.33
Labour Charges	0.12	9.97	5.07	0.34	23.40	25.41
<b>Total</b>	<b>1410.57</b>	<b>2088.12</b>	<b>1723.77</b>	<b>1510.96</b>	<b>1420.27</b>	<b>1300.73</b>

*Annexure X*

**Statement of Other Income**

(In Rs. million)

For the Year/Period	Sept-05	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	Remarks
Rent Received	0.05	0.11	0.11	0.11	0.11	0.16	Recurring
Others	0.00	0.00	0.00	0.00	0.00	1.51	
<b>Total</b>	<b>0.05</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>0.11</b>	<b>1.67</b>	

**NITCO TILES LIMITED***Annexure XI***Statement of Contingent Liabilities**

(In Rs. million)

<b>As at</b>	<b>30.09.2005</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>31.03.2003</b>	<b>31.03.2002</b>	<b>31.03.2001</b>
Guarantees / Counter Guarantees given by the Company / by banks on behalf of the Company	17.95	19.45	28.33	13.06	9.72	132.94
Letter of credits opened for which the company is contingent liable	120.51	55.33	78.73	43.17	9.67	41.88
Future obligations towards lease						
Rentals in respect of Fixed Assets taken on lease	0.00	0.00	0.00	0.00	0.00	0.85
Bill discounted / Purchased with the Banks	9.91	0.00	0.00	0.00	0.00	0.27
Estimated amount of Contracts remaining to be executed on capital account & not provided for (net of advances)	124.36					
Demand against the company not acknowledged as debts and not provided for against which the company is in appeal :						
Income Tax matters :	0.00	0.00	0.00	0.00	0.00	3.29
Excise and Customs :	54.03	1.08	0.54	3.12	3.12	3.12
<b>Total</b>	<b>326.76</b>	<b>75.87</b>	<b>107.61</b>	<b>59.35</b>	<b>22.50</b>	<b>182.35</b>

**Statement of Accounting Ratios**

(Rs. in million)

		30-Sept-05	31-Mar-05	31-Mar-04	31-Mar-03	31-Mar-02	31-Mar-01
Net Profit after tax available for equity shareholders - as per Annexure –II (Rs. in million) -	(A)	93.38	75.39	55.08	60.05	73.44	68.50
Weighted average number of equity shares outstanding during the year / period	(B)	12271330	12271330	12271330	12271330	12271330	12271314
Number of equity shares outstanding at the end of the year / period	(C)	12271330	12271330	12271330	12271330	12271330	12271330
Net Worth – as per Annexure - I	(D)	941.23	847.85	664.98	707.80	640.42	572.50
Basic and Diluted Earning Per Share (EPS) Rs. (annualised)	(A)/(B)	15.22 (*)	6.14	4.49	4.89	5.99	5.58
Return on Net Worth (%)	(A)/(D)	9.92	8.89	8.28	8.48	11.47	11.97
Net Asset Value Per Share (Rs.)	(D)/ (C)	76.70	69.09	54.19	57.68	52.19	46.65

(\*) Profits for 6 months have been annualised

Formula:

Earnings Per Share (basic and diluted) =  $\frac{\text{Net Profit after tax available for equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$

Return on Net Worth =  $\frac{\text{Net Profit after tax available for equity shareholders}}{\text{Net Worth}}$

Net Asset Value per Share =  $\frac{\text{Net Worth}}{\text{Number of equity shares outstanding at the end of the year}}$

## NITCO TILES LIMITED

*Annexure XIII*

### Capitalisation Statement

(Figures in Rs.Million)

	Six Months ended 30.9.2005	Post -Issue *
<b>Debt</b>		
Short-term Debt	354.48	
Long -term Debt (A)	928.23	
<b>Total</b>	<b>1282.71</b>	
<b>Shareholders' Funds</b>		
Share Capital	122.71	
Reserves and Surplus after deducting Miscellaneous Expenditure not written off	818.52	
<b>Total Shareholders' Funds (B)</b>	<b>941.23</b>	
<b>Long Term Debt / Total Shareholders' Funds (A/B)</b>	<b>0.99</b>	

Notes:

- \* Information pertaining to share capital and reserves post issue can be ascertained only after completion of book building process

**Statement of Tax Shelters**

(Figures in Rs.Million)

		Financial Period Ended Sept 30, 2005	Financial Year Ended March 31, 2005	Financial Year Ended March 31, 2004	Financial Year Ended March 31, 2003	Financial Year Ended March 31, 2002	Financial Year Ended March 31, 2001
Profit before Tax as per Audited accounts	<b>A</b>	106.68	82.28	92.56	82.28	79.44	74.00
Tax rate		33.66%	33.66%	36.75%	36.75%	35.70%	39.55%
Tax on actual rate on profits		35.91	27.70	34.02	30.24	28.36	29.27
<b>Permanent Differences:</b>							
Donation		0.00	0.06	0.17	0.06	0.04	0.06
Capital Subsidy		0.00	0.00	0.00	(67.90)	(86.90)	(89.20)
Loss on sale of Assets		0.00	0.61	1.60	0.61	0.97	0.00
Total Adjustments	<b>B</b>	0.00	0.66	1.77	(67.24)	(85.89)	(89.14)
<b>Timing Differences</b>							
Depreciation		(186.39)	(20.94)	(16.87)	(20.94)	(30.17)	(47.94)
Tax,Duties u/s 43B claimed on payment basis		1.10	1.18	20.30	1.18	9.96	4.54
Deferred Revenue Expenditure		0.00	0.00	2.97	0.00	2.97	2.97
Provision for Doubtful Debts Disallowed		1.15	2.57	2.25	2.57	10.16	0.00
Total Timing Differences	<b>C</b>	(184.14)	(17.19)	8.65	(17.19)	(7.08)	(40.43)
Net Adjustments	<b>B+C</b>	(184.13)	(16.53)	10.42	(84.43)	(92.97)	(129.57)
Tax Saving thereon		(61.98)	(5.56)	3.83	(31.03)	(33.19)	(51.25)
Profit/(Loss) as per Income Tax	<b>D=(A+B+C)</b>	(77.45)	65.75	102.98	(2.15)	(13.53)	(55.57)
Brought Forward Losses adjusted	<b>E</b>	0.00	(65.75)	(102.98)	0.00	0.00	0.00
Taxable Income/ (Loss)	<b>D+E</b>	(77.45)	0.00	0.00	(2.15)	(13.53)	(55.57)
Taxable Income(Book Profit)as per MAT		106.68	82.28	92.56	82.28	79.44	74.00
Tax as per Income Tax as returned		9.03	6.48	7.29	6.48	6.08	6.27
Interest u/s 234		0.20	0.20	0.10	0.00	0.00	0.44
Tax as per Income Tax as returned		9.23	6.68	7.39	6.48	6.08	6.71
Carry forward losses & unabsorbed Depreciation		(374.49)	(297.04)	(362.79)	(465.77)	(463.62)	(450.09)

## NITCO TILES LIMITED

### Annexure XV

#### Information on related party transaction as required by Accounting Standard - 18 as on 30.09.2005

(Rs. in Million)

Particulars	Related Parties	Directors	Company controlled by Directors / Relatives
Sales	Nitco Paints Pvt.Ltd		0.02
Rent Received	Nitco Paints Pvt.Ltd		0.05
Rent Paid	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.51
Directors Remunerations	Mr.Vivek Talwar	1.55	
	Ms.Poonam Talwar	0.45	
		<u>2.00</u>	
Interest on Loans	Nitco Terazzo Tiles Pvt.Ltd		0.23
	Nitco Construction & Material Pvt.Ltd		0.25
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.54
			<u>1.02</u>
Loans taken outstanding as on 30.09.05	Nitco Terrazzo Tiles P.Ltd		3.38
	Nitco Construction & Material Pvt.Ltd		3.86
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		9.70
			<u>16.94</u>

#### Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2005

(Rs. in Million)

Particulars	Related Parties	Directors	Company controlled by Directors / Relatives
Sale of Goods and service	Nitco Terazzo Tiles Pvt.Ltd		0.23
	Nitco Construction & Material Pvt.Ltd		0.02
	Nitco Paints Pvt.Ltd.		0.01
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.07
			<u>0.33</u>
Purchase goods & services	Nitco Terazzo Tiles Pvt.Ltd		0.49
	Nitco Paints Pvt.Ltd.		1.11
			<u>1.60</u>
Rent Received	Nitco Paints Pvt.Ltd.		0.11
Rent Paid	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		1.02
Remuneration	Mr.Vivek Talwar	3.46	
	Ms.Poonam Talwar	1.03	
		<u>4.50</u>	
Interest on loans	Nitco Terazzo Tiles Pvt.Ltd		0.67
	Nitco Construction & Material Pvt.Ltd		0.74
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.94
			<u>2.35</u>
Loans taken outstanding as on 31.03.05	Nitco Terrazzo Tiles P.Ltd		5.86
	Nitco Construction & Material Pvt.Ltd		4.66
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		8.28
			<u>18.80</u>

**Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2004**

(Rs. in Million)

Particulars	Related Parties	Directors	Company controlled by Directors / Relatives
Sale of Goods and service	Nitco Terazzo Tiles Pvt.Ltd		0.05
Purchase goods & services	Nitco Terazzo Tiles Pvt.Ltd		0.01
	Nitco Paints Pvt.Ltd.		0.21
			<u>0.22</u>
C & F charges paid	Nitco Terazzo Tiles Pvt.Ltd		0.25
Rent Received	Nitco Paints Pvt.Ltd.		0.11
Remuneration	Mr.Vivek Talwar	3.46	
	Ms.Poonam Talwar	1.03	
		<u>4.50</u>	
Interest on loans	Nitco Terazzo Tiles Pvt.Ltd		0.76
	Nitco Construction & Material Pvt.Ltd		1.84
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.92
			<u>3.52</u>
Loans taken outstanding as on 31.03.04	Nitco Terazzo Tiles Pvt.Ltd		4.05
	Nitco Construction & Material Pvt.Ltd		12.58
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		7.53
			<u>24.16</u>

**Information on related party transaction as required by Accounting Standard - 18 for the year ended 31.03.2003**

Rs.in Million

Particulars	Related Parties	Directors	Company controlled by Directors / Relatives
Sale of Goods and service	Nitco Terazzo Tiles Pvt.Ltd		0.13
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.01
			<u>0.14</u>
Purchase goods & services	Nitco Paints Pvt.Ltd.		4.04
C & F charges paid	Nitco Terazzo Tiles Pvt.Ltd		0.86
Rent Received	Nitco Paints Pvt.Ltd.		0.11
Rent Paid	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		0.02
Retainer Fee	Ratan S.Mama & Co		0.45
Remuneration	Mr.Vivek Talwar	3.46	
	Ms.Poonam Talwar	1.03	
		<u>4.50</u>	
Interest on loans	Nitco Terazzo Tiles Pvt.Ltd		0.41
	Nitco Construction & Material Pvt.Ltd		1.84
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		2.03
			<u>4.28</u>
Loans takes outstanding as on 31.03.03	Nitco Terazzo Tiles Pvt.Ltd		6.32
	Nitco Construction & Material Pvt.Ltd		14.12
	Nitco Tiles & Marble Inds (Andhra) Pvt.Ltd		16.44
			<u>36.88</u>

## NITCO TILES LIMITED

*Annexure XVI*

### Reserves and Surplus

(Figures in Rs. Million)

Particulars	Sep-05	2005	2004	2003	2002	2001
Capital Reserve	0.06	0.06	0.06	0.06	0.06	0.06
Capital Redemption Reserve	96.50	96.50	96.50	0.00	0.00	0.00
Development Rebate Reserve	0.00	0.00	0.00	0.00	0.01	0.01
Investment Allowance Reserve	0.00	0.00	0.00	0.00	0.06	0.06
Share Premium Account	235.29	235.29	235.29	235.29	235.29	235.29
General Reserve	3.48	3.48	3.48	3.48	3.42	3.42
Surplus as per Profit & Loss Account	483.18	389.81	206.93	248.77	184.27	122.25
<b>Total</b>	<b>818.52</b>	<b>725.14</b>	<b>542.26</b>	<b>487.60</b>	<b>423.10</b>	<b>361.08</b>

For **A. Husein Noumanali & Co.**  
Chartered Accountants

Sd/-

**A. Husein Noumanali**  
Proprietor  
Membership No. 14757

Place : Mumbai

Date : December 1, 2005

## **2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS**

You should read the following discussions of our financial condition in conjunction with the section titled 'Financial Statements' beginning on page no. 109 of this Prospectus. You should also read the section titled 'Risk Factors' on page no. xi of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

The financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. A. Husein Noumanali & Co., Chartered Accountants dated December 1, 2005 in the section titled 'Financial Statements' on page no. 109 of this Prospectus.

Our financial year-ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. Our historical financial performance may not be considered as indicative of future financial performance.

### **Overview of the business**

We are in the business of manufacturing mosaic and ceramic tiles, import and processing of marble and import of vitrified tiles. We started our operations in 1966 by setting up a mosaic tile unit at Thane, Maharashtra. In 1984, we started our operation at Kanjurmarg, Mumbai for processing and distribution of imported marble in India. Growing further, in 1995, we began the implementation of a green field project for manufacture of ceramic floor tiles at Alibaug, Maharashtra and started the commercial production of ceramic tiles in 1997. In 2001, we started importing vitrified tiles from China. In 2002, we started one more marble processing unit at Slivassa. In 2004, we scaled up operations of outsourcing vitrified tiles from China and upgraded the plant for manufacturing porcelain tiles. Currently, our product portfolio comprises of ceramic tiles, vitrified/wall tiles, cement terrazzo tiles, pavers and marbles etc.

Over the period we have become one of the significant players in tile industry with broad product range in floor tiles with different designs & colours and marketing and distribution network of over 550 direct dealers and 5000 retailers across the country.

### **Significant developments subsequent to the last financial year**

In our opinion there are no such significant developments that have taken place from the date of the last financial statements that have an adverse material impact on our financials.

### **Factors that may affect results of the operations**

- Changes in consumer preferences
- Changes in government policies relating to ceramic tiles industry (Imposition of anti-dumping duties, increase in custom duties etc.)
- Increase in power tariff and fuel charges
- Depreciation of the Indian rupee in relation to US dollar, Euro or other currencies

### **Vitrified tiles**

We have been importing vitrified tiles from China since 2001. In August 2004, vide Ministry of Finance notification, exports of vitrified tiles by our supplier were exempt from anti dumping duty. Thereafter, we scaled up the imports of vitrified tiles and in the first six months of the current financial year, we achieved a turnover of Rs. 746.30 mn. from sales of vitrified tiles as against a turnover of Rs. 724.24 mn. for the previous financial year. This has significantly improved the financial results of the company during the current fiscal.

### **Change in import of marble policy**

The import of marble was subject to quantitative restrictions and the turnover from this activity was limited by such restrictions. In August 2005, the policy of import of marble has been modified which will allow only the existing registered marble processing units to import marble as against the earlier policy of permitting categories such as hotels and temples. This will result in import of same quantity of marble by fewer players compared to the previous year.

## **NITCO TILES LIMITED**

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### **Changes in duty structure in the budget**

From July 2005, the basic customs duty on import of ceramic tiles (including vitrified tiles) from China has been reduced from 10% to 6.45%. This has resulted in lower cost of import of vitrified tiles which has reduced the landed cost of vitrified tiles during the current financial year.

From April 1, 2005, Value Added Tax ("VAT") has been introduced in a majority of states of the Indian Union. The applicable rate of VAT for our products is 12.5% as against 15.8% sales tax (including surcharge) in the state of Maharashtra, 12.50% in Kerala as against 13.80% sales tax, 12.5 % in Karnataka as against 19.4 % which has resulted in lower sales tax/VAT for the producers of ceramic tiles. Under VAT, full set-off is allowed on the inputs purchased within the respective state of production that has resulted in reduced cost of manufacturing.

### **Expansion in product range**

In the current financial year, we have launched Aqua series which is in the premium range and has resulted in higher average realisations.

