The information in this Preliminary Placement Document is not complete and may be changed. This Preliminary Placement Document is not an offer to sell Equity Shares and is not soliciting an offer to subscribe to Equity Shares. It is being issued for the sole purpose of information or discussion on the Equity Shares that may be issued through this Placement Document.

PRE PLACEMENT DOCUMENT
NOT FOR CIRCULATION

NITCO TILES LIMITED

PLACEMENT OF UP TO [●] EQUITY SHARES OF RS. 10/- EACH ("QIP SHARES") FOR CASH AT A PRICE OF RS.[●] PER EQUITY SHARE AGGREGATING TO RS.[●] MILLION (THE "OFFERING")

This draft placement document (the "**Placement Document**") relates to the Offering by our Company, Nitco Tiles Limited, of the Equity Shares to qualified institutional buyers ("**QIBs**"), as defined in the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended (the "**SEBI (DIP) Guidelines**"), in India pursuant to the Chapter XIIIA of the SEBI (DIP) Guidelines (the "**QIP Regulations**") and outside the United States in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and this Offering is not being made to the public or any other class of investors other than QIBs.

All of our Company's outstanding Equity Shares are listed on the Bombay Stock Exchange Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**", and together with the BSE, the "**Indian Stock Exchanges**"). Our Company has undertaken to apply to have the QIP Shares to be issued in connection with the Offering approved for listing on the Indian Stock Exchanges. The closing price of our outstanding Equity Shares on the BSE and on the NSE on November 12, 2007 was Rs. 306.10 and Rs. 304.90 per Equity Share respectively.

Investing in the QIP Shares involves risks. See "Risk Factors" beginning on page [●] to read about factors that investors should consider before buying the QIP Shares. This Placement Document has not been reviewed by the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), the BSE, the NSE or any other regulatory or statutory authority and is intended only for use by QIBs.

It is expected that allotment of the QIP Shares will be made on or about [DATE] (the "**Closing Date**"). The QIP Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S).

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE OFFERING DESCRIBED IN THIS PLACEMENT DOCUMENT.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI (DIP) GUIDELINES, OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

The QIP Shares offered hereby are not transferable except in accordance with the restrictions described under "*Placement*". The QIP Shares have not been approved or disapproved by the SEBI.

The date of this Preliminary Placement Document is November 13, 2007.

Lead Managers

Avendus Advisors Private Limited
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Contact Person: Nisha Shah

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NOTICE TO INVESTORS

Our Company accepts full responsibility for the information contained in this Placement Document. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, we declare that the information contained in this Placement Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Placement Document is being furnished by our Company in connection with an offering exempt from the registration requirements under the Securities Act solely for the purpose of enabling prospective investors to consider the purchase of the QIP Shares offered by this Placement Document. The information contained herein has been provided by our Company and other sources identified herein.

You acknowledge and agree that no representation or warranty, express or implied, is made by Avendus Advisors Private Limited and Motilal Oswal Investment Advisors Private Limited ("**Lead Managers**") or any of their respective affiliates as to the accuracy or completeness of the information set out herein, and nothing contained in this Placement Document may be relied upon as a promise or representation by the Lead Managers or any of their respective affiliates as to past or future events.

No person is authorized to give any information or to make any representation in connection with the Offering other than as contained in this Placement Document and, if given or made, such information or representation must not be relied upon as having been authorized by our Company or the Lead Managers. Interested investors should rely only upon the information contained and the statements made herein. The delivery of this Placement Document does not imply that the information herein is correct at any time subsequent to its date. Each prospective investor, by accepting delivery of this Placement Document, agrees to the foregoing.

When making an investment decision, investors must rely on their own examination of our Company and the terms of the Offering, including the merits and risks involved. The information contained herein is correct only as of the date of this Placement Document, notwithstanding the date of delivery of this Placement Document. Neither the publication of this Placement Document, nor the Offering nor the sale and delivery of the QIP Shares shall imply under any circumstances that there has been no adverse change or no event likely to give rise to any adverse change with respect to our Company's condition (financial or otherwise) or that the information contained herein is still correct after the date of this Placement Document.