## Discussion on Results of Operations

(In Rs. Million)

For the Year Ended	30.09.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>Income</b>					
Sales:					
of products manufactured by the Company	519.20	1036.78	1076.99	1018.46	1005.45
of products traded by the Company	891.37	1051.33	646.78	492.51	414.83
Total Sales	1410.57	2088.11	1723.77	1510.96	1420.27
Less					
Excise duty	(39.84)	(64.59)	(77.49)	(105.59)	(93.65)
Sales Tax	(119.40)	(147.01)	(125.58)	(66.32)	(28.27)
Net Sales	1251.33	1876.51	1520.71	1339.05	1298.35
Other Income	0.05	0.11	0.11	0.11	0.11
Total Income (A)	1251.39	1876.62	1520.81	1339.16	1298.46
<b>Expenditure</b>					
Raw Materials Consumed	687.85	1217.16	708.17	589.95	567.23
Increase (Decrease) in Inventories	(42.39)	(316.03)	(56.15)	(8.84)	(43.59)
Personnel Expenses	68.91	116.16	108.23	89.79	77.80
Other Manufacturing Expenses	129.11	261.50	267.58	217.41	226.54
Administration Expenses	50.02	109.58	77.83	67.85	78.11
Selling & Distribution Expenses	157.72	248.11	193.85	153.94	134.34
Sub Total (B)	1051.22	1636.48	1299.51	1110.10	1040.44
EBIDTA (A - B)	200.17	240.14	221.30	229.06	258.02
EBIDTA Margin (%)	16.00%	12.80%	14.55%	17.10%	19.87%
Interest and financial charges	62.82	85.55	76.24	97.87	131.07
Depreciation	30.66	56.41	52.49	48.91	47.51
Total Expenditure (C)	1144.70	1778.44	1428.25	1256.88	1219.02
PBT (A - C)	106.68	98.18	92.56	82.28	79.44
PBT Margin	8.53%	5.23%	6.09%	6.14%	6.12%
Provision for Taxation	9.00	7.70	7.00	6.50	6.00
Provision for FBT	1.80	0.00	0.00	0.00	0.00
Provision for Deferred Tax	2.50	15.09	30.49	15.73	0.00
Net Profit before Extraordinary Items	93.38	75.39	55.08	60.05	73.44
PAT Margin	7.46%	4.02%	3.62%	4.48%	5.66%
(Short) / Excess Provision for Tax in earlier years	0.00	(0.40)	(0.42)	4.46	(0.32)
Deferred Tax Liability for the earlier years	0.00	107.89	0.00	0.00	0.00
Net Profit after Tax	93.38	182.88	54.66	64.50	73.13
Adjustment on account of changes in Accounting Policies & Prior Period Items					
Deferred Tax Adjustment	0.00	0.00	0.00	0.00	(11.11)
Adjusted Profit / (Loss)	93.38	182.88	54.66	64.50	62.02

## **NITCO TILES LIMITED**

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### **Review of results of operations**

#### **Comparison of FY 2004 with FY 2005**

##### **Net Sales**

The net sales have risen from Rs. 1520.71 mn. in FY 2004 to Rs. 1876.51 mn. in FY 2005 indicating a growth of 23.40% on account of volume growth in marble and vitrified tiles.

##### **Raw Material Consumption**

The cost of raw material consumption has increased from Rs. 708.17 mn. in FY 2004 to Rs. 1217.16 mn. in FY 2005, showing an increase of 71.87% on account of increase in volume growth in sales and change in product mix.

##### **Other Manufacturing Expenses**

The manufacturing expenses have decreased from Rs. 267.58 mn. in FY 2004 to Rs. 261.50 mn. in FY 2005 showing a decrease of 2.27%. The manufacturing expenses as a percentage of net sales for FY 2005 are 13.94% as compared to 17.60% in FY 2004. This reduction was due to a change in the product mix and the higher share of outsourced products as compared to products manufactured by us.

##### **Personnel expenses**

The personnel expenses have risen by 7.33% due to salary hike.

##### **Administration Expenses**

These expenses have increased by 40.79% due to a substantial rise in insurance and travelling expenses.

##### **Selling and Distribution Expenses**

Selling and distribution expenses have increased by 28% on account of a rise in advertisement and sales promotion expenses.

##### **Interest and Financial Charges**

Interest and financial charges comprise of interest payments to banks, financial institutions, other lenders and bank charges. During FY 2005, the interest expenses have gone up due to an increase in borrowings by Rs. 270.17 mn. to fund capital expenditure and working capital requirement.

#### **Comparison of FY 2003 with FY 2004**

##### **Net Sales**

The net sales has increased from Rs. 1339.05 mn. in FY 2003 to Rs. 1520.71 mn. in FY 2004 signifying a jump of 13.57% on account of volume growth in most of the products.

##### **Raw Material Consumption**

The cost of raw material consumed has risen from Rs. 589.95 mn. in FY 2003 to Rs. 708.17 mn. showing an increase of 20.04% due to increase in volume growth in sales and increase in prices of raw materials.

##### **Other Manufacturing Expenses**

The other manufacturing expenses have increased from Rs. 217.41 mn. in FY 2003 to Rs. 267.58 mn. in FY 2004 showing an increase of 23.07%. These expenses as a percentage of net sales have also gone up from 16.24% to 17.76% due to a substantial increase in power and fuel cost.

##### **Personnel expenses**

The personnel expenses have gone up by 20.53% due to recruitment of additional manpower for marketing and increase in salaries in the normal course of business.

### **Administration Expenses**

Administrative expenses have gone up by 14.71% in line with an increase in net sales.

### **Selling and Distribution Expenses**

Selling and distribution expenses have gone up by 25.93% on account of substantial increase in freight rates, commissions paid to C&F agents due to higher volumes and other distribution expenses.

### **Interest and Financial Charges**

Interest and financial charges comprise of interest payments to banks, financial institutions and other lenders and bank charges. The interest expenses have shown a reduction of 22.10% due to falling interest rate trend and proper mix of borrowed funds.

### **Comparison of FY 2002 with FY 2003**

#### **Net sales**

The net sales have gone up from Rs. 1298.35 mn. in FY 2002 to Rs. 1339.05 mn. in FY 2003 indicating a nominal growth of 3.13% on account of increased volume with fall in average sales realisation.

#### **Raw Material Consumption**

The raw material consumption was up from Rs. 567.23 mn. in FY2002 to Rs. 589.95 mn. in FY 2003 showing a growth of 4% in line with sales growth.

#### **Other Manufacturing Expenses**

Other manufacturing expenses have decreased from Rs. 226.54 mn. in FY 2002 to Rs. 217.41 mn. in FY 2003 showing a decrease of 4.03%. These expenses as a percentage of net sales for FY 2003 were 16.24% as compared to 17.45% on account of economies of scale and improvement in operational efficiencies.

#### **Personnel Expenses**

Personnel expenses have shown a year on year increase of 15.41% due to salary hike and general inflationary trend.

#### **Administration Expenses**

Administrative expenses have decreased by 13.14% due to cost control measures.

#### **Selling and Distribution Expenses**

Selling and distribution expenses have gone up by 14.59% on account of substantial increase in freight rates, commissions paid to C&F agents due to higher volumes and other distribution expenses.

#### **Interest and Financial Charges**

Interest and financial charges comprise interest payments to banks, financial institutions & other lenders and towards bank charges. Interest and financial charges have gone down by 25.33% due to restructuring of borrowed funds and falling interest rates.

### **INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF THE SEBI (DIP) GUIDELINES**

#### **Unusual or infrequent events or transactions**

There are no unusual or infrequent events or transactions having significant impact on the operations of the Company.

#### **Significant economic changes that materially affected or are likely to affect income from continuing operations**

Inability on our part to pass on any increase in VAT, sales tax and customs duty to end users on account of competitive pressures may have adverse impact on our business.

#### **Import of Vitrified Tiles**

Currently we are availing an exemption from anti-dumping duty on vitrified tiles. Any non-availability of this exemption will adversely affect the operations of our business.

## **NITCO TILES LIMITED**

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### **Import of Marble**

In FY 2005 we have generated 15.60% of our gross turnover from sale of imported marble. As per the Government of India policy, import of marble is restricted and import can be made only against licence based on the certain criteria laid down under the policy of Ministry of Commerce, Government of India. Any change in the Government policy in this regard could negatively affect the business of imported marble.

### **Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations**

No known trends and uncertainties are envisaged from continuing operations.

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

There are no such known changes in relationship between costs and revenues.

### **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**

Consequent to favourable change in import policy of tiles we have seen potential in the business of vitrified tiles and in FY 2001 we started outsourcing the same from China. The share of vitrified tiles in gross sales has gone up from 0.41% in FY 2001 to 34.68% in FY 2005.

### **Total turnover of each major industry segment in which the company operated**

The management has identified that the company's products, ceramic tiles, mosaic tiles, vitrified tiles and marble are products, which serve the flooring requirements of our customers. These products are interchangeable since the ultimate use of the said products is same. As such the company has only one segment, i.e., flooring products segment and as such no separate details on segment reporting required under AS17 (Segment Reporting) issued by the Institute of Chartered Accountants of India, is being furnished. .

### **Status of any publicly announced new products or business segment.**

Our Company has not publicly announced any new products or segments.

### **The extent to which the business is seasonal.**

Our Company's business is not seasonal.

### **Any significant dependence on a single or few suppliers or customers.**

We are dependent on a sole supplier for the procurement of vitrified tiles. We procure the remaining raw materials from 3-4 suppliers with no significant dependence on any one supplier. We are selling all our products through a network of distributors across India. Hence, there is no significant dependence on any single distributor.

### **Competitive conditions**

For details of competitive conditions, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

## SECTION VI

### LEGAL AND OTHER INFORMATION

#### 1. OUTSTANDING LITIGATION

1. Save as detailed herein:
  - a. neither the Company, nor any director or promoter of our Company is party to any ongoing proceedings before any statutory or regulatory authority, nor are any show cause notices pending against any of them;
  - b. neither our Company, nor any director of our Company was party to any past proceedings where any penalty was imposed;
  - c. there have been no defaults to financial institutions/ banks for non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by the Promoters of our Company and the companies/ firms promoted by the Promoters of our Company;
  - d. our Company has not failed to pay any statutory dues; and
  - e. no disciplinary action has been taken against the Promoters of our Company by the Securities and Exchange Board of India or any Stock Exchange in India.
2. None of the names of the directors of our Company, except Mr. Vivek Talwar and Mr. Dinesh Kanabar, have appeared on the RBI's defaulters list. The names of Mr. Vivek Talwar and Mr. Dinesh H. Kanabar, appeared on the RBI's defaulters list as they were directors on the Board of Elbee Services Ltd., ("Elbee"), which is *not* a group company. Both Mr. Vivek Talwar and Mr. Dinesh H. Kanabar were independent directors, as such they were not whole time executive directors of Elbee, and they resigned as directors of Elbee with effect from May 6, 2002 and August 13, 1999 respectively.
3. The following are the names of small scale creditors to whom our Company owes a sum exceeding Rupees one lakh which is outstanding for more than thirty days:
  - a. Ruby Ceramics Pvt. Ltd.
  - b. Praveen Pulverizes
  - c. Aster Vinyls Ltd
  - d. Calx Chemicals
  - e. Four Field

The details of the relevant proceedings have been classified as follows:

- A. Proceedings Filed By the Company (Civil and Tax)
- B. 138 Cases Filed by the Company
- C. Proceedings Filed Against the Company (Tax and Civil)
- D. Proceedings Filed Against Promoters and Directors of the Company
- E. 138 Cases Filed Against Promoters and Directors of the Company
- F. Proceedings Pending Against Nitco Construction Materials Pvt. Ltd. (a Group Company)
- G. Proceedings Pending Against Nitco Terrazzo Tiles Pvt. Ltd. (a Group Company)
- H. Proceedings Filed by Nitco Paints Pvt. Ltd. (a Group Company)
- I. Proceedings Filed by Maharashtra Marble Co. (Mr. V. Talwar is the sole proprietor)
- J. Proceedings Filed Against Maharashtra Marble Co. (Mr. V. Talwar is the sole proprietor)
- K. Proceedings Filed Against Mahalakshmi Tiles and Marble Co. Pvt. Ltd. (merged with Nitco)
- L. Proceedings Filed Against Cospar Impex Private Ltd. (merged with Nitco)
- M. Notice of arbitration against Anand Shree (Bombay) Holdings Pvt. Ltd.
- N. Proceedings Filed by Particles Boards India Ltd. (a Group Company)
- O. The self explanatory notice published in Financial Express, Jansatta and Navshakti on 28.02.2006.

## NITCO TILES LIMITED

### A. Proceedings Filed By the Company (Civil and Tax)

#### CIVIL PROCEEDINGS

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million - Approx.)	Current Status
1	The Supreme Court of India – Civil Appellate Jurisdiction	Gujarat Ceramic Floor Tiles Mfg. Association and Others.	<p>Our Company imports vitrified tiles, (the “<b>Products</b>”), from M/s Nanahai Shagyuuan Oulian Construction Ceramic Company Limited (now known as M/s Foshan Changcheng Oulian Construction Ceramic Company Limited), a company incorporated in China, (“<b>Nanhai China</b>”), through M/s Prestige General Trading, Dubai, UAE, (“<b>Prestige Dubai</b>”).</p> <p>The Central Government issued a notification, which sought to impose anti dumping duties on imports of the Products from China and the UAE, (“<b>First Notification</b>”).</p> <p>The extent of the said anti dumping duty was USD 8.28 per square meter for China Products, and, USD 5.54 for Dubai Products.</p> <p>Vide a subsequent notification, (“<b>Second Notification</b>”), the previous notification, which facilitated the provisional levy and/ or assessment of anti dumping duties on imports of the Products from Nanhai China and Prestige Dubai, was rescinded, and consequently no anti dumping duty was leviable on the Products exported by the said companies.</p> <p>In light of a Writ Petition filed before the High Court of Gujarat, the said High Court, without providing any reasons, granted interim reliefs which in effect restrained the Company from giving effect to the Second Notification, ( “<b>Impugned Order</b>”).</p> <p>The Supreme Court had, in another matter, relating to the notifications in question, directed that a challenge against the designated authority appointed under, Customs Tariff Act, 1985, (“<b>DA</b>”, which DA was instrumental in the issuance of the notifications in question), be preferred against the Central Excise and Sales Tax Appellate Tribunal, (“<b>CESTAT</b>”).</p> <p>The Impugned Order was accordingly set aside and the Supreme Court directed that the Writ filed before the Gujarat High Court itself should be dismissed, as an alternative remedy was available before the CESTAT. Accordingly, the said Gujarat High Court Writ has been dismissed.</p>	N/A	N/A

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
2	Income - Tax Appellate Tribunal	Deputy Commissioner of Income-tax ("DCIT")	<p>Consequently, an appeal was filed before the CESTAT by H&amp;R Johnson India Limited, wherein they challenged the Second Notification and the DA's related findings. The said appeal was filed against the Secretary, Revenue, MoF, Gol and the DA. Pursuant to the said appeal, the CESTAT passed an order dated May 19, 2005, which order, (i) set aside the Second Notification and the DA's related findings, and, (ii) directed that the DA examine certain aspects relating to confidentiality of the matter and make final findings within three months, after hearing interested parties</p> <p>The DA, after hearing the contentions of the concerned parties, issued final findings dated the 30<sup>th</sup> of December 2005, wherein, the DA confirmed the earlier findings and recommendations that no anti dumpind duty be imposed on imports of vitrified/ porcelain tiles as produced by Nanhai China and exported through Prestige Dubai.</p> <p><b>TAX PROCEEDINGS</b></p> <p>The Company has filed this Appeal in connection with the assessment year 1997-98.</p> <p>The Learned Assessing Officer made additions to the total income of the Company, which in appeal to the Commissioner of Income-tax were confirmed as follows :</p> <p>a) sales promotion expenses of Rs. 0.05 Million disallowed;</p> <p>b) expenses on computer maintenance of Rs. 0.02 Million disallowed, and</p> <p>c) Godown maintenance expenses of Rs. 0.44 Million disallowed.</p> <p>These amounts as disallowed by the CIT(A) have been appealed by the Company.</p>	Tax effect for future years - 0.17	Pending hearing and disposal.
3	Commissioner of Income-tax (Appeals)	Deputy Commissioner of Income-tax ("DCIT")	<p>The Company has filed this Appeal in connection with the assessment year 2000-2001.</p> <p>The Grounds of Appeal are as follows, and namely, that the DCIT:</p> <ol style="list-style-type: none"> <li>1. unjustified in estimating notional sales at Rs. 69,73,146/- and terming it as suppressed sales;</li> <li>2. not justified in disallowing 1/6<sup>th</sup> of the marble expenses amounting to Rs.26,32,986/- which were expended by the assessee wholly for the purpose of business;</li> </ol>	Tax effect - 3.50	Pending hearing and disposal.

**NITCO TILES LIMITED**

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
4	Commissioner of Income-tax (Appeals)	A s s t . Commissioner of Income- Tax (“ACIT”)	<p>3. erred in disallowing 1/10<sup>th</sup> of the welfare expenses amounting to Rs.3,92,660/- on the ground that they were not wholly and exclusively expended for the business, and</p> <p>4. erred in disallowing Rs.3,82,685/- being loss on sale of assets.</p> <p>The Company has filed this Appeal in connection with the assessment year 2001-2002.</p> <p>The Grounds of Appeal are as follows, namely, that the ACIT:</p> <ol style="list-style-type: none"> <li>1. was unjustified in estimating notional sales, terming it as suppressed sales and adding Rs. 1.12 Million to the total income;</li> <li>2. was not justified in reducing 90% of labour charges from profit of the business and estimating the same to Rs. 7.38 Million as against Rs. 9.49 Million;</li> <li>3. erred in disallowing 1/6<sup>th</sup> of the marble expenses amounting to Rs. 2.70 Million which were expended by the Company wholly for the purpose of business;</li> <li>4. erred in disallowing 1/10<sup>th</sup> of the welfare expenses amounting to Rs. 0.53 Million on the ground that they were not wholly and exclusively expended for the business of the Company;</li> <li>5. erred in initiating penalty proceedings u/ s. 271(1)(c) when there was no concealment, and</li> <li>6. erred in charging interest u/s. 234B and 234C.</li> </ol>	Tax effect - 2.17	P e n d i n g hearing and disposal.
5	Commissioner of Income-tax (Appeals)	A s s t . Commissioner of Income Tax (“ACIT”)	<p>The Company has filed this Appeal in connection with the assessment year 2002-2003.</p> <p>The Grounds of Appeal are as follows, and namely, that the ACIT:</p> <ol style="list-style-type: none"> <li>1. was unjustified in calculating Rs. 3.21 Million as suppressed sales;</li> <li>2. was not justified in reducing 90% of labour charges from profit of the business and restricting the same to Rs. 1.77 Million as against Rs. 5.40 Million;</li> <li>3. erred in adding excise duty of Rs. 93.60 Million and sales tax of Rs. 28.30 Million to the total turnover;</li> <li>4. erred in reducing 90% receipt on account of DEPB being export incentives from the deduction U/s. 80HHC;</li> </ol>	Tax effect - 3.92	P e n d i n g hearing and disposal.

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
6	Customs Excise & Service Tax Appellate Tribunal, Mumbai (“CESTAT”)	Commissioner of Customs (M u m b a i) (“CC”)	<p>5. erred in disallowing 1/6<sup>th</sup> of the marble expenses amounting to Rs. 4.08 Million which were expended by the assessee wholly for the purpose of business;</p> <p>6. erred in disallowing 1/10<sup>th</sup> of the welfare expenses amounting to Rs. 0.72 Million; and</p> <p>7. erred in initiating penalty proceedings u/s. 271(1)(c).</p> <p>The Company has appealed a penalty of Rs. 0.40 Million and fine of Rs. 0.75 Million which was levied on the export of two consignments of marble articles on grounds of over valuation of the consignment.</p>	1.15	Stay granted by CESTAT vide its order dated 8-10-2004 against pre-deposit of R s . 3 . 2 0 Million.
7	Customs Excise & Service Tax Appellate Tribunal, Mumbai (“CESTAT”)	Commissioner of Excise (Mumbai) (“CE”)	<p>The CE based on its findings of the Department held that certain operations carried out by the Company amounted to manufacture and raised an excise demand of Rs. 3.10 Million, penalty of Rs. 3.10 Million and redemption fine of Rs. 0.25 Million.</p> <p>The CESTAT set aside the earlier order of the Commissioner Central Excise and held that the process of cutting, polishing, resin coating and fibre glass reinforcement of marble slabs does not amount to manufacture and marble slabs do not attract duty liability and remanded the matter to the CE. The CE issued a fresh duty demand of Rs. 0.54 Million on the manufacture of marble tiles and a penalty of Rs. 0.54 Million hence the current proceedings were initiated.</p>	11.50 and penalty - 1.08	Stay granted.

#### B. 138 Cases Filed by the Company

The Company has filed sixteen complaints before Metropolitan Magistrates under Section 138 of the Negotiable Instruments Act, 1881, in connection with dishonoured cheques. The aggregate amount in question is Rs. 22,66,293/- (Rupees twenty two lakhs sixty six thousand two hundred ninety three only). Only three of these are for amounts in excess of Rs. .30 Million, and all of them are for amounts under Rs. .90 Million.

The Company has also filed nine cases u/s 420 of the Indian Penal Code, (fraud/cheating), in connection with the recovery of the aforementioned monies.

## NITCO TILES LIMITED

### C. Proceedings Filed Against the Company (Tax and Civil)

#### TAX PROCEEDINGS

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Income Tax Appellate Tribunal, (“ITAT”)	The Deputy Commissioner, Income Tax, (“DCIT”)	The DCIT, in connection with the assessment year 1999-2000, filed an appeal against an order passed by the CIT (Appeals), which appeal has alleged that the CIT (Appeals) wrongly deleted an addition of Rs. 3.78 Million on account of suppression in sales. As such, this appeal seeks to reinstate this deletion.	1.27	P e n d i n g hearing and disposal.
2	Income Tax Appellate Tribunal, (“ITAT”)	The Deputy Commissioner, Income Tax, (“DCIT”)	The DCIT, in connection with the block period 01-04-87 to 05.08.97, filed an appeal against an order passed by the CIT (Appeals), which appeal has alleged that the CIT (Appeals): (i) erred in deleting the addition of Rs. 16.33 Million as made by the Assessing Officer, (“AO”), on account of suppression in sales; and (ii) erred in deleting the addition of Rs. .36 Million as made by the AO on account of depreciation. As such, this appeal seeks to reinstate these deletions.	10.01	P e n d i n g hearing and disposal.
3	Customs Excise & Service Tax Appellate Tribunal, Mumbai (“CESTAT”)	Commissioner of Customs (Import) (“CCI”)	The Deputy Commissioner of Customs (“DCCI”), issued a demand for short levy of anti dumping duty amounting to Rs. 51.80 Million being the anti dumping duty on import of vitrified tiles cleared during the period when anti dumping was not in force. The Company appealed this order before the Commissioner of Customs (Appeal) Mumbai, who set aside the order of the DCCI. The CCI has accordingly preferred this appeal before the CESTAT.	51.80	Pending for hearing
4	Commissioner of Customs	Directorate of Revenue Intelligence (DDI), Mumbai (“DRI”)	The DRI issued a show cause notice under Sec. 28 and Sec. 124 of the Customs Act, 1962, for evasion of customs duty by declaring lower MRP in the Bill of Entry to the Customs, of Rs. 39.00 Million. The company is of the opinion that MRP based assessment was not applicable to the Company and the assessment was required to be done on the basis of transaction value.	39.00	P e n d i n g Adjudication. The Central Board of Excise & Customs is required to n o m i n a t e Adjudicating commissioner to decide on the matter.

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
5	N/A (only a show cause notice has been issued)	Commissioner of Central Excise (“CCE”)	The CCE has issued a show cause notice to the Company, demanding Rs. .60 Million as excise duty on “Uni Paver Blocks” made out of Cement.	0.15	The amount of Rs.4.55 Million has been paid a g a i n s t excise duty. No demand has been raised so far.
6	N/A (only a show cause notice has been issued)	Commissioner of Central Excise, Mumbai (“CCE”)	The CCE, issued a show cause notice to the Company, demanding Rs. 14.13 Million as excise duty on the grounds that exemption notification was not applicable to certain products manufactured and dispatched by the Company.	14.13	No demand has been raised so far.
7	N/A (only a show cause notice has been issued)	Commissioner of Central Excise (“CCE”)	CCE issued a show cause notice to the Company, for reversal of Modvat Credit availed on C.V. Duty paid on imported Marble Slabs amounting to Rs. 9.44 Million during the period August 2003 to March, 2004 plus interest and penalty as per Rule 12 and 13 of the Cenvat Credit Rules.	9.44	No demand has been raised so far.
<b>CIVIL PROCEEDINGS</b>					
8	Consumer State Commission, Gujarat	Paras Education Trust, (“Paras”)	An ex-parte decree was passed in favour of Paras An appeal was filed by the Company for condonation of delay and restoration. The Company was directed to deposit Rs.1Lac in this regard, which has been deposited.	0.62	The Appeal is p e n d i n g arguments for admission.
9	Industrial Court, Thane	Maharashtra Workers Union	This is a complaint of unfair labour practices. The Appellant has obtained an interim order restraining the Company from negotiating and or entering in to any settlement with any other union/ individual other than the Complainant union. The Complainant has alleged that the Company has negotiated settlements with a group of workmen, and not with recognized unions. Accordingly, the Complainant has sought to terminate these settlements.	N/A	Pending for evidence

## NITCO TILES LIMITED

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
10	Labour Court, Thane	Shri Ramayan Yadav and the Workmen Employed Under Them (“Workmen”)	<p>The Workmen, in connection with their services to the Company, have alleged that:</p> <p>(i) the Company has not extended to them or to any workmen employed by the Company any benefit, including statutory benefits such as Casual leave, privilege leave, sick leave, etc. amongst other statutory benefits;</p> <p>(ii) service conditions are very poor;</p> <p>(iii) the Company terminated the services of most of its workmen en-masse illegally and without following any procedure of law;</p> <p>(iv) a sister concern namely M/s Maheshwari Tiles, has been created merely to divert profits and deprive the Workmen of the benefits they are entitled to receive;</p> <p>(v) the Workmen joined Kamgar Sabha, (“Sabha”), in January 1997;</p> <p>(vi) the Company, did not pay any overtime;</p> <p>(vii) no wage register is being maintained by the Company;</p> <p>(viii) the Company is not depositing provident fund contributions of some of the workmen;</p> <p>(ix) the Company improperly terminated services of various workmen including the complainant;</p> <p>The primary workmen in question has been reinstated, and has prayed for reinstatement with full back wages and continuity of service from the date of termination.</p>	2.50	Pending for cross examination of workmen
11	Bombay High Court	Commissioner of Customs, Mumbai (“CC”) Versus Cospar Impex Pvt. Ltd., (“CIPL”), which (merged with the Company, pursuant to an amalgamation with Nitco Tiles Ltd.)	<p>The CC has alleged that CIPL had imported certain marble blocks without a valid licence.</p> <p>Accordingly, a redemption fine and penalty was sought to be imposed on CIPL, and, pursuant to an appeal, the CESTAT passed orders reducing the aggregate fines to Rs. 11.50 Million and the aggregate penalties to Rs. 1.80 Million. The goods were cleared upon payment of these fines and penalties.</p> <p>In connection with the said CESTAT orders, three appeals have been filed by the CC.</p>	13.30	Pending for hearing

**D. Proceedings Filed Against Promoters and Directors of the Company**

**TAX PROCEEDINGS**

Sr No.	Forum	Filed By and Against	Particulars	Quantum (Rs. in Million – Approx.)	
1	Income Tax Appellate Tribunal, (“ITAT”)	The Deputy Commissioner, Income Tax, (“DCIT”) Versus Mr. Vivek Talwar	<p>The DCIT, in connection with the block period 01.04.87 to 05.08.97, filed an appeal against an order passed by the CIT (Appeals), which appeal has alleged:</p> <p>(i) that the CIT (Appeals), erred in deleting the addition of Rs. 8.00 Million as undisclosed income by diversion of interest bearing loans for non business purposes. It was further alleged that pursuant to a search certain documents revealed that interest bearing loans had been diverted interest free to the family members of the assessee as was admitted by the assessee.</p> <p>(ii) that the CIT (Appeals), erred in deleting the addition of Rs. 0.70 Million was made to M/s Nitco Terazo which was rightly assessed by the Assessing Officer as the assessee’s undisclosed income;</p> <p>(iii) that the Assessing Officer had rightly assessed the sum of Rs.0.15 Million as the assessee’s undisclosed income for the A.Y. 1997-1998 pertaining to the block period;</p> <p>(iv) that the CIT(Appeals), erred in holding that the addition of Rs. .07 Million as undisclosed income in A.Y. 1998-1999 of the block period was already covered in the undisclosed income of Rs. 0.15 Million declared in the return of income for the block period;</p> <p>(v) that the CIT(Appeals) erred in restricting the unexplained investment in the renovation of flat no. 17B, II, Palazzo, Mumbai to Rs. 0.50 Million; and</p> <p>(vi) that the CIT(Appeals) erred in deleting the addition on account of unexplained jewellery of Rs. 0.06 Million.</p> <p>The Appellant has prayed that the order of the learned CIT(A) be set aside and that of the Assessing Officer be restored</p>	Tax effect - 5.69	P e n d i n g hearing and disposal.

## NITCO TILES LIMITED

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
2	Income Tax Appellate Tribunal, ("ITAT")	The Deputy Commissioner, Income Tax, ("DCIT") Versus Mr. P.N. Talwar	The DCIT, in connection with the block period 01.04.87 to 05.09.97, filed an appeal against an order passed by the CIT (Appeals), which appeal has alleged that the CIT(Appeals): (i) erred in deleting the addition of Rs. 0.19 Million made by the Assessing Officer on account of household withdrawals; and (ii) erred in deleting the addition of Rs. 0.18 Million made by the Assessing Officer on account of investment in jewellery.	Tax effect - 0.22	P e n d i n g hearing and disposal.
<b>CRIMINAL PROCEEDINGS</b>					
3.	Judicial Magistrate, Nagpur	Rahul Pradhan Versus Elbee Services Limited, ("Elbee")	This criminal complaint has been filed under section 420 of the Indian Penal Code for cheating and fraud. Mr. Vivek Talwar has been made a party as he was a non executive director of Elbee. The complainant has alleged that he hired vehicles to Elbee, and that directors of Elbee incorrectly alleged that they were not associated with the Elbee and could not accordingly pay the said bills.	0.10	No papers have been served on Mr. V. Talwar so far.
4.	23rd Metropolitan Magistrate Court, Mumbai	VVF Limited Versus Elbee Services Limited, ("Elbee") & Others	Mr. Vivek Talwar is a party to this Company Petition, as he was a non executive director of Elbee. The High Court passed an order recording certain revised consent terms between the parties in connection with payment of Rs. 0.68 Million by Elbee.	0.68	Pending final disposal.

### E. 138 Cases Filed Against Promoters and Directors of the Company

- i. Third parties have filed twenty three complaints against Mr. Vivek Talwar, (in his capacity as a non executive director of Elbee Services Limited), before Metropolitan Magistrates under Section 138 of the Negotiable Instruments Act, 1881, in connection with dishonoured cheques. The aggregate amount in question is approximately Rs. 1,77,89,343/- (Rupees one crore seventy seven lakhs eighty nine thousand three hundred forty three only).
- ii. One third party complaint has been filed against Mr. Dinesh H. Kanabar, a Director of the Company, (in his capacity as a non executive director of Elbee Services Limited), , before a Metropolitan Magistrate under Section 138 of the Negotiable Instruments Act, 1881, in connection with two dishonoured cheques aggregating Rs.4,64,496/- (Rupees Four Lacs Sixty Four Thousand Four Hundred and Ninety Six only).
- iii. Mr. Vivek Talwar and Mr. Dinesh H. Kanabar are no longer directors of Elbee Services Limited.