The QIP Shares have not been recommended by a securities commission or regulatory authority in India or otherwise. If there is any doubt as to the contents or meaning of the information contained in this Placement Document, investors should consult an authorized or professional advisor who may provide specialized advice on the acquisition of financial instruments.

This Placement Document does not constitute an offer to sell or a solicitation by or on behalf of our Company, the Lead Managers or any other person to subscribe for or purchase any of the QIP Shares in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Placement Document and the offering or sale and delivery of the QIP Shares in certain jurisdictions is restricted by law. Persons into whose possession this Placement Document may come are required by our Company and the Lead Managers to inform themselves about and to observe such restrictions. Neither our Company nor the Lead Managers accept any legal liability for any violation of any such restriction over any person, whether or not a prospective investor of the QIP Shares. This Placement Document may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. Further information with regard to restrictions on offers and sales of the QIP Shares and the distribution of this Placement Document is set forth under *"Placement."*

The information on our Company's website, www.nitcotiles.com or on the websites of the Lead Managers, www.avendus.com and www.indiainfoline.com does not constitute nor form part of this Placement Document.

This Placement Document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to Investment Professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The QIP Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such QIP Shares, will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Placement Document or any of its contents.

Each purchaser of the QIP Shares pursuant to this Placement Document is deemed to have acknowledged, represented and agreed that they are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and have not been prohibited by the SEBI from buying, selling or dealing in securities.

Investors are not to construe the contents of this Placement Document as legal, tax or investment advice. Each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the Offering. In addition, neither our Company, nor the Lead Managers is making any representation to any offeree or purchaser of the QIP Shares regarding the legality of an investment in the QIP Shares by such offeree or purchaser under any applicable law or regulations.

REPRESENTATIONS BY INVESTORS

By purchasing any QIP Shares under the Offering, you are deemed to have agreed as follows:

- you are a QIB and undertake to acquire, hold, manage or dispose of any QIP Shares that are allocated to you for the purposes of your business in accordance with the QIP Regulations;
- you are aware that the QIP Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Placement Document has not been verified or affirmed by the SEBI or the Indian Stock Exchanges and will not be filed with the Registrar of Companies. The Placement Document has been filed with the Indian Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Indian Stock Exchanges;
- you are entitled to subscribe for and/or purchase the QIP Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other guarantees and other consents in either case which may be required thereunder and complied with all necessary formalities;
- you are entitled to acquire the QIP Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Offering and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Placement Document) and will honor such obligations;
- the Lead Managers are not making any recommendations to you, advising you regarding the suitability of any transactions they may enter into in connection with the Offering and that participation in the Offering is on the basis that you are not and will not be a client of the Lead Managers and that the Lead Managers have no duties or responsibilities to you for providing the protections afforded to their clients or customers or for providing advice in relation to the Offering;
- you are aware and understand that the QIP Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;
- you have been provided a serially numbered copy of the Placement Document and have read the Placement Document in its entirety;
- that in making your investment decision, (i) you have relied on your own examination of the Company and the terms of the Offering, including the merits and risks involved, (ii) you have made your own assessment of the Company, the QIP Shares and the terms of the Offering based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the QIP Shares;
- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the QIP Shares and you and any accounts for which you are subscribing

the QIP Shares (i) are each able to bear the economic risk of the investment in the QIP Shares, (ii)will not look to the Lead Managers, the Company and/or the officers of the Company for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the QIP Shares, (iv) have no need for liquidity with respect to the investment in the QIP Shares and (v) have no reason to anticipate any change your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the QIP Shares;

- that where you are acquiring the QIP Shares for one or more managed accounts, you represent and warrant that you are authorized in writing by each such managed account to acquire the QIP Shares for each managed account;
- you are not a person related to the promoters of the Company, either directly or indirectly and your bid does not directly or indirectly represent the promoter or Promoter Group of the Company;
- you have no rights under a shareholders agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on the Board of the Company other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the promoters;
- you will have no right to withdraw your bid after the bid closing date;
- the QIP Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the Equity Shares including the right to receive all dividends and other distributions declared, made or paid in respect of Equity Shares after the date of issue of the QIP Shares.
- if allotted QIP Shares pursuant to the Offering, you shall, for a period of one year from allotment, sell the QIP Shares so acquired only on the floor of the Indian Stock Exchanges;
- you are eligible to bid and hold QIP Shares so allotted and together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of any of the QIP Shares shall not exceed the level permissible as per any applicable regulations;
- the bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the "**Takeover Code**");
- to the best of your knowledge and belief together with other QIBs in the Offering that belong to the same group or are under common control as you, the allotment under the present issue shall not exceed 50% of the size of the Offering. For the purposes of this statement:
    - ➢ the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act;
    - ➢ "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the QIP Shares credited to your depository participant account until such time that the final listing and trading approval for the QIP Shares is issued by the Indian Stock Exchanges;
- you are aware that application has been made to the Indian Stock Exchanges for in-principle approval for listing and admission of the QIP Shares to trading of the QIP Shares on the Indian Stock Exchange's market for listed securities.
- you are aware and understand that the Lead Managers will have entered into a placement agreement with the Company whereby the Lead Managers have, subject to the satisfaction of certain conditions set out therein, undertaken, to use their best efforts as agents of the Company to seek to procure placees for the QIP Shares;
- that the content of the Placement Document is exclusively the responsibility of the Company and that neither the Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in the Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Offering based on any information, representation or statement contained in the Placement Document or otherwise. By accepting a participation in the Offering, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Lead Managers or the Company or any other person and neither the Lead Managers nor the Company nor any

other person will be liable for your decision to participate in the Offering based on any other information, representation, warranty or statement which you may have obtained or received;

- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the QIP Shares is contained in the Placement Document, such information being all that you deem necessary to make an investment decision in respect of the QIP Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by either the Lead Managers or the Company and neither the Lead Managers nor the Company will be liable for your decision to accept an invitation to participate in the Offering based on any other information, representation, warranty or statement;
- all statements other than statements of historical fact included in the Placement Document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as at the date of the Placement Document. The Company assumes no responsibility to update any of the forward-looking statements contained in the Placement Document.
- you agree to indemnify and hold the Company and the Lead Managers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of your representations and warranties as contained herein. You agree that the indemnity set forth in this paragraph shall survive the resale of the QIP Shares by or on behalf of the managed accounts; and
- that the Company, the Lead Managers and others will rely upon the truth and accuracy of your foregoing representations, warranties, acknowledgements and undertakings which are given to the Lead Managers on their own behalf and on behalf of the Company and are irrevocable.

P-NOTES

Under Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investor) Regulation, 1995, as amended, foreign institutional investors as defined under the SEBI (DIP) Guidelines, or their sub-accounts (together referred to as “FIIs”) including FII affiliates of the Lead Manager, may issue, deal in or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against QIP Shares allocated in the Offering (all such offshore derivative instruments referred to herein as “**P-Notes**”), for which they may receive compensation from purchasers of such instruments. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning any P-Notes or the issuer(s) thereof, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claim on, or interest in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. We do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Placement Document have been obtained from market research, publicly available information and industry publications and studies. Certain statistical information included herein relating to tiles, marble and real estate industries has been reproduced from various trade and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither our Company nor the Lead Managers nor our or their respective affiliates and advisors are making any representation to any offeree or purchaser of the QIP Shares regarding the accuracy of that information.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the draft Placement Document [has been] submitted to the BSE and the NSE. The BSE and the NSE do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the draft Placement Document;

2. warrant that our Company's QIP Shares will be listed or will continue to be listed on the Indian Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Company or the promoters, management or any scheme or project of our Company,

and it should not for any reason be deemed or construed to mean that the draft Placement Document has been cleared or approved by the BSE and the NSE. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the BSE and the NSE 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.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Our audited consolidated financial statements as at and for the Fiscal 2005, 2006 and 2007 and our Company's unaudited and reviewed financial statements as at and for the six month periods ended September 30, 2006 and 2007 and related notes included in this Placement Document have been prepared in accordance with the generally accepted accounting principles followed in India ("**Indian GAAP**") and are referred to herein as the "**Financial Statements**." Indian GAAP differs in certain significant respects from the International Financial Reporting Standards ("**IFRS**") and the generally accepted accounting principles in the United States ("**US GAAP**"). The Financial Statements have been presented in Indian rupees. For the convenience of the reader, this Placement Document presents translations into U.S. dollars of certain Indian rupee amounts. References to a particular fiscal year are to the 12-month period ended March 31 of such year.