**F. Proceedings Pending Against Nitco Construction Materials Pvt. Ltd. (“NCM”, a Group Company)**

**CIVIL PROCEEDINGS**

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	III Additional Labour Court, Bangalore	1. V. Paramashiva 2. V. Nagaraj 3. V. Murugesh 4. M. Govindaraj 5. R. Subramanian 6. Appah 7. Rajendran 8. M. Murthy (“Workmen”)	The services of these temporary Workmen were terminated. These Workmen have sought reinstatement of their services.	N/A	Pending for evidence
2	City Civil Judge, Bangalore	V.P. Mahendra & Bros., Bangalore	Suit filed for eviction of office premises. Admeasuring approximately 1,000 sq. ft.	N/A	Pending for evidence
3	High Court, Karnataka, Bangalore	ESI Corporation, Bangalore, (“ESIC”)	The ESIC has raised a demand on NCM for the payment of contributions of Rs. .03 Million under the Employees State Insurance Act, 1948.	0.03	Pending for final arguments.
4	High Court, Karnataka, Bangalore	ESI Corporation, Bangalore, (“ESIC”)	The ESIC has raised a demand on NCM for the payment of contributions of Rs. .64 Million under the Employees State Insurance Act, 1948.	0.64	Pending for final arguments.

**G. Proceedings Pending Against Nitco Terrazzo Tiles Pvt. Ltd., (“Nitco TIPL”, a Group Company)**

**CIVIL PROCEEDINGS**

1	II Additional labour Court, Bangalore.	Channabasappa & Nesargi	The services of this complainant were terminated from 06.04.1998 and he has accordingly prayed for reinstatement	N/A	Case is reserved for passing of an award.
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**TAX / LEVY PROCEEDINGS**

2	Commissioner of Central Excise (Appeals), Bangalore-1	Addl. Commissioner of Central Excise, Bangalore - 1 Commissionerate	Nitco TIPL availed of an excise exemption (SSI Exemption), which exemption is under dispute.	0.89	Order passed by Commissioner of Central Excise Appeals, denying SSI exemption status and demanding duty. An appeal has been filed before the Appellate Tribunal, Bangalore.
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## NITCO TILES LIMITED

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
3	Karnataka High Court	ESI Corporation, Chennai, (“ESIC”)	The ESIC has demanded contributions under the ESI Act, 1948, from Nitco TIPL, in connection with certain laying and polishing work done by external labour.	0.49	The ESIC has passed an order demanding such contribution. An appeal against this order has been filed before the Karnataka High Court, which is pending hearing.
<b>H. Proceedings Filed by Nitco Paints Pvt. Ltd., (“Nitco Paints”, a Group Company).</b>					
<b>TAX PROCEEDINGS</b>					
Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Commissioner of Income Tax (Appeals), Mumbai	Assistant commissioner of Income Tax (“ACIT”)	Nitco Paints has filed this appeal in connection with Assessment Year 2000-2001 The Appellant has alleged that the ACIT: i) erred in levying penalty of Rs.1,51,175/- u/s 271 (1)(c) of the Income-tax Act, 1961 without giving proper opportunity to the assessee; and ii) erred in concluding that in respect of the addition made on account of utilized Modvat, the assessee has furnished inaccurate particulars and also concealed particulars of its income and is a fit case for levy of penalty u/s 271 (1) (c) of the Income-tax Act, 1961.	0.15	P e n d i n g hearing and disposal
2	Income Tax Appellate Tribunal	The Deputy Commissioner, Income Tax, (“DCIT”)	Nitco Paints filed this appeal in connection with Assessment Year 2000-2001. The Appellant has alleged that the CIT (Appeals) : i) erred in confirming the addition made by the Deputy Commissioner of Income-tax of Rs. .28 Million on account of unutilized modvat credit; and ii) erred in passing the order without giving proper opportunity to the assessee to be duly heard.	0.30	Pending hearing and disposal

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
3	Commissioner of Income Tax (Appeals), Mumbai	The Assistant Commissioner of Income Tax, (“ACIT”)	<p>Nitco Paints filed this appeal in connection with Assessment Year 2001-2002.</p> <p>The Appellant has alleged that the ACIT erred in treating difference between Modvat Credit utilized and Modvat credit availed during the year amounting to Rs. .11 Million as an income of the assessee u/s 145A of the Income-tax 1961, without appreciating the fact that statement submitted by the assessee viz. “Adjustment required to be made u/s 145 A of the Income-tax Act, 1961” shows that there is no change in profit of the company even if inclusive method of accounting of Modvat is adopted.</p>	0.22	Pending hearing and disposal
4	Commissioner of Income Tax (Appeals),	The Assistant Commissioner of Income Tax, (“ACIT”)	<p>Nitco Paints filed this appeal in connection with Assessment Year 2002-2003.</p> <p>The Appellant has alleged that the ACIT:</p> <ul style="list-style-type: none"> <li>i) erred in disallowing Rs. .22 Million out of total interest and financial expenses of Rs. 2.75 Million on the ground that assessee has given advances toward property of Rs. 7.60 Million on which no interest had been charged by the assessee;</li> <li>ii) erred in rejecting the explanation of he assessee that advances are given in the course of business to be used for the purpose of the business; and</li> <li>iii) erred in rejecting the explanation of the assessee that advances are given out of interest free funds available with it.</li> </ul>	0.12	Pending hearing and disposal

## NITCO TILES LIMITED

### I. Proceedings Filed by Maharashtra Marble Co (“MMC”, wherein Mr. Vivek Talwar is the sole proprietor)

Sr No.	Forum	Filed Against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Appellate Tribunal for Foreign Exchange (“ATFE”)	Union of India through Asst. Directorate of Enforcement, Mumbai, (“ADE”)	<p>The ADE passed an Adjudication Order against MMC levying penalty of Rs. 1.04 Million on account of alleged contravention of provisions of Section 8(1) of FERA, 1973.</p> <p>MMC preferred an appeal before the Appellate Tribunal for Foreign Exchange, New Delhi and the said Tribunal directed that 50% of the penalty be pre-deposited.</p> <p>Against the order of the Tribunal a Writ Petition was filed before the High Court of Delhi to waive the pre-deposit. The Delhi High Court directed that MMC should pay 50% of penalty in two equal installments in 8 weeks and without prejudice disposed off the matter. The ATFE noted compliance of pre-deposit of 50% penalty, and the matter was adjourned for final hearing.</p>	0.52	Pending final hearing

### J. Proceedings Filed Against Maharashtra Marble Co., (“MMC”, wherein Mr. Vivek Talwar is the sole proprietor)

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Commissioner of Customs ( E . P . ) , Mumbai		<p>In 1996, a show cause notice was served by the Customs on MMC for an amount of Rs. 22.30 Million.</p> <p>Against the claim / demand of Rs. 22.30 Million on account of Maharashtra Marble Co. and Rs. 8.31 Million on account of Mahalakshmi Tiles the Company has submitted a combined statement of account for both the companies stating that an amount of Rs. 9.47 Million is refundable due to encashment of Bank Guarantee, Revenue deposit, Duty paid by debiting DEEC Licence.</p>	22.30	No demand has been raised so far.

**K. Proceedings Filed Against Mahalakshmi Tiles & Marble Co. Pvt. Ltd., (“MTM”, which merged post amalgamation with Nitco Tiles Limited)**

Sr No.	Forum	Filed By	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Commissioner of Customs ( E . P . ) , Mumbai		In 1996, a show cause notice was served by the Customs on MTM for an amount of Rs. 8.31 Million.  Various show cause notices were issued during the period 1996 to 2000 against MTM with regard to the import of marble slabs which were cleared against transferable advance licence on submission of ITC Bond, PD Bond and the bank guarantee for the duty amount.	8.31	No demand has been raised against these show cause notices.
	Commissioner of Customs ( E . P . ) , Mumbai		A number of show cause notices were issued during the period 1999 to 2002 against MTM with regard to the import of marble slabs which were cleared against transferable advance licence on submission of ITC Bond, PD Bond and the bank guarantee for the duty amount.	0.56	No demand has been raised against these show cause notices.

**L. Proceedings Filed Against Cospar Impex Private Limited (“CIPL”, which merged post amalgamation with the Company)**

Sr No.	Forum	Filed By and against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Commissioner of Customs ( E . P . ) , Mumbai		Number of show cause notices were issued during the period 1996 to 2000 against CIPL with regard to the import of marble slabs which were cleared against transferable advance licence on submission of ITC Bond, PD Bond and the bank guarantee for the duty amount.	0.28	No demand has been raised against these show cause notices.

## NITCO TILES LIMITED

### M. Notice of arbitration against Anand Shree (Bombay) Holdings Pvt. Ltd. (“ASBH”)

Sr No.	Forum	Filed By and against	Particulars	Quantum (Rs. in Million – Approx.)	Current Status
1	Before the Sole arbitrator to be appointed with mutual consent of the parties		ASBH had entered into an agreement dated March 20, 1989 with Unitech Ltd (UL) for sale/ purchase of 100 acres of contiguous land at Virar in Maharashtra. UL has made a claim on ASBH for Rs. 2961.6 mn. for non fulfilment of obligations of ASBH under the said agreement and has issued notice dated October 24, 2005 for invocation of arbitration in terms of the Arbitration and Conciliation Act, 1996.	2961. 58	

### N. Proceedings Filed by Particles Boards India Ltd. (a Group Company)

1	High Court Bombay	Union of India (Joint Chief Controller of Imports and Exports, Bombay), (“UOI”)	<p>Particles Boards India Ltd. (“PBIL”), obtained a license to import machinery, with an attendant export obligation of Rs. 1.73Million which was to be achieved over a period of ten years.</p> <p>PBIL failed to achieve the said export obligation and the UOI filed a summary suit for recovery of dues. In the said summary suit, an order was passed on the 2<sup>nd</sup> of August, 2005, directing PBIL to pay the UOI a sum of Rs.1.73Million along with 8% interest thereon, (“Order”).</p> <p>PBIL has filed the present appeal challenging the said Order.</p>	1.73	Pending filing of UOI’s response.
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O. The following self explanatory notice was published in Financial Express, Jansatta and Navshakti on 28.02.2006.

**NOTICE IS HEREBY GIVEN THAT WE, NITCO TILES LIMITED, (“Company”), HAD INADVERTENTLY FAILED TO PROVIDE DETAILS OF THE FOLLOWING PENDING PROCEEDINGS, IN THE RED HERRING PROSPECTUS DATED FEBRUARY 13,2006 (“RHP”) AS FILED BY US WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA.**

Sr No.	Forum	Parties	Particulars	Amount claimed (Rs. in Million)	Current Status
1	Metropolitan Magistrates Court, Vikhroli, Bombay, (1996)	Mr. Prakash Shenai Vs. Mr. Vivek Talwar, (Promoter and Managing Director of our Company); Mr. V.N. Iyer, (erstwhile General Manager of our Company); and others.	In 1995, the Company had entered into a contract for certain civil works in connection with the Company's land at Alibaug, with one Venkatesh Construction and Earth Movers Company, (“VCC”). To execute some of these works, VCC in turn appointed a third party, M/s Sterling Engineering Co., (“M/s SEC”), through its proprietor Mr. Prakash Shenai, (“PS”). PS filed the present criminal complaint, wherein he claimed that certain monies were due and payable to M/s SEC, and that M/s SEC was wrongfully cheated by VCC and our Company from recovering the said monies. An application for discharge was filed by our Managing Director, which application was rejected vide an order dated 29-08-2000, (“Order”). This rejection was subsequently appealed as detailed hereinafter.	NIL	Matter stayed. Pending final disposal.
2	High Court of Bombay, (Criminal Writ Petition of 2000)	Mr. Vivek Talwar, (“Petitioner”, Promoter and Managing Director of our Company), Vs. the State of Maharashtra, and Mr. Prakash Raghunath Shenai, (“PS”)	This Criminal Writ Petition was filed with a prayer that the High Court call for the records and proceedings of the Metropolitan Magistrate in the aforementioned matter, and that after a perusal of the same, the said proceedings and the aforementioned Order be quashed and set aside. This petition records that PS, (through his wife, also acting as a proprietor of M/s Sterling Engineering Co. [“M/s SEC”]), filed a summary suit against Venkatesh Construction and Earth Movers Company, (“VCC”), in 1998, claiming that VCC owed M/s SEC approx. Rs.17Lacs. Notably, neither was our Company nor any of our directors made a party to this recovery suit. The High Court, passed an ad- interim order instructing the Metropolitan Magistrate to stay all further proceedings, (in connection with the aforementioned matter), pending admission of this Criminal Writ Petition.	NIL	Pending final disposal

## **NITCO TILES LIMITED**

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Kindly note, that applicants who have bid for our Initial Public Offer may, if they so wish, **withdraw their applications**, (in light of the non-disclosure of the aforesaid pending proceedings), by the close of the working day on Wednesday the 1<sup>st</sup> of March 2006 by 6.00p.m. Applicants seeking to withdraw their application should fax their written request mentioning details such as name of applicants, application number, no. of shares bid for and duly signed by all the applicants to the Registrar to the Issue i.e. Intime Spectrum Registry Limited, at 022-25960329 or send such written request at Intime Spectrum Registry Limited's office at C-13, Pananalal Silk Mills Compound LBS Marg, Bhandup (W) Mumbai 400078.

***For Risk Factors and other details relating to the Offer, please refer to the Red Herring Prospectus. This Notice to Investors is required to be read in conjunction with the Red Herring Prospectus and forms an integral part of the Red Herring Prospectus.***

For **Nitco Tiles Ltd.**

Sd/-

Date: February 27, 2006  
Place: Mumbai

CFO, Company Secretary & Compliance Officer

### **Material Developments**

In the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements disclosed in this Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiaries taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months, except as stated under:

The designated authority appointed under, Customs Tariff Act, 1985, ("**DA**") has issued final findings dated December 30, 2005, wherein, the DA confirmed the earlier findings and recommended that no anti-dumping duty be imposed on imports of vitrified / porcelain tiles as produced by Nanhai China and exported through Prestige Dubai. For more details, please refer to the section titled 'Business Overview' on page no. 51 of this Prospectus.