In this Placement Document, unless the context otherwise requires, all references to "**Nitco**", "**we**," "**us**," and "**our**" are to Nitco Tiles Limited and its consolidated subsidiaries and joint venture companies; and all references in this document to "**our Company**," and the "**Issuer**" are to Nitco Tiles Limited, a public limited company with limited liability incorporated under the Companies Act, with its registered office at 86-A, 8th Floor, Maker Chambers III, Nariman Point, Mumbai-400 021, India only. All references to "**India**" are to the Republic of India and all references to the "Government" are to the Government of India. All references to "**Indian rupees**" and "**Rs.**" or "**Indian rupee**" and "**Re.**" are to the currency of India. All references to "**U.S. dollars**", and "**US$**" are to the currency of the United States of America and all references to "**€**" are to Euros, the currency of certain nations of the European Union.

On March 30, 2007 the exchange rate between Indian rupees and U.S. dollars was Rs. 43.38 = US$ 1. Unless otherwise stated, the U.S. dollar equivalent information presented herein has been calculated on the basis of Rs. 43.38 = US$ 1 the closing rate as at March 30, 2007. This Placement Document presents translation of certain rupee amounts into U.S. dollars for the respective dates at the rates specified above solely for the convenience of the readers of this Placement Document and should not be construed as a representation that the Indian rupee amounts represent, or could have been or could be converted into, U.S. dollars at such rate of exchange.

As a result of rounding adjustments, the figures or percentages in a column may not add up to the total for such a column.

FORWARD-LOOKING STATEMENTS

This Placement Document, as well as information included in oral statements or other written statements made, or to be made, by our Company, contain, or will contain, disclosures which are ''forward-looking statements.'' Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as ''intend,'' '' potential,'' ''may,'' '' should,'' '' believe,'' ''will,'' '' expect,'' ''project,'' ''estimate,'' ''anticipate,'' ''plan'' or ''continue.'' These statements include, among other things, statements about our business strategy, market position, future operations, profitability, liquidity and capital resources. These forward-looking statements are based on our current plans and expectations, speak only as at the date of this Placement Document and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations, speak only as at the date of this Placement Document and our future financial condition and results. These factors include, but are not limited to:

- general economic and political changes and changes in laws and regulations that apply to the Indian or global construction industry, including with respect to import duties, excise duties or environmental regulations;
- our management's ability to successfully implement our strategy, our growth and expansion, our acquisition plans;
- the market prices and demand for developed real estate, and building and construction materials;
- our costs (including changes in raw material, labor, fuel and energy prices) and availability of financing for the projects we seek to undertake;
- technological changes;
- investment income;
- changes in the competitive landscape in our industry;
- cash flow projections;
- the loss of any significant clients;
- the outcome of any legal or regulatory proceedings we are or may become a party to;
- the future impact of new accounting standards;
- management's ability to pay dividends;
- changes in interest rates, and in exchange rates;
- changes in raw material and energy prices;
- our ability to obtain financing needed to repay maturing obligations and to fund expansion in a timely manner and on satisfactory terms and conditions;
- our ability to roll over our short-term funding sources;
- our exposure to market risks; and
- the other risk factors discussed in this Placement Document, including those set forth under ''Risk Factors.''

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under ''Industry Overview'' and ''Business.''

As a consequence, current plans, anticipated actions and our future financial condition and results may differ from those expresses in any forward-looking statements. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein. We do not undertake any obligation to update publicly or revise any forward-looking statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a public company with limited liability incorporated under the laws of India. All of our directors and executive officers are residents of India and a substantial portion of our assets and the assets of such persons are located in India. As a result, it may not be possible for investors to effect service of process upon our Company or such persons outside India or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments are provided for under Section 13 of the Code of Civil Procedure 1908 of India (as amended) (the "**Code**") on a statutory basis. Section 13 of the Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law in force in India. Section 44A of the Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that section, in any country or territory outside India which the Central Government has by notification declared to be in a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Code is applicable only to a decree or judgment of a superior court under which a sum of money is payable, not being a sum in respect of taxes of other charges of a like nature or in respect of a fine or other penalty, and shall in no case include an arbitration award, even if such award is enforceable as a decree or judgment.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments.

The United Kingdom has been declared by the Central Government to be a reciprocating territory for the purpose of Section 44A of the Code, but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered.

GLOSSARY OF TERMS /ABBREVIATION USED IN THIS PLACEMENT DOCUMENT

The following list of defined terms is intended for the convenience of the reader and is not exhaustive:

General Terms

Term	**Description**
"Issuer" or "our Company"	Nitco Tiles Limited, a public limited Company incorporated under the Companies Act, 1956 with its registered office at 86-A, 8th Floor, Maker Chambers III, Nariman Point, Mumbai – 400 021, Maharashtra, India.
"Nitco" or "we" or "us"	Nitco Tiles Limited and its subsidiaries on a consolidated basis.
Act/ Companies Act/ the Act	The Companies Act, 1956 of India, together with any and all modifications, amendments and replacements thereto from time to time.
AGM	Annual General Meeting.
Alibaug L. property	Property situated at Lonare, Alibaug, admeasuring 59, 275.8 square meters.
Alibaug T. property	Property situated at Tulsiwadi, Alibaug, admeasuring 43, 138.12 square meters.
Allocated / Allocation	The determination of QIBs and number of QIP Shares to be allocated to each QIB for the purposes of inviting submission of Application Forms, done in consultation with the Lead Managers and in compliance with Chapter XIII-A of the SEBI (DIP) Guidelines.
Allotment	Unless the context otherwise requires, the allotment of QIP Shares to the successful Investors pursuant to the Issue.
Application Form	The form pursuant to which the QIBs who have been allocated QIP Shares after discovery of the Issue Price apply for the Allotment of the QIP Shares Allocated.
Articles/Articles of Association	Articles of Association of the Company.
Auditors	The statutory auditors of our company being M/s A. Husein Noumanali & Co. Chartered Accountants, our independent statutory auditors
Bid	An indication of QIB's interest, including all revisions and modifications of interest, as provided in the Bid cum Revision Form to subscribe for our QIP Shares under this Offering.
Bid Closing Date	[●] 2007.
Bid Opening Date	[●] 2007.
Bid cum Revision Form	The form pursuant to which a QIB shall submit a Bid.
Board	The Board of Directors of the Company.
BSE	Bombay Stock Exchange Limited.
CAN/Confirmation of Allotment Note	Note or advice or intimation to QIBs inviting such QIBs to submit an Application Form for Allotment of QIP Shares after discovery of the Issue Price.
Clearing Member	The persons and entities referred to on page [●] of this Placement Document
Closing Date	The date of closing on or around [●].
Code	The Code of Civil Procedure, 1908 of India together with any and all modifications, amendments and replacements thereto from time to time.
Committee	Committee of the Board of Directors of the Company authorized to take decisions on matters related to / incidental to this Offering.