## 2. GOVERNMENT AND OTHER APPROVALS

Subject to the renewals of approvals and licenses as listed below, we can undertake this Issue as well as our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

S. No.	Type of license, permit approval	Issuing Authority	Date of Issue	Valid Upto
1.	License for Acquisition, Storage, Sale & Use of Solvent, Raffinate & Slop (License No. 66/2003)	Collector, Raigad	July 5, 2003	July 4, 2006
2.	Renewal of consents issued under section 26 of the Water (Prevention & Control of Pollution) Act, 1974 and section 21 of the Air (Prevention & Control of Pollution) Act, 1981 under the Hazardous Waste Management (Management & Handling) Rules, 2000	Maharashtra Pollution Control Board	March 18, 2004	April 30, 2009
3.	Renewal of license to import and store petroleum in installation	Controller of Explosives, Department of Explosives, Ministry of Commerce and Industry	November 22, 2004	December 31, 2007
4.	License to store compressed gas (Propane / LPG) in pressure vessel (license no. PV (WC) S-867/MS/MR/ KOL/PVS-110)	Chief Controller of Explosives, Dept. of Explosives, Navi Mumbai	November 27, 2003	March 31, 2006
5.	License to calibrate and stamp weighing scales (license no. 1801142-43-44-45)	Inspector Weights & Measures Alibaug Calibration	March 15, 2004	March 6, 2006
6.	Certificate of Registration under the Contract Labour Act, 1970	Asst. Commissioner of Labour, Panvel – Raigad	-	December 31, 2005*
7.	Factory License No. 55088	Jt. Director, Industrial Safety and Health, Navi Mumbai	-	December 31, 2005**
8.	License for calibration of 4 storage tanks	Inspector of Legal Metrology Storage Tank, Konkan Region	February 11, 2002 and August 19, 2002	February 11, 2007 and August 19, 2007 respectively
9.	License for handling prescribed substance	Under Secretary Department of Atomic Energy	April 27, 2005	March 31, 2006
10.	Excise Registration (No. AAACN 1674NXM 001)	Commissionerate of Central Excise (Alibaug Range)	February 13, 2002	-
11.	Sales Tax Registration No. C.S.T. No. 402108C-10 and M.S.T. No.402108 S-66	Department Sales Tax	February 13, 2002 and February 21, 1997 respectively	-
12.	License to operate Private Bonded Warehouse (License No.VIII/CUS/ ABG/48-10/01/NTL/PBW/2004)	Board of Central Excise & Custom	April 8, 2005	April 7, 2006
13.	Factory License Nos. 63927 and 64483 to run factory at Wagle Estate, Thane	Chief Inspector of Factories, Mumbai, Maharashtra	-	December 31, 2006

## NITCO TILES LIMITED

S. No.	Type of license, permit approval	Issuing Authority	Date of Issue	Valid Upto
14.	Approval to manufacture 1050 metric tones of mosaic tiles	Maharashtra Pollution Control Board (Regional Office, M. P. C. Board, Thane)	February 10, 2003	March 31, 2012
15.	Approval to manufacture 23 metric tones of mosaic tiles per day	Maharashtra Pollution Control Board (Regional Office, M. P. C. Board, Thane)	May 29, 1995	July 31, 2009
16.	License for stamping of weighing stamps	Inspector Weights & Measures, Thane	May 20, 2005	May 20, 2006
17.	Certificates of Registration issued under the Contract Labour Act, 1970	Registering & Licensing Officer, Thane	March 29, 2005	December 31, 2005***
18.	Excise Registration for factories located at C-9, Road No. 16, Wagle Estate and F6/3, Road No. 25, Wagle Estate (Nos. AAACN1674NX M003, and AAACN1674NXM002 respectively)	Dy. Commissioner Central Excise	March 3, 2005	-
19.	Service Tax Registration for premises located at C-9, Road No. 16, Wagle Estate and F6/3, Road No. 25, Wagle Estate (Nos. ST/MUM/DIV.VI/GTA/411/0506, and ST/MUM/DIV.VI/GTA/410/0506 respectively)	Superintendent of Service Tax	June 16, 2005	-
20.	Sales Tax Registration under section 22/22A of the Bombay Sales Tax Act, 1959 for premises located at C-9, Road No. 16, Wagle Estate	Asst. Commissioner of Sales Tax, Thane Division	April 1, 1996	-
21.	Central Sales Tax registration under section 7(1)/7(2) of the Central Sales Tax Act, 1956 for premises located at C-9, Road No. 16, Wagle Estate	Asst. Commissioner of Sales Tax, Thane Division	April 1, 1996	-
22.	Factory License Nos. 079372	Joint Director, Safety & Health	February 20, 2003	December 31, 2007
23.	License to work a factory at Silvassa	Chief Inspector of Factories	December 12, 2005	December 12, 2006
24.	License to import rough marble number 0350000961/3/00/01	Joint Director, Director General of Foreign Trade	May 19, 2005	-
25.	License to cut and polish marble slabs and tiles	Secretariat for Industrial Assistance, Ministry of Commerce and Industry	April 25, 2003	-

\* Our Company has vide its letter dated October 17, 2005 applied for a renewal of the said certificate.

\*\* Our Company has vide its letter dated October 21, 2005 applied for a renewal of the said license.

\*\*\* Our Company has vide its letter dated October 14, 2005 applied for a renewal of the said certificate.

Some of the aforesaid licenses continue to be in the name of Nitco Tiles Pvt. Ltd. Our Company has initiated the process of changing the name to Nitco Tiles Ltd.

### Approvals required for installation of windmills

Our Company would require the following sanctions / approvals for setting windmills:

- (i) NOC from Maharashtra Energy Development Agency for installation of machines
- (ii) Our Company will have to enter into a Power Purchase Agreement with Maharashtra State Electricity Distribution Company Limited



### 3. INTELLECTUAL PROPERTY RIGHTS

Our Company owns the following trademarks:

S. No.	Trademark	Trademark No.	Class	Date of Registration	Valid till
1.	NITCO Valentino Polished Porcelain Tiles	1032804	19	July 31, 2001	July 30, 2011
2.	Invizia Dirt-Free Ceramic Tiles	1104037	19	May 13, 2002	May 12, 2012
3.	Nitco Marble Tiles	888508	19	November 26, 1999	November 25, 2009
4.	Nitco Ceramic Tiles	888500	19	November 26, 1999	November 25, 2009

Our Company has applied for registering the trademark "Nitco Rock Tiles" vide application number 622905 in Class 2 which is pending for acceptance with the trademark registry.

The Northern India Tiles Corporation (Delhi) is the registered owner of the trademark "NITCO". By a letter dated November 29, 2005 The Northern India Tiles Corporation (Delhi) have confirmed that our Company has been granted an exclusive right to use the trademark "NITCO" for all tiles except mosaic tiles.

The Northern India Tiles Corporation (Delhi), which is the exclusive owner of "NITCO" for mosaic tiles, has granted some companies, including our Company the right to use the trademark "NITCO" for mosaic tiles.

**SECTION VII**

**OTHER REGULATORY AND STATUTORY DISCLOSURES**

**AUTHORITY FOR THE PRESENT ISSUE**

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of equity shares has been authorized vide a resolution passed by the Board of Directors at its meeting held on October 29, 2005 and a Special Resolution passed at the Extra Ordinary General Meeting of our Company held on November 22, 2005.

**PROHIBITION BY SEBI**

The Company, its directors or any of our Company's associates or group companies and companies, wherein the directors of Company are associated as directors or promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI. None of the bodied corporate / natural person in control of the corporate bodies forming part of the promoter group has been restrained from accessing capital markets under any direction or order passed by SEBI or any other Authorities

**ELIGIBILITY FOR THE ISSUE**

In terms of clause 2.2.1 of the SEBI (DIP) Guidelines, 2000 an unlisted company may make an Initial Public Offering (IPO) of Equity Shares or any other securities, which may be converted into or exchanged, with Equity Shares at a later date, only if it meets all the following conditions.

- (a) The company has net tangible assets of at least Rs. 30 million in each of the preceding 3 full financial years (of 12 months each), of which not more than 50% is held in monetary assets and is compliant with clause 2.2.1(a) of the SEBI Guidelines.  
**Provided that** if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project.
- (b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines  
**Provided further that** extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of the Companies Act, 1956;
- (c) The company has net worth of at least Rs.10 million in each of the preceding 3 full years (of 12 months each) and is compliant with Clause 2.2.1(c) of the SEBI Guidelines
- (d) In case the company has changed its name within the last one year, at least 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name. There has been no change in the name of the Company in the last one year. Therefore, Clause 2.2.1(d) of the SEBI Guidelines is not applicable.
- (e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI Guidelines

The Company satisfies the above eligibility criterion in the following manner:

(Rs. in Million)

Year	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2004	31 <sup>st</sup> March 2003	31 <sup>st</sup> March 2001	31 <sup>st</sup> March 2002
Net Tangible Assets	2487.69	1935.71	1906.20	1811.61	1744.53
Monetary Assets	369.55	313.59	403.35	362.47	358.00
Monetary Assets as a % of Net Tangible Assets	14.86	16.20	21.16	20.01	20.52
Distributable Profit	182.88	54.66	64.50	62.02	38.35
Networth	847.85	664.98	707.80	640.42	572.50

Net Tangible Assets: means the sum of all net assets of the Company excluding 'intangible assets'.

In addition to these, our Company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

#### DISCLAIMER CLAUSE

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. THE 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 THIS DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, IL&FS INVESTSMART LIMITED, KARVY INVESTOR SERVICES LIMITED AND UTI BANK LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION 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 THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED, KARVY INVESTOR SERVICES LIMITED AND UTI BANK LIMITED HAVE FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 29, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

- I. 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, IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- II. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

**WE CONFIRM THAT:**

- a THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

## **NITCO TILES LIMITED**

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- b ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- c THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
- d WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
- e WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE RoC IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH RoC IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY.**

**THE FILING OF RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THIS RED HERRING PROSPECTUS.**

### **GENERAL DISCLAIMER**

Investors may note that the Company and BRLMs accepts no responsibility for statements made otherwise in this Prospectus or in the advertisements or any other material issued by or at the instance of the Company or the Book Running Lead Manager and that anyone placing reliance on any other source of information would be doing so at his/her own risk.

The BRLMs and us accept no responsibility for statements made otherwise than in this Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

All information shall be made available by us, the BRLMs to the Public and investors at large and no selective or additional information would be available for a section of members in any manner whatsoever.

### **JURISDICTION**

This issue is 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 the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian Laws. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Mumbai, 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 Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the

Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of this Prospectus, would be filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of this Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Mumbai and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

#### **DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE) (Designated Stock Exchange)**

"Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated February 1, 2006, permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchange on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner-

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document 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 offer document 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 or any other reason whatsoever".

#### **DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE (NSE)**

"As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited ('hereinafter referred to as NSE'). NSE has given vide its letter ref.: NSE/LIST/20142-S dated February 3, 2006 permission to the issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does not in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the this Offer Document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Stock Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer".

"Every person who desires to apply for or otherwise acquire any securities of this Issuer 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 or any other reason whatsoever".

#### **UNDERTAKING FROM PROMOTERS AND DIRECTORS**

The issuer accepts full responsibility for the accuracy for the information given in this Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which makes any statement in this Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The issuer further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this issue or for the price at which the equity shares are offered or for the correctness of the statement made or opinions expressed in this Prospectus. The promoters/directors declare and 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 Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation,

## NITCO TILES LIMITED

the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

### FILING

A copy of this Prospectus, would be filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of this Prospectus, along with documents required to be filed under Section 60B of the Act would be delivered for registration to the Registrar of Companies, Mumbai

### LISTING

Initial listing applications have been made to the Bombay Stock Exchange Limited (Designated Stock Exchange) and National Stock Exchange of India Limited for permission to list the Equity Shares and for an official quotation of the equity shares of the Company. The BSE will be the Designated Stock Exchange.

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

Our Company with the assistance of the Book Running Lead Managers shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

### CONSENTS

The written consents of Directors, Company Secretary, Auditors, Legal Advisors, Book Running Lead Managers to the Issue, Syndicate Members to the Issue, Registrars to the Issue, Escrow Bankers & Bankers to the Issue and Bankers to the Company to act in their respective capacities, have been obtained and will be filed along with a copy of this Prospectus with the Registrar of Companies, Kalachowki, Mumbai as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration.

### EXPERT OPINION

Our Company has not obtained any expert opinion apart from whatever is already mentioned in this Prospectus.

### EXPENSES OF THE ISSUE

The expenses of the Issue payable by our Company inclusive of brokerage, fees payable to the Book Running Lead Manager to the Issue, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses are estimated as follows:

### DETAILS OF FEES PAYABLE

(Rs. in Million)

Particulars	Expenses	As a % of the Issue size	As a % of the total issue expenses
Management fees, underwriting commission and brokerage	46.20	2.75	39.35
Marketing and advertisement expenses	33.00	1.96	28.11
Stationary, printing and registrar expenses	34.20	2.04	29.13
Others	4.00	0.24	3.41
<b>Total</b>	<b>117.40</b>	<b>6.99</b>	<b>100.00</b>

### UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement amongst our Company, the BRLMs and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned in this Prospectus.

#### **PREVIOUS PUBLIC OR RIGHTS ISSUES**

We have not made any public issues in the past. Our Company had received SEBI acknowledgment card in the year February 1997. However, we did not proceed with the issue.

#### **PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

Please refer to the section titled 'Capital Structure' on page no. 13 of this Prospectus for shares issued otherwise than cash.

#### **COMMISSION OR BROKERAGE ON PREVIOUS ISSUES**

No sum has been paid or payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

#### **PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS**

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years.

#### **PROMISES VS PERFORMANCE**

Our Company has not made any public issue of shares since its incorporation. There are no group companies, which have made any public issues.

#### **STOCK MARKET DATA**

This being the first public issue by our Company, no stock market data is available.

#### **DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM**

Our Company will settle investor grievances expeditiously and satisfactorily. The agreement between our Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited, giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/collection center where the application was submitted.

#### **DISPOSAL OF INVESTOR GRIEVANCES**

The average time required by our Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, our Company/Registrar would strive to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances.

There are no listed Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

#### **CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF**

There have been no changes in the auditors of the Company during the past three years.

#### **CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS**

Company has not issued any bonus shares by capitalization of reserves or profits in the last 5 years.

#### **REVALUATION OF ASSETS DURING THE LAST FIVE YEARS**

The fixed assets of our Company have been revalued in the year FY 2001 by an approved valuer. The resultant surplus on such revaluation of Rs. 90.56 mn. over the written down value of the assets was adjusted against the goodwill created at the time of merger of Mahalaxmi Tiles & Marble Co. Pvt. Ltd. and Cospar Impex Pvt. Ltd. with our Company.

**SECTION VIII**

**ISSUE INFORMATION**

The SEBI Guidelines were recently amended on September 19, 2005. There is an uncertainty in relation to the effect of these amendments on the Issue Procedure. The BRLMs are currently discussing the same with SEBI and the stock exchanges. All investors are therefore cautioned that the Issue Procedure as detailed herein may be modified or supplemented or amended based on the discussions between SEBI, the Stock Exchanges and the BRLMs.

**1. TERMS OF THE ISSUE**

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the allotment advice and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

**Ranking of Equity Shares**

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles and shall rank pari passu in all respects with the other existing Equity Shares of our Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by our Company after the date of Allotment.

**Mode of payment of dividend**

We shall pay dividend to the shareholders as per the provisions of the Companies Act, 1956.

**Face Value and Issue Price**

The Equity Shares with a face value of Rs.10 each are being offered in terms of this Prospectus at a price of Rs. 168 per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

**Compliance with SEBI Guidelines**

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

**Rights of the Equity Shareholder**

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of our Company's Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer to the section titled 'Description of Equity Shares and Terms of Articles of Association' on page no. 191 of this Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of our Equity Shares will be in dematerialised mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 40 Equity Shares to the successful bidders. For details of allocation and allotment, see "Other Regulatory and Statutory Disclosure – Basis of Allotment and Allocation".

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

**Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.**

### **Impersonation**

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below: "Any person who:**

- (a) make 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."**

### **Minimum Subscription**

"If the company does not receive the minimum subscription of 90% of the net issue to public including devolvement of Underwriters within 60 days from the date of closure of the issue, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest prescribed under Section 73 of the Companies Act, 1956."

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If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after the Company becomes liable to pay the amount, the Company shall pay interest at the rate of 15% per annum for the delayed period.

### **Withdrawal of the Issue**

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

### **Arrangements for Disposal of Odd Lots**

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

### **Restriction on Transfer and Transmission of Shares**

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

### **Application by Non Residents/NRIs/FIIs**

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis as other categories for the purpose of allocation.

### **As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue**

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulations of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

## 2. ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue to the public shall be allotted on a proportionate basis to QIB's of which 5% are reserved for Mutual Funds and the balance will be available for all QIBs including Mutual Funds. Further, not less than 15% of the net issue to the public shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the net issue to the public shall be available for allotment on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price

Bidders are required to submit their Bids through the members of the Syndicate. The Syndicate Members have the right to reject a Bid received from QIBs at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders, and bids under the employee reservation portion, our Company would have a right to reject the Bids only on technical grounds.

***Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.***

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allotment of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Permanent Employees	Pink

### Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable); as defined Section 4 A of Companies Act;
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;

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8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ Societies and who are authorised under their constitution to hold and invest in Equity Shares;
10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares;
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 250 mn. and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 250 mn and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions; and
16. Permanent employees of our Company as on the cut-off date i.e. January 31, 2006.