Term	Description
Cut-off Price	The Offering Price, which shall be finalized by us in consultation with the Lead Managers
Equity Shares	Equity Shares shall mean the Equity Shares of the Company as issued from time to time of par value of Rs. 10/- per share.
Equity Shareholders	Persons holding Equity Shares of the Company, unless otherwise specified in the context thereof.
FIIs	Foreign Institutional Investors, as defined and registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, from time to time.
Financial year / fiscal	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
Floor Price	Rs. 242.90 per Equity Share, which has been calculated in accordance with clause 13A.3 of the SEBI (DIP) Guidelines.
Indian GAAP	The generally accepted accounting principles in India based on Accounting Standards, Guidance Notes and other principles laid down by the ICAI.
Income Tax Act	The Income Tax Act, 1961 of India together with any and all modifications, amendments and replacements thereto from time to time.
ICAI	Institute of Chartered Accountants of India.
IFRS	International Financial Reporting Standards.
Indian Stock Exchanges	The BSE and the NSE.
Kanjurmarg property	Property situated at Kanjurmarg, Mumbai admeasuring 16, 257 square meters.
Lead Managers	Avendus Advisors Private Limited and Motilal Oswal Investment Advisors Private Limited
Memorandum / Memorandum of Association	Memorandum of Association of the Company.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
NI Act	Negotiable Instruments Act, 1881 as amended from time to time.
NSE	National Stock Exchange of India Limited.
Offering	Placement of up to [●] Equity Shares of Rs. 10/- each for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] Million.
Placement Agreement	Placement Agreement entered between the Company and the Lead Managers dated [●].
Promoter	The persons and entities referred to on page [●] of this Placement Document
Promoter Group	The persons and entities referred to on page [●] of this Placement Document
QIP Regulations	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended from time to time.
QIP Shares	QIP Shares shall mean the Equity Shares to be issued by the Company through this Offering.
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 the SEBI, Multilateral and Bilateral Development Financial Institutions, Venture Capital Funds registered with the SEBI, Foreign Venture Capital Investors registered with the SEBI, State Industrial Development Corporations,

Term	Description
	Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA), Provident Funds with a minimum corpus of Rs 250 million. And Pension Funds with a minimum corpus of Rs.250 million.
Registered Office	The registered office of the Company which is at 86-A, 8th Floor, Maker Chambers III, Nariman Point, Mumbai-400 021, Maharashtra, India
Registrar of Companies	Registrar of Companies refers to the Registrar of Companies, Mumbai, India
Regulation S	Regulation S under the Securities Act
RBI	The Reserve Bank of India.
SEBI	Securities and Exchange Board of India.
SEBI (DIP) Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended from time to time.
Securities Act	The U.S. Securities Act of 1933, as amended.
Thane Wagle property 1	Property situated at Thane, admeasuring 5,372 square meters.
Thane Wagle property 2	Property situated at Thane, admeasuring 4,144 square meters.
Worli Opera property	Property situated at Worli, Mumbai admeasuring 1,293.9 square meters.
Worli Saumya property	Property situated at Worli, Mumbai, admeasuring 7,872.14 square meters.
Worli Yash property	Property situated at Worli, Mumbai admeasuring 13,714.8 square meters.
U.S. GAAP	The generally accepted accounting principles in the United States.

Abbreviations/ Industry Related Terms

Abbreviation	Full Form
AAPL	Avendus Advisors Private Limited
EPCG	Export Promotion Capital Goods Scheme
FCL	Foshan Chancheng Oulian Construction Ceramic Company Limited
FDI	Foreign Direct Investment
FII(s)	Foreign Institutional Investors as defined under the SEBI (Foreign Institutional Investors) Regulations, 1995
FLL	Foshan Lungo Ceramics Company Limited
i.e.	that is
Ltd.	Limited
MIS	Management Information System
MT	Metric Tonnes
n.a.	Not Applicable
NRI	Non-resident Indian

Abbreviation	Full Form
OCBs	Overseas Corporate Bodies
PGT	Prestige General Trading
PPP	Public Private Partnership
PSUs	Public Sector Undertakings
Pvt.	Private
Re. /Rs.	Indian Rupee /Indian Rupees
U.S. dollars/US$	The currency of the United States of America
€	The currency of certain nations of the European Union

LEAD MANAGER/MANAGERS AND OTHER ADVISORS TO THE OFFERING

Company Secretary and Compliance Officer :	Mr. B. G. Borkar 86-A, 8th Floor, Maker Chambers III, Nariman Point, Mumbai- 400 021 India
Lead Managers	Avendus Advisors Private Limited IL&FS Financial Center, B Quadrant, 5th Floor, Bandra Kurla Complex, Bandra (East) , Mumbai – 400 051 India Motilal Oswal Investment Advisors Private Limited Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai - 400 064 India
Legal Advisors	***Indian Legal Advisors to the Offering*** J. Sagar Associates Vakils House, 18, Sprott Road, Ballard Estate, Mumbai- 400 001, India ***International Legal Advisors to the Lead Managers*** Jones Day, 29/F Edinburgh Tower, The Landmark, 15, Queen's Road Central, Hong Kong
Registrar to the Offering	**Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai 400078
Auditors	M/s A. Husein Noumanali & Co 610, Mount Mary Apartment Dr. Peter Dias Road, Bandra (West) Mumbai – 400 050 India

SUMMARY OF THE OFFERING

The following summary highlights information mentioned elsewhere in this Placement Document. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and the Financial Statements, including the notes thereto, appearing elsewhere in this Placement Document. For a discussion of certain matters that should be considered by prospective QIBs, see "Risk Factors".

Company/Issuer	Nitco Tiles Limited, a public company with limited liability incorporated under the laws of India.
The Offering (Note 1)	[●] Equity Shares of Rs. 10 each for cash.
of which **Reserved for Mutual Funds** (Note 2)	[●] Equity Shares. (Allocation on a proportionate basis).
Eligible Investors	QIBs (i) within India pursuant to the QIP Regulations; and (ii) outside the United States in reliance on Regulation S and other applicable laws.
Offer Price per Equity Share	Rs.[●]. The Floor Price for the Offering on the basis of Clause 13A.3 SEBI (DIP) Guideline is Rs 242.90.
Closing Date	On or around [●], 2007.
Authority for the Offering	The Offering has been authorized pursuant to a resolution of the Board of Directors of our Company adopted on January 23, 2007 The Offering has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Indian Companies Act, 1956 (the "Companies Act") at the Extraordinary General Meeting of our Company's shareholders held on February 21, 2007 pursuant to which our Company's shareholders approved an equity offering in the amount of up to Rs. 2,500 million.
Total Equity Shares outstanding prior to and after the Offering	As at the date of this Placement Document, there were 25,975,033 Equity Shares outstanding. Immediately after the Offering there will be [●] Equity Shares outstanding, including [●] QIP Shares sold in the Offering.
Ranking of the QIP Shares	The QIP Shares being issued shall be subject to the provisions of our Company's Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends or any other corporate benefits, if any, declared by our Company after the date of the Offering.
Dividends	Shareholders will be entitled to receive dividends, as per the provisions of the Companies Act. The declaration and payment of dividends, if any, on our Company's issued and outstanding Equity Shares and the amounts thereof, will depend upon, among other things, the amount of our Company's distributable profits and reserves calculated on an unconsolidated basis, its earnings, financial condition and cash requirements, applicable restrictions under the laws of India and other factors the Board of Directors of our Company may deem relevant. Cash dividends on the QIP Shares, if any, will be paid in Indian rupees and, subject to any restrictions imposed by the laws of India. See "*Dividends and*

	Dividend Policy" and "*Taxation*".
Taxation	The Indian Income Tax Act, 1961 (the "**Income Tax Act**") is the law relating to taxes on income in India. The Income Tax Act provides for the taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arisen in India. Sections 5, 6 and 9 of the Income Tax Act set forth the circumstances under which persons not resident in India are subject to income tax in India. See "*Taxation".*
Transferability and specified securities	QIP Shares allotted pursuant to this Placement Document shall not be sold by allottees for a period of one year from the date of allotment, except on a recognized stock exchange or a block/bulk transaction in accordance with the procedures prescribed by the SEBI and Indian Stock Exchanges.
Voting rights of shareholders	Shareholders may attend and vote at shareholders' meetings on the basis of one vote for each Equity Share held..
Restriction on the QIP Shares	Offers and sales of the QIP Shares will be subject to certain restrictions described in "*Placement."*
Listings and trading markets for the QIP Shares	Our Company's outstanding Equity Shares are listed in India on the Indian Stock Exchanges. Our Company's Equity Shares have been listed on the BSE since March 21, 2006 and the NSE since March 21, 2006. As at the date of this Placement Document, there were 6334 holders on record of our Company's Equity Shares. Our Company undertakes to apply to have the QIP Shares to be issued in connection with the Offering approved for listing on the BSE and the NSE.
Use of proceeds	The net proceeds from the Offering, after deduction of management fees, placement fees, selling commission, offer fees, discounts and commissions, if any, but before deduction of other expenses associated with the Offering, are estimated to be approximately Rs.[●] Million, which our Company intends to use for i) expansion of ceramic tiles plant and setting up processing unit of Marble; (ii) expanding our network of exclusive showrooms, "***Le Studio***"; (iii) augmenting our long term working capital requirement; (iv) investing in our real estate projects directly or through subsidiaries / special purpose vehicles; and (v) any other use in respect of the Company or any of its joint ventures or subsidiaries as may be permitted under applicable law or regulations, from time to time including for general corporate purposes. See also "Use of Proceeds".
Lock-up	Our Company has agreed, subject to certain exceptions (including the issue, offer and sale by our Company of the QIP Shares pursuant to the Offering and existing or approved Employee Stock option plans), not to issue or offer, sell, contract to sell or otherwise dispose of any Equity Shares or any securities convertible, exchangeable or exercisable for Equity Shares (including any warrants), for a period of 180 days following the Closing Date, without the prior written consent of the Lead Managers (such consent not to be unreasonably withheld). With respect to shares that are not currently subject to statutory lock-in, our promoter Aurella Estates And Investments Pvt. Ltd. and Mr. Vivek Talwar, and other members of the promoter group, namely