### **Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.**

Note: The BRLMs, Syndicate Members and any associate of the members of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is proportionate. Further, the BRLMs shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.**

### **How to Apply-availability of Forms, Prospectus and mode of payment**

#### **Application by Mutual Funds**

**As per the current regulations, the following restrictions are applicable for investments by mutual funds:**

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds

No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. These limits would have to be adhered to by the Mutual Funds for investment in the Equity Shares.

In case of a Mutual Fund, a separate bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple bids provided that the bids clearly indicate the scheme concerned for which the bid has been made.

#### **Application of NRIs**

Bid cum Application forms have been made available for NRIs at the Registered office of the Company.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) Account shall use the form meant for Resident Indians (white in colour.). All instruments accompanying bids shall be payable in Mumbai.

### **Application by FIIs**

#### **As per current regulations, the following restrictions are applicable for investment by FIIs:**

No single FII can hold more than 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date no such resolution has been recommended to the shareholders of the Company for adoption.

#### **Bids by NRIs or FIIs on Repatriation basis**

Bids and revision to bids must be made:

- On the bid cum application form or Revision Form, as applicable, (Blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single or joint names (not more than three).
- Bids by NRIs for a Bid amount of up to less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid amount of more than or equal to Rs. 100,000 would be considered under Non-Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity shares and in multiples of 40 Equity Shares thereafter so that the Bid amount exceeds Rs. 100,000. For further details, please refer to the sub-section titled "Maximum and Minimum Bid size"
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Financial Institutions but not in the names minors, firms or partnerships, foreign nationals or their nominees or OCB's
- Refunds, dividends and other distributions, if any, will be payable in India Rupees only and net of band charges and/ or commission, in case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision form through Indian Rupee drafts purchased abroad, such payments in India Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by the space provided for this purpose in the Bid Cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account or conversion of foreign currency.

#### **As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:**

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations 2000, prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of the Company's paid-up equity capital.

**The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modifications or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

#### **Maximum and Minimum Bid Size**

##### **For Retail Individual Bidders**

The Bid must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000/-. In case of revision of Bids, the Retail bidders have to ensure that the Bid amount does not

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exceed Rs. 100,000/-. In case the maximum Bid amount is more than Rs. 100,000/-, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

### **For Non-Institutional Bidders and QIBs Bidders**

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs. 100,000/-. Above this minimum Bid Amount, the Bid should be in multiples of 40 Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI existing guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000/-. In case the Bid Amount reduces to Rs. 100,000/- or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under Retail portion.

Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-Off Price. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

### **Right to Reject Bids**

In case of QIB bidders, our company, in consultation with the BRLM's/Syndicate Members may reject bids at the time of submission of the bid provided that the reasons for rejecting the same shall be provided for such bidder in writing. In case of QIB bidders, Non Institutional Bidders and Retail Individual Bidders who bid, the company has the right to reject bids on technical grounds. Consequent reference shall be made by cheque or pay order or draft and will be sent to the bidders address at the bidders risk.

### **For Bidders in the Employee Reservation Portion:**

The Bid by Eligible Employees must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 1,000,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000/- may bid at "Cut-off".

### **Information for the Bidders**

- (a) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in the Equity Shares of the Company) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the registered office of the Company or from any of the BRLMs or Syndicate Members.
- (d) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- (e) Investors who are interested in subscribing to our Company's Equity Shares should approach the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.

### **Method & Process of Bidding**

- a) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

- b) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLMs, or Syndicate Member or their authorised agent(s) to register their Bid
- c) The Bidding Period shall be open for atleast 3 working days and not more than 7 working days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three working days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach the Syndicate to submit their Bid. Every Member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids
- d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph 'Bids at Different Price Levels' under section titled 'Issue Procedure' on page no. 171 of this Prospectus and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid
- e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph 'Build up of the Book and Revision of Bids' under section titled 'Issue Procedure' on page no. 174 of this Prospectus.
- f) The BRLMs, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form
- g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph 'Terms of Payment and Payment into Escrow Account' under the section titled 'Issue Procedure' on page no. 173 of this Prospectus.

#### **Bids at Different Price Levels**

- a) The Price Band has been fixed at Rs. 140 to Rs. 168 per Equity Share of Rs.10 each, Rs. 140 being the Floor Price and Rs. 168 being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1/-
- b) In accordance with SEBI Guidelines, the Company, in consultation with the BRLMs, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in the Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band
- c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of ten working days. Any revision in the Price Band and the revised Bidding / Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Marathi, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members and the Bidding Period shall be extended for a further period of three days, subject to the total bidding period not exceeding 10 days.

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- d) The Company in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders
- e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at "Cut off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected
- f) Retail Individual Bidders or eligible employees who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding or eligible employees at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders or eligible employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders or eligible employees who bid at cut-off price shall receive the refund of the excess amounts from the Escrow Account/ refund account(s)
- g) In case of an upward revision in the Price Band announced as above, the Retail Bidders or eligible employees who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000/- for Retail Bidders or Rs. 1,00,000/- for Eligible Employees, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000/- for retail Bidders or for Eligible Employees the Bid will be considered for allocation under the Non-Institutional portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price. ,
- h) In case of downward revision in the Price Band announced as above, Retail Bidders or eligible employees who have bid at Cut-Off Price could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s)
- i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain 40 Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs. 5,000/- to Rs. 7,000/-.

### **Option to Subscribe**

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders **will not have** the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

### **Escrow Mechanism**

#### **Escrow Account for the Issue**

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of this Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks as per the terms of the Escrow Agreement with the company and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLMs, and Syndicate Members to facilitate collection from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph 'Payment Instructions' under the section titled 'Issue Procedure' on page no. 181 of this Prospectus and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, each QIB shall, with the submission of the bid cum application form draw a cheque or demand draft for 10% of the maximum amount of his bid in favour of the Escrow account of the Escrow collection bank. The balance amount shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected and the margin amount will be refunded.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic Registration of Bids**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges
- (c) Aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:
  - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
  - Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund, etc.
  - Numbers of Equity Shares bid for
  - Bid price

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- Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or to the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The members of the Syndicate have the right to review the Bid. The Syndicate Members have right to reject a bid received from a QIB at the time of receipt of Bids. However, a Syndicate Members shall disclose the reason for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders, bids under the Employee Reservation Portion and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed in the section titled 'Issue Procedure' on page no. 183 of this Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, and BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

### **Build Up of the Book and Revision of Bids**

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.
- (b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
- (c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- (d) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- (e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum- Application Form.
- (f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

- (g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.
- (h) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Prospectus.
- (i) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (j) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the physical book shall be final and binding to all concerned.

#### **Price Discovery and Allocation / Allotment**

- a. After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with our company.
- b. Our Company in consultation with the BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly based by the size, price and time of the Bid.
- c. The allocation for QIBs would be not more than 50%, of Net Issue of which 5 % shall be reserved for Mutual Funds on a proportionate basis. The allocation to Non-Institutional Bidders would be not less than 15% of the Issue Size and allocation for Retail Individual Bidders will be not less than 35% of the Issue Size on proportionate basis, subject to valid Bids being received at or above the Issue Price.
- d. Under subscription, if any, in the Non-Institutional Portion and / or Retail Portion, would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLMs. Any under subscription in equity shares reserved for allocation to eligible employees would be treated as a part of the net issue to the public and allocated in accordance with the basis of allotment described in the paragraph "Basis of Allotment" under the section titled 'Issue Procedure' on page no. 186 of this Prospectus.
- e. Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.
- f. The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- g. The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- i. The allotment details shall be put on the website of the Registrar to the issue.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the BRLMs and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, the company will update and file the Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Prospectus with the RoC**

The Company will file a copy of the Prospectus with the Registrar of Companies, Mumbai, in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956

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### Announcement of Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English National Daily with wide circulation, one Hindi National Newspaper and a regional language Newspaper with wide circulation at Mumbai.

### Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement, in addition to the information (in the format and containing the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### Issuance of Confirmation of Allocation Note

- (a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue
- (b) The BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder

### Designated Date and Allotment of Equity Shares

- (a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders' depository account. Allotment of the Equity Shares to the allottees would be made within two working days of the date of Allotment
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act
- (c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, The Company would allot the Equity Shares to the allottees. The Company would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case the Company fails to make allotment within 15 days of the Bid/ Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- (d) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue

## GENERAL INSTRUCTIONS

### Do's:

- a. Check if you are eligible to apply;
- b. Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Eligible Employee Bid Cum Application Form (pink in colour), as the case may be;
- c. Ensure that the Bid is only within the Price Band;
- d. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;
- e. Ensure that the DP account is activated;
- f. Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- h. Ensure that you have been given a TRS for all your Bid options; and
- i. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS
- j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects. and
- k. Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy PAN Card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid-cum-Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 prescribed under the I.T. Act along with the application.
- l. Ensure that the Bid-Cum-Application Form Number is mentioned on the reverse of the cheque / demand draft.

### Don'ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;
- f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;
- g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.
- h) Submit Bids accompanied by Stockinvest
- i) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

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### **Bids by Permanent Employees of the Company**

- For the purpose of this reservation, Permanent Employee means permanent employees of our Company as on January 31, 2006.
- Bids under Employee Reservation Portion by Permanent Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).
- Permanent Employees, as defined above, should mention the employee number at the relevant place in the Bid cum Application Form
- The sole/ first bidder should be Permanent Employees as defined above.
- Only Permanent Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- Bids by Permanent Employees, as defined above, will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Permanent Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 100,000/- in any of the bidding options can apply at Cut-Off. This facility is not available to other Permanent Employees whose minimum Bid amount exceeds Rs. 100,000/-.
- The maximum bid in this category can be for 1,000,000 Equity Shares.
- If the aggregate demand in this category is less than or equal to 1,000,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.
- Under subscription in this category would be added back to the Net Issue.
- If the aggregate demand in this category is greater than 1,000,000 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to paragraph 'Basis of Allotment' under the section titled 'Issue Procedure' on page no. 186 of this Prospectus.

### **Instructions for Completing the Bid-cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs, or Syndicate Members.

### **Bids and Revisions of Bids**

Bids and revisions to Bids must be:

- a. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis and pink colour for eligible employees).
- b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- c. For Retail Individual Bidders, the Bids must be for a minimum of 40 Equity Shares and in multiples of 40 thereafter subject to a maximum Bid Amount of Rs. 100,000/-.
- d. For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000/- and in multiples of 40 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e. For Permanent Employees, the Bid must be for a minimum of 40 Equity Shares and shall be in multiples of 40 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 1,000,000 Equity Shares.
- f. In single name or in joint names (not more than three).

- g. Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

#### **Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders 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 Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

#### **Bidders Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant's Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

**These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.**

**Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.**

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or is liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

#### **Bids under Power of Attorney**

**In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.**

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In case of Bids made pursuant to a Power of Attorney by FII's, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs. 250 mn. and pension funds with minimum corpus of Rs. 250 mn., a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid cum Application form, subject to such terms that we may deem fit, in consultation with the BRLMs.

### **Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

- NRI, FIIs and Foreign Venture Capital funds Bidders to comply with the following: Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office at 86-A Maker Chambers III, Nariman Point, Mumbai – 400 021, Maharashtra, India or from members of the Syndicate or the Registrar to the Issue.
- NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (white in colour).

### **Bids and revision to Bids must be made:**

- On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three).
- **By NRIs** – For a minimum of 40 Equity Shares and in multiples of 40 thereafter subject to a maximum Bid amount of Rs. 100,000/- for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 100,000/- would be considered under Non Institutional Category for the purposes of allocation. For further details please see paragraph 'Maximum and Minimum Bid Size' under the section titled 'Issue Procedure ' on page no. 169 of this Prospectus.
- **By FIIs** – for a minimum of such number of Equity Shares and in multiples of 40 that the Bid Amount exceeds Rs. 100,000/-. For further details please see paragraph 'Maximum and Minimum Bid Size' under the section titled 'Issue Procedure ' on page no. 170 of this Prospectus.
- In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of

exchange prevailing at the time of remittance and will be dispatched by registered post/speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRI's, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and foreign venture capital funds and all Non-Residents, NRIs, FIIs and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account of benefit of, "U.S. Persons" (as defined in the Regulation S of the Securities Act), except pursuant to any exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in United States to 'qualified institutional buyers' as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

#### **Payment Instructions**

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **Payment into Escrow Account to the Issue:**

- (i). The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.
- (ii). In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
- (iii). The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
  - In case of Resident Bidders: **"Escrow Account – NITCO TILES Public Issue"**
  - In case of Non Resident Bidders: **"Escrow Account –\_NITCO TILES Public Issue -NR"**
  - In case of Eligible Employees: **"Escrow Account – NITCO TILES Public Issue –Eligible Employees"**
  - In case of Resident QIB Bidders: **"Escrow Account – NITCO TILES Public Issue – QIB Resident"**
  - In case of Non Resident QIB Bidders: **"Escrow Account – NITCO TILES Public Issue – QIB NR"**
  - In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

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- In case of Bids by FIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- (iv). Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
- (v). The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.
- (vi). On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- (vii). On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders

**Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/Postal Orders will not be accepted.**

### **Payment by Stockinvest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

### **Submission of Bid-cum-Application Form**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLMs or Syndicate Member at the time of submitting the Bid. **The BRLMs/ members of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.**

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLMs or Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

### **Other Instructions**

#### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

#### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids made by eligible employees both under employee reservation portion as well as in the net issue to the public shall not be treated as multiple bids.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all portion

#### **Procedure for Application by Mutual Funds**

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that

the Bids clearly indicate the name of scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

#### **PAN**

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents 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.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

#### **UNIQUE IDENTIFICATION NUMBER – MAPIN**

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 and circular issued in connection thereto by its circular bearing number MAPIN/Cir-13/2005.

#### **Company Right to Reject Bids**

The Syndicate Members have right to reject a Bid received from QIB at the receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non-Institutional Bidders and Retail Individual Bidders and Eligible Employees, The Company & BRLMs have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

#### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- a. Amount paid doesn't tally with the highest number of Equity Shares bid for;
- b. Age of First Bidder not given;
- c. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- d. PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;
- e. Bids for lower number of Equity Shares than specified for that category of investors;
- f. Bids at a price less than lower end of the Price Band;
- g. Bids at a price more than the higher end of the Price Band;
- h. Bids at cut-off price by Non-Institutional and QIB Bidders;

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- i. Bids for number of Equity Shares which are not in multiples of 40;
- j. Category not ticked;
- k. Multiple bids as defined in the Red Herring Prospectus;
- l. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- m. Bid-cum-Application Form does not have the stamp of the BRLMs, or Syndicate Members;
- n. Bid-cum-Application Form does not have Bidder's depository account details;
- o. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum-Application Form;
- p. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- q. Bids accompanied by money order/postal order/cash / Stockinvests;
- r. Signature of sole and / or joint bidders missing;
- s. Bids by OCBs;
- t. In case no corresponding record is available with the Depositories that matches the parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID);
- u. Bids by U.S residents or US persons other than "qualified institutional buyers" as defined in Rule 144A of the U.S. Securities Act of 1933;
- v. Bids under Employee reservation portion for more than 1,000,000 Equity Shares.

### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, tripartite agreements have been signed between our Company, the respective Depositories and the Registrar to the Issue.

- A tripartite agreement was entered into on December 26, 2002 between our Company, NSDL and Computronics Financial Services India Limited. Our Company informed NSDL vide letter dated December 2, 2005 of the proposed change in the Registrars to M/s Intime Spectrum Registry Limited. Subsequently, an agreement dated January 20, 2006 has been entered into with NSDL, our Company and the Registrar to the Issue;
- An agreement dated January 16, 2006 with CDSL, our Company and Registrars to the Issue.

**All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.**

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque/ draft number and issuing bank thereof.

The company has appointed Mr. B.G.Borkar, Company Secretary as Compliance Officer. He can be contacted at the Registered Office of the company.

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

### **Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money**

The company reserves, at their absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

### **Disposal of Applications and Application Money**

The company shall ensure despatch of allotment advice or refund orders and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the dispatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and dispatch of refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

The company shall put in its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- The company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- The company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment/ transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 days time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

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The Company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

### **Interest on Refund of excess Bid Amount**

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

### **Basis of allotment or allocation**

#### **A. For Retail Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, QIB Bidders and employees shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 3,150,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 3,150,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 40 Equity Shares. For the method of proportionate basis of allotment, please refer to paragraph 'Method of Proportionate Basis of Allotment' under the section titled 'Issue Procedure' on page no. 188 of this Prospectus.

#### **B. For Non Institutional Bidders**

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size, less allotment to QIBs Bidders, Retail Individual Bidders and Employees shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,350,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 1,350,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of 40 Equity Shares. For the method of proportionate basis of allotment, please refer to paragraph 'Method of Proportionate Basis of Allotment' under the section titled 'Issue Procedure' on page no. 188 of this Prospectus.

### C. For QIBs

- Upto 50% of the Net Issue to the Public i.e. 4,500,000 Equity shares shall be allotted to QIBs of which 5% is reserved for Mutual Funds i.e 225,000 Equity Shares and balance shares will be available for allocation to all QIBs including Mutual Funds on proportionate basis.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size, less allotment to Non Institutional Bidders, Retail Individual Bidders and Employees, shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Bids from Mutual Fund exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion, then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:
    - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

The aggregate allotment to QIB Bidders shall be upto 4,500,000 Equity Shares

### D. For Employee Reservation portion

Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,000,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 1,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 40 Equity Shares. For the method of proportionate basis of allotment, please refer section paragraph 'Method of Proportionate Basis of Allotment' under the section titled 'Issue Procedure' on page no. 188 of this Prospectus.
- The unsubscribed portion, if any, out of the Equity Shares in the Employee Reservation Portion will be added to the categories of Non Institutional Bidders and Retail Bidders, in a proportion to be determined by the Company in consultation with the BRLMs.

### Procedure and Time Schedule for Allotment of Equity Shares

The Syndicate Members have the right to reject the Bid received from QIB at the time of receipt of the Bids. However, the Syndicate Members shall disclose the reasons for not accepting the Bid to the Bidder. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing

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Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/ Issue Closing Date. The Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

### ***Method of proportionate basis of allocation in the QIB, Retail, Non-Institutional and Employee Reservation Portions***

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (d) If the proportionate Allotment to a Bidder is a number that is more than 40 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (e) In all Bids where the proportionate Allotment is less than 40 Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of 40 Equity Shares;
  - The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be allotted a minimum of 40 Equity Shares.
- (f) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

#### **Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues**

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days after the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the date of closure of the Issue.

**In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.**

#### **Despatch of Refund Orders**

The Company shall ensure despatch of refund orders of value over Rs. 1,500 by registered post or speed post only and refund orders of value upto Rs. 1,500 by Certificate of Posting and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Company.

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

#### **Undertakings by the Company**

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for despatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue;
- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within the specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

#### **Utilization of Issue proceeds**

The Board of Directors of the Company Certify that:

- all monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

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Pending utilisation of net proceeds of this Issue as specified under the section "Objects of the Issue" the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

### **Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the FIPB and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, and Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

### **Foreign Investment**

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in companies in the tile manufacturing sector is under the automatic route (i.e., prior approval of the FIPB is not required).

Foreign investment by way of subscription to equity shares in companies in the tile manufacturing sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the company. Govt has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

## SECTION IX

### DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

The salient features of the Articles of Association of the Company are as under:

**Article 1 provides as under:**

1. The Regulations in Table 'A', in the First Schedule to the Companies Act, 1956 (hereinafter called the "Act") shall apply to this Company except in so far as they are hereinafter expressly or impliedly, excluded or varied; to the extent that these Articles expressly or impliedly exclude or vary the Regulations in Table 'A' or make any additional provision, these Articles shall prevail over the Regulations in Table A.

**Article 3 provides as under:**

Regulations 66, 71 & 76 of Table A shall not apply to the Company.

**Article 4 provides as under:**

**(a) Authorised Share Capital**

The Authorised Share Capital of the Company is Rs.27,50,00,000/- (Rupees Twenty Seven Crores Fifty Lakhs only) divided into 2,75,00,000 (Two Crores Seventy Five Lakhs) equity shares of Rs.10/- each (Rupees Ten only) each.

**(aa) Further issues**

- (1) Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then:
  - i) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares at the date.
  - ii) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than fifteen days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
  - iii) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may, renounce the shares offered to him.
  - iv) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.
- (2) Notwithstanding anything contained in sub-clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (1) of sub-clause (1) hereof) in any manner whatsoever.
  - i. If a special resolution to that effect is passed by the company in General Meeting, or
  - ii. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.

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- (3) Nothing in sub-clause (iii) of (1) hereof shall be deemed:
- i. To extend the time within which the offer should be accepted; or
  - ii. To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:
- (i) To convert such debentures or loans into shares in the company; or
  - (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise)
- PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
  - (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans."

### **4(d) Shares at disposal of the Directors**

"Subject to the provisions of Section 81 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 Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting."

### **4(e) Convertibility Provisions**

Debenture/Bonds with the right to allotment of or conversion into shares shall not be issued without the sanction of the Company in General Meeting.

### **4(f) Power to modify rights**

Whenever the capital, by reason of the issue of preference share or otherwise is divided into different classes of share, all or any of the rights and privileges attached to any class may, subject to the provisions of section 106 and 107 of the Act, be modified, commuted, effected, abrogated or dealt with by consent in writing of the holders of not less than three – fourth of the issued shares of that class, or as sanctioned by a special resolution passed at a separate meeting of the holders of the issued shares of that class and supported by the votes of the holders of not less than three – fourth of the issued share of that class, and all the provisions herein after contained as to general meeting shall mutates mutandis, apply to any such meeting but so that the quorum thereof shall be to person at least holding or representing by proxy one - third of the nominal amount of the issued shares of that class. This clause is not to derogate from any power the Company would have had if this clause were omitted. The power conferred upon the company by this clause is subject to the provisions of the Act.

**Article 5 provides as under:**

**Preference Shares**

Subject to the provisions of section 80 of the Act, any preference shares may, with the sanction of any ordinary resolution, be issued on such basis and on such terms as may then be thought fit including terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may, by special resolution determine.

**Article 6 provides as under:**

**Variation of share holders right**

- (i) If at any time the share capital is divided into different classes of share, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of the classes) 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 with the consent in writing of the holders of three – fourth of the issued shares of that class, or with the sanction of the special resolution passed at a separate meeting of the holders of the shares of that class.
- (ii) To every such separate meeting, the provisions of these regulations relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one – third of the issued shares of the class in question.
- (iii) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

**Article 9 provides as under:**

**Share Certificate**

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in the name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, subdivision, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all share holders.

**Article 10 provides as under:**

**Issue of new certificate in place of one defaced, lost or destroyed**

If any certificate be worn out, defaced, mutilated, or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificates under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee

shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

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The provision of this Article shall mutatis mutandis apply to debentures of the company.”

**Article 11 provides as under:**

### **Company’s lien on shares / debentures**

The Company shall have a first and paramount lien upon all the shares/ debentures (other than fully paid-up shares/ debentures) registered in the name of each member (whether solely or jointly with others ) and upon the proceeds of sale thereof, for all moneys ( whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this 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/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company’s lien if any, on such shares/debentures. The Directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.”

**Article 18 provides as under:**

### **Transfer mode of shares**

- 18 (i) The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and transferee
- (ii) The transferor shall be deemed to remain a holder of the shares until the name of the transferee is entered in the register of the members in respect thereof.

**Article 19 provides as under:**

### **Instrument of Transfer**

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.”

**Article 20 provides as under:**

### **Board Discretion**

The Board may, subject to the right of appeal conferred by Section 111 of the Act, decline to register: -

- (a) The transfer of a share, not being a fully paid share, to a person of whom they do not approve; or
- (b) Any transfer of shares on which the Company has a lien.
- (c) Provided that the registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Issuer on any account whatsoever.

**Article 21 provides as under:**

### **Transfer Formalities**

The Board may also decline to recognize any instrument of transfer unless:-

- (a) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonable require to show the right of the transferor to make the transfer; and
- (b) the instrument of transfer is in respect of only one class of shares

**Article 22 provides as under:**

### **Refusal to register transfers**

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall

within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer 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 except when the company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

**Article 25 provides as under:**

***Registration no liability on company***

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares notwithstanding that the Company may have had notice of such equity right, title, or interest or notice prohibiting registration.

**Article 26 provides as under:**

***Closure of Books***

Subject to the provisions of Section 154 of the Act, the registration of the transfers may be suspended at such times and for such periods as the Board may from time to time determine.

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than 45 days in the aggregate in any year.

**Article 27 provides as under:**

***No fee on transfer or transmission***

No fees shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

**Article 28A provides as under:**

***Nomination of shares***

1. Every holder of shares in, or holder of debentures of, a company may, at any time nominate in the manner prescribed under Section 109 A, a person to whom his shares in, or debentures of, the company shall vest in the event of his death.
2. Where the shares in, or debentures of, a company are held by more than one person jointly, the joint holders may together nominate, in the manner prescribed under Section 109 A, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of all the joint holders.
3. Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the company, where a nomination made in the manner prescribed in Section 109 A, purports to confer on any person the right to vest the shares in or debentures of the company, the nominee shall on the death of the shareholders or holder of the debenture of the company or as the case may be on the death of the joint holders become entitled to all rights in the shares or debentures of the company or as the case may be all the joint holders in relation to such shares in, or debentures of the company to the exclusion of all other persons unless the nomination is varied or canceled in the prescribed manner.
4. Where the Nominee is a minor, it will be lawful for the holders of the shares or holder of debenture to make the nomination to appoint in the prescribed manner any person to become entitled to share in or debentures of the Company in the event of his death during the minority.

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**Article 29 provides as under:**

### ***Death of a Member***

- (1) On the death of a member, the survivor or survivors where the member was a joint holder, and his legal representatives where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares.
- (2) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

**Article 30 provides as under:**

### ***Legal representative***

- (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either:
  - (a) to be registered himself as holder of the share; or
  - (b) to make such transfer of the shares as the deceased or insolvent member could have made.
- (2) The Board shall, in either case, have the same right to decline or suspend registration as it would have had if the deceased or insolvent member had transferred the share before his death or insolvency.

**Article 31 provides as under:**

### ***Electing a Member***

- (1) If the person so becoming entitled shall elect to be registered as holder of the shares himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.
- (2) If the person aforesaid shall elect to transfer of the share, he shall testify his election by executing a transfer of the share.
- (3) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.

**Article 32 provides as under:**

### ***Rights and liabilities of Legal Representatives***

A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages which he would be entitled to if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

**Article 40 provides as under:**

### ***Ordinary Resolution***

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 as may be specified in the resolution.

**Article 41 provides as under:**

***Consolidation, sub-division and cancellation of shares***

The Company may, by ordinary resolution:-

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum, subject, nevertheless to the provisions of clause (d) of sub-section (l) of section 94;
- (c) cancel any shares which, at the time of the passing of the resolution have not been taken or agreed to be taken by any person.

**Article 42 provides as under:**

***Reduction of share capital***

The Company may, by special resolution, reduce in any manner and with, and subject to, any incident authorized and consent required by law-

- (a) Its share capital;
- (b) Any capital redemption reserve account; or
- (c) Any share premium account.

**Article 42 A provides as under:**

**Buy Back**

1. Except as provided in these articles none of the funds of the Company shall be applied in the purchase of shares of the Company and the Company shall not, except as permitted by section 77 of the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company. Nothing in this article will affect the right of the Company to redeem any shares issued under Section 80 of the Act.
2. Subject to and in accordance with the applicable provisions of the Companies Act, 1956 and all other applicable provisions of law including the Securities and Exchange Board of India Act, 1992 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 (and any statutory modifications or re-enactment thereof for the time being in force or as may be enacted from time to time) and subject to such approvals/ permissions or sanctions as may be required, the Company shall have the power to acquire, purchase, sell, dispose off, provide finance for the purchase of any of its fully/ partly paid shares whether or not they are redeemable and to make the payment out of the Capital Reserves or otherwise in respect of such acquisition, purchase, financing on such terms as the Board of Directors may determine.
3. The Company may (subject to the provisions of Sections 78, 80 and 100 to 105, both inclusive and other applicable provisions, if any, of the Companies Act) from time to time by special resolution, reduce (a) its share premium account in any manner and with and subject to any incidents, for the time being authorized and consent required by law and in particular capital may be called up again or otherwise.
4. The provisions of this Article is not to derogate from any power the Company would have if it were omitted.

**Article 42 B provides as under:**

**Beneficial Interest**

Notwithstanding anything herein contained a person whose name is at any time entered in the register of members of the Company as a holder of a share in a Company, but who does not hold the beneficial interest in such share, shall , if so required by the Act within such time and in such forms as may be prescribed make a declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such shares.

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Article 42 C provides as under:

### Dematerialization of securities

1. For the purpose of this article:-

‘Beneficial owner’ means a person or persons whose name is recorded as such with a depository.

‘SEBI’ means the Securities and Exchange Board of India.

‘Depository’ means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

‘Security’ means such security as may be specified by SEBI from time to time.

2. Notwithstanding anything contained in these articles, the company shall be entitled to dematerialize its securities to offer securities in a dematerialized form pursuant to the Depositories Act, 1996.
3. Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository if permitted by the applicable law in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the company shall intimate such depository the details of allotment of the security and/or transfer of securities in his name and on receipt of the information, the depository shall enter in its record the name of the allottee and/or transferee as the beneficial owner of the securities.

4. All securities held by a depository shall be dematerialized and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
5. Nothing contained in the Act or these articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to securities held with a depository.
6. Notwithstanding anything to the contrary contained in the Act or these articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner. The depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it. Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.
7. Notwithstanding anything to the contrary contained in the Act or these articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.
8. The transfer of shares, debentures or other marketable securities of the company in respect of which no certificate has been issued or in cases where such shares, Debentures or other marketable Securities are held in an electronic and fungible form, shall be governed by the provisions of the Depositories Act, 1996.
9. Notwithstanding anything contained in the Act of these articles, where securities dealt in a depository, the company shall intimate the details thereof to the depository immediately on allotment and/or registration of transfer of such securities.
10. The register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the register and index of members and security holders for the purposes of this article.

**Article 43 provides as under:**

*Annual General Meeting*

Subject to the provisions contained in section 166 and 210 of the Act, a general meeting of the Company which shall be styled as the "Annual General Meeting", shall be held at the intervals and in accordance with the provisions hereinafter appearing. The First Annual General Meeting of the Company shall be held within eighteen months from the date of Incorporation of the Company and the next Annual General Meeting of the Company shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General meeting of the Company shall be held within six months after the expiry of each financial year, but so that not ore than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of section 166 (1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held either at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situated and the notice calling the meeting shall specify it as the Annual General Meeting.

**Article 44 provides as under:**

*Extraordinary General Meeting*

All general meetings other than Annual General Meeting shall be called Extraordinary General Meetings.

**Article 45 provides as under:**

*General Meeting*

- (1) The Board may call the Annual General Meeting or an Extraordinary General Meeting as and when it thinks fit.
- (2) If at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum, any Director or any member(s) of the Company holding not less than 10% of the paid up equity share capital of the Company may call an extraordinary general meeting in the same manner, as early as possible, as that in which such a meeting may be called by the Board.
- (3) The Chairman may call the Annual General Meeting or an Extraordinary General Meeting of the Company as and when he thinks fit.

**Article 46 provides as under:**

*Quorum*

- (1) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Five members present in person shall be quorum for a General Meeting.
- (2) In case of any member which is a body corporate if it is represented by a duly appointed representative who is entitled to vote on its behalf, such representative shall be considered to be a member who is present in person.

**Article 47 provides as under:**

*Chairman*

- (1) The Chairman, if any, of the Board shall preside as Chairman at every general meeting of the Company.
- (2) If there is no such chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as Chairman of the meeting, the member present shall elect one of their number to be Chairman of the meeting.
- (3) If at any meeting no Director is willing to act as a Chairman or if no Director is present within fifteen minutes after the time appointed for holding meeting, the members present shall choose one of their number to be Chairman of the meeting.

## **NITCO TILES LIMITED**

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**Article 48 provides as under:**

### ***Adjourned Meeting***

- (1) The Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting adjourn the meeting from time to time and from place to place.
- (2) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- (3) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
- (4) Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at any adjourned meeting.

**Article 49 provides as under:**

### ***Chairman's casting vote***

In the case of an equality of votes, whether on show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote.

**Article 50 provides as under:**

### ***Questions at General Meeting how decided***

At any general meeting a resolution including a special resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of results of the show of hands) demanded;

- (a) by Chairman; or
- (b) by at least five members having the right to vote on the resolution and present in person or by proxy; or
- (c) by any member or members present in person or by proxy and having not less than one-tenth of the total voting power in respect of the resolution; or
- (d) by any member or members present in person or by proxy and holding shares in the company conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid up which is not less than one-tenth of the total sum paid upon all the shares conferring the right.

**Article 51 provides as under:**

### ***Business pending poll***

Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

**Article 52 provides as under:**

### ***Show of hands and poll***

Subject to any rights or restrictions for the time being attached to any class or classes of shares, -

- (a) on a show of hands, every member present in person shall have one vote; and
- (b) on a poll, the voting rights of members shall be as laid down in section 87 of the Act.

**Article 53 provides as under:**

### ***Joint Holdings***

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

**Article 54 provides as under:**

***Joint Holders***

Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; and if more than one of such joint-holders be present at any meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any shares stands shall for the purpose of this article be deemed joint-holder thereof.

**Article 58 provides as under:**

***Proxy***

The instrument appointing a proxy and the power of attorney or other authority, if any, under it is signed or the notarially certified copy of the power of authority, shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

**Article 59 provides as under:**

***Corporate, Members representatives***

A body corporate, whether a Company within the meaning of the Act or not which is a member of this Company, may, by resolution of its Directors, authorize any of its officials or any other person to act as its representative at any meeting of this Company and the person so authorized shall be entitled to exercise the same powers on behalf of the Company which he represents, as if he were an individual shareholder of this Company.

**Article 60 provides as under:**

***Proxies***

An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit.

**Article 61 provides as under:**

***Validity of proxies***

A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given; provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

**Article 62 provides as under:**

***First Directors***

The number of Directors and the names of the first Directors shall be determined in writing by the subscribers of the memorandum or a majority of them.

**Article 63 provides as under:**

***No. of Directors***

Unless and until otherwise determined by the Company in General Meeting, the number of Directors shall not be less than Three or more than Twelve.

## **NITCO TILES LIMITED**

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**Article 64 provides as under:**

### ***Quorum of Directors***

Subject to section 287 of the Act, the quorum for a meeting of the Board of Directors of the Company shall be one third of its total strength (any fraction contained in that one-third being rounded off as one), or two Directors whichever is higher provided further that the quorum shall not be deemed to have been constituted unless at least one of the Director or Directors appointed in accordance with Article 85 or his Alternate Director is present at the meeting.

**Article 78 provides as under:**

### ***No Qualification share required***

A director shall not be required to hold any shares in the Company.

**Article 81 provides as under:**

### ***Directors Meeting***

- (i) The Board of Directors may meet for the dispatch of business, adjourn and otherwise regulate its meetings, as it thinks fit;
- (ii) A director may, and the Manager or Secretary on the requisition of a Director shall, at any time, summon a meeting of the Board.

**Article 82 provides as under:**

### ***Voting***

- (i) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes;
- (ii) In case of any equality of votes, the chairman of the board, if any, shall have a second or casting vote.

**Article 84 provides as under:**

### ***Directors may contract with the company***

Subject to the provisions of section 297 of the Act a Director shall not be disqualified from contracting with the Company either as vendor, purchaser or otherwise for goods, materials or services or for underwriting the subscription of any shares, in or debentures of the Company nor shall any such contract or arrangement entered into by or on behalf of the Company with relative of such Director or a firm in which such Director or relative is a partner or with any other partner in such firm or with a private Company of which Director is a member or Director be avoided nor shall Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by any such contract or arrangement by any reason of such Director holding office or of the fiduciary relation thereby established.

**Article 85 provides as under:**

### ***Aurella Estates and Investments P. Ltd., Directors***

- (a) Aurella Estates and Investments P. Ltd. Together with any other body corporate which is under the "same management." (as the expression as defined in section 370 of the Companies Act 1956) as Aurella Estates and Investments Private Limited, shall, as long not less than 10% of the total paid up equity share capital of the Company for the time being, be entitled to appoint (and having appointed to remove and/or reappoint at any time or from time to time) such number of Directors of the Company as are not exceeding one third of the total number of Directors or if the total number is not 3 or a multiple of 3 then the number nearest to one-third) for the time being of the Company. From the Director so appointed by Aurella Estates and Investments P. Ltd. one Director shall be appointed by Aurella Estates P. Ltd., shall be appointed as Chairman of the Board. The Directors so appointed by Aurella Estates and Investments P. Ltd., shall not be liable to retire at any general meeting of the Company.
- (b) The Chairman of the Board shall be entitled to take the chair at every meeting of the Board. If at any meeting of the Board the Chairman is not present within 15 minutes of the time appointed for holding such meeting or being present be unwilling to take the Chair, the Directors present may choose one of their number to be the chairman of the meeting.

**Article 91 provides as under:**

***Powers and responsibilities of Director***

The powers and responsibilities of the Directors of the Company shall be as in Table A of the Act, except in so far as they stand modified by the provisions of these Articles. Subject to the provisions of law and of these Articles of Association if any to the contrary, the Directors shall have the powers to sign all papers and do all acts and things whatsoever which may be required to be done in the name of or for and on behalf of the Company and which are not expressly forbidden or prohibited by law.

**Article 92 provides as under:**

***Powers of Directors***

Without prejudice to the generality of the powers conferred upon the Directors whether by provision of the law for the time being in force and/or the applicable Articles of Table A and/or the provisions of these presents or otherwise however, it is hereby expressly declared that the Directors shall have the following powers.

- (i) To pay costs, charges and expenses, preliminary and incidental to the promotion, formation, and establishment and registration of the company.
- (ii) To purchase or otherwise acquire for the Company, any property, whether moveable, immoveable, and rights and privileges, whether corporeal or non-corporeal, which the Company is authorized to acquire at such prices and generally on such terms and conditions as they shall think fit.
- (iii) At their discretion, to pay for any property, rights, privileges acquired by or services rendered to the Company, either wholly or partially, in cash or in bonds, or other securities of the Company, and any shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon, and such bonds or other securities may be either specifically charged upon all or any part of the property of the company and its uncalled capital, or not so charged.
- (iv) To accept from any member on such terms and conditions as shall be agreed, a surrender of his shares or any part thereof.
- (v) To institute conduct, defend, compound, or abandon any legal proceedings by or against the company, or its officers or otherwise, concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts or dues and of any claims or demands by or against the Company.
- (vi) To refer any claims or demands by or against the Company to arbitration and observed and perform the awards.
- (vii) To make and give receipts, release and other discharges for money payable to the Company and for the claims and demands of the Company.
- (viii) To determine who shall be entitled to sign on behalf of the Company, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents.
- (ix) From time to time, to provide for the management of the affairs of the Company in such manner as they think fit, and in particular to appoint any person to be the Attorney or Agent of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.
- (x) To invest and deal with any of the monies of the Company, not immediately required for the purposes thereof, in such securities and in such manner as they may think fit, and from time to time, to vary or realize such investments.
- (xi) Subject to the relevant provision of law to deposit any monies of the Company by way of advance or security deposit or otherwise howsoever with any other person, firm or Company (including any person firm or company with which any Director is directly or indirectly connected or related to) whether with or without interest and on such terms and conditions as the Directors may think fit.
- (xii) To borrow or raise or secure the payment of any sum or sums of money for the purpose of the Company in such manner and upon such terms and conditions as the Directors shall think fit by mortgage, pledge, hypothecation or otherwise charged upon all or any of the Company's property, both present and future, including the uncalled capital and to purchase, redeem or pay off such securities.

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- (xiii) To give any person employed by the Company a commission on the profits of any particular business or transaction or share of the general profits of the Company, and such commission or share of profits shall be treated as part of the working expenses of the Company.
- (xiv) To enter into all such negotiations and contracts, and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the company.
- (xv) Every Balance sheet and the Profit and Loss Account of the Company when audited and adopted by the Company in General meeting shall be conclusive except as regards any matters in respect of which modifications made from time to time be considered proper by the Board of Directors and approved by the shareholders at a General meeting.

**Article 93 provides as under:**

### ***Powers to Borrow on security***

Subject to the provisions of the Act and of these Articles the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property (both present and future) and uncalled capital, or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

**Article 94 provides as under:**

### ***Terms of issue of Debentures***

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and condition as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

**Article 98 provides as under:**

### ***Dividends***

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

**Article 99 provides as under:**

### ***Interim Dividends***

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.

**Article 100 provides as under:**

### ***Reserves and provisions***

- (1) The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends, and pending such application, may, at the like discretion either be employed in the business of the company or be invested in such investments as the Board may, from time to time think fit.
- (2) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.

**Article 101 provides as under:**

***Dividends Quantum***

- (1) Subject to the rights of persons, if any entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the shares.
- (2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the share.
- (3) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

**Article 102 provides as under:**

***Deduction from Dividends***

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.

**Article 103 provides as under:**

***Unclaimed Dividends***

Where the company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Nitco Tiles Limited" and transfer to the said account, the total amount of dividend which remains unpaid or claimed.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund established under the sub-section (1) of Section 205-C of the Act.

No unclaimed dividend shall be forfeited by the Board before the claim becomes barred by the law of limitation

**Article 104 provides as under:**

***Payment by warrant or Cheque***

- (1) Any dividend, interest or other moneys payable in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint-holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
- (2) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

**Article 105 provides as under:**

***Joint Holders Discharge***

Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.

**Article 106 provides as under:**

***Notice of Dividend***

Notice of any dividend that may have been declared shall be given to the persons entitled to share there in the manner mentioned in Act.

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**Article 107 provides as under:**

### ***No interest on Dividends***

No dividend shall bear interest against the company.

**Article 109 provides as under:**

### ***Bonus***

- (1) The Company in general meeting may, upon the recommendation of Bonus by the Board, resolve, -
  - (a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account, or otherwise available for distribution; and
  - (b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- (2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3), either in or towards -
  - (i) Paying up any amounts for the time being unpaid on any shares held by such members respectively;
  - (ii) Paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or
  - (iii) Partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii).
- (3) A share premium account and a capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
- (4) The Board shall give effect to the Resolution passed by the Company in pursuance of this regulation.

**Article 111 provides as under:**

### ***Division of Assets***

- (1) If the Company shall be wound-up the liquidator, may with the sanction of a special resolution of the Company an any other sanction requirement by the Act, divide amongst the members, in specie o in kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.
- (2) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and determine how such division shall be carried out as between the members or different classes of members.
- (3) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that o member shall compelled to accept any shares or other securities whereon there is any liability.

**Article 112 provides as under:**

### ***Directors officers Agents Indemnity***

Every Director, officer or agent for the time being of the Company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 633 in which relief is granted to him by the Court.

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## SECTION X

### OTHER INFORMATION

#### 1. LIST OF 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 or contracts entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered into or are to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus have been delivered to the Registrar of Companies, Mumbai, Maharashtra for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of Nitco Tiles Limited between 11:00 am. and 5:00 p.m on working days from the date of the Draft Red Herring Prospectus until the date of closure of the Issue.

##### A. MATERIAL CONTRACTS TO THE ISSUE

1. Memorandum of Understanding dated December 29, 2005 entered into with Karvy Investor Services Limited, UTI Bank Limited and IL&FS Investsmart Limited to act as the Book Running Lead managers.
2. Memorandum of Understanding dated November 23, 2005 entered into with Intime Spectrum Registry Limited, to act as the Registrar to the Issue.
3. Letters dated September 6, 2005 from the Company appointing Karvy Investor Services Limited, UTI Bank Limited and IL&FS Investsmart Limited as the Book Running Lead managers, and the acceptance thereto.
4. Copy of the Escrow Agreement dated February 15, 2006 between our Company, Escrow Collecting Bank BRLMs and Registrar to the Issue.
5. Copy of the Syndicate Agreement dated February 15, 2006 between our Company, BRLMs, and the Syndicate Members
6. Copy of the Underwriting Agreement dated March 6, 2006 between our Company, BRLMs, and Syndicate Members.

##### B. MATERIAL DOCUMENTS FOR INSPECTION

1. Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of incorporation of the Company dated July 25, 1966 and Certificate of change of name dated January 25, 1996.
3. Copy of the certificate of registration of the order of the Court confirming transfer of the Registered Office from the Union Territory of New Delhi to the State of Maharashtra.
4. Copy of the resolution passed at the meeting of the Board of Directors held on October 29, 2005 and copy of Resolution passed by the shareholders of our Company at the Extra Ordinary General Meeting passed under Section 81(1A) dated November 22, 2005.
5. Resolution of the Members of the Company passed at the Annual General Meeting held on December 10, 2001, reappointing Mr.Vivek Talwar as the Managing Director for a period of 5 years with effect from April 1, 2001.
6. Resolution of the Members of the Company passed at the Annual General Meeting held on December 20, 2002, appointing Ms. Poonam Talwar as Whole Time Director for a period of 5 years with effect from April 1, 2002.
7. Consents of the Directors, Company Secretary, Auditors, Lead managers to the Issue, Syndicate Members to the Issue, Legal Advisors to the Issue, Bankers to the Company, Escrow Bankers & Bankers to the Issue, Compliance Officer and Registrars to the Issue, to include their names in this Prospectus, to act in their respective capacities.
8. The report of the statutory auditors, M/s. A. Husein Noumanali & Co., Chartered Accountant dated December 1, 2005.

## **NITCO TILES LIMITED**

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9. Annual Reports for the last 5 (five) years, FY 2000-01, 2001-02, 2002-03, 2003-04 and 2004-05.
10. Copy of letter dated December 1, 2005 from the Auditors of the Company, M/s. A. Husein Noumanali & Co., Chartered Accountants confirming Tax benefits as mentioned in this Prospectus.
11. Due Diligence Certificate dated December 29, 2005 from Book Running Lead Managers, Karvy Investor Services Limited, UTI Bank Limited and IL&FS Investsmart Limited.
12. Tripartite agreement dated January 20, 2006 between Nitco Tiles Limited, Intime Spectrum Registry Limited (Registrar), and NSDL, for offering depository services.
13. Tripartite agreement dated January 16, 2006, between Nitco Tiles Limited, Intime Spectrum Registry (Registrar), and CDSL, for offering depository services.
14. SEBI Observation letter no. CFD/DIL/SM/59492/2006 dated February 3, 2006.
15. Copy of Initial listing applications dated January 2, 2006 filed with NSE and BSE.
16. Copy of the In-principle listing approval dated February 3, 2006 and February 1, 2006 from NSE and BSE respectively.
17. Copy of the Board Resolution approving the Draft Red Herring Prospectus on December 29, 2005.
18. General Powers of Attorney executed by some of the Directors for the purpose of the Initial Public Offering.
19. Copy of reply to SEBI observation letter dated February 8, 2006.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time, if so required, in the interest of the Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## 2. DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the 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 Prospectus is contrary to the provisions of the Companies Act, 1956, 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 the statements in this Prospectus are true and fair.

### SIGNED BY ALL THE DIRECTORS

(Sd/-)

**Mr. Pran Nath Talwar**

Chairman

(Sd/-)

**Mr. Vivek Talwar**

Managing Director

(Sd/-)

**Ms. Poonam Talwar**

Whole time Director

(Sd/-)

**Mr. Dinesh H. Kanabar**

Director

(Sd/-)

**Mr. S. K. Bhardwaj**

Director

(Sd/-)

**Mr. Atul Sud**

Director

(Sd/-)

**Mr. B.G. Borkar**

CFO, Company Secretary & Compliance Officer

Place : Mumbai

Date : March 6, 2006