	Watco Engineering Co. Pvt. Ltd, Nitco Paints Pvt Ltd, Rang Mandir Builders Pvt. Ltd., Lavender Properties Private Limited And Ushakiran Builders Private Limited have collectively agreed not to offer, sell or contract to sell, pledge or otherwise dispose of, for a period of 180 days following the Closing Date, any of their respective Equity Shares or any securities convertible, exchangeable or exercisable for Equity Shares (including any warrants) and any Equity Shares obtained upon conversion, exchange or exercise of such securities or publicly announce an intention to effect any such transaction without the prior written consent of the Lead Managers (such consent not to be unreasonably withheld.
Risk Factors	Prior to making an investment decision, prospective investors should consider carefully the matters discussed under the section entitled "*Risk Factors*".
ISIN	INE 858F01012
BSE Code	532722
NSE Code	NITCO

Notes:

1. The following provisions of the QIP Regulations are highlighted for your attention:

   - For each placement under this Placement Document, there shall be at least two allottees for an issue of size up to Rs.2,500 Million and at least five allottees for an issue size in excess of Rs.2,500 Million. Further, no single allottee shall be allotted in excess of 50% of the issue size.

   - Investors shall not be allowed to withdraw their bids / applications after closure of the Offering.

   - The aggregate funds that can be raised through QIPs in one financial year shall not exceed five times the net worth of our Company at the end of its previous financial year.

   - The shareholders resolution approving the Offering as passed under sub-section (1A) of Section 81 of the Companies Act, will remain valid for a period of 12 months from the date of passing of the resolution (in the present case, until February 20, 2008. There shall be a gap of at least six months between each QIP in case of multiple QIPs of Equity Shares pursuant to the authority granted by the same shareholders' resolution.

   - A copy of the Placement Document shall be filed with SEBI for record purposes within 30 days of the allotment of the QIP Shares.

2. Under clause 13A.2.1 of the QIP Regulations a minimum of 10% of the specified securities issued shall be allotted to mutual funds. However, if no mutual fund is agreeable to take up the minimum portion mentioned above or any part thereof, such minimum portion or part thereof may be allotted to other QIBs.

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Preliminary Placement Document, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the U.S. and other countries. If any of the following risks materialize, 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 in the Equity Shares.

Real estate development is a relatively new business for Nitco.

Nitco forayed into real estate development from the year 2006 onwards and as such is relatively new to the real estate development market. To date, Nitco has not completed any real estate project.

Nitco's relative inexperience as a real estate developer could put it at a competitive disadvantage, and there can be no assurance that Nitco will be able to complete its current and future projects within the stipulated budget and time schedule, or at all. Any losses in the real estate business would adversely affect our profitability.

The real estate operations of Nitco are subject to the performance of the real estate market and statutory and regulatory requirements in India.

The real estate operations of Nitco are subject to the performance of the real estate market in India generally and more particularly the markets in which its projects are located. The development of a real estate project takes a substantial amount of time and Nitco's real estate business could be adversely impacted if there is a decline in prices over the timeframe of development and consequential sale. Changes in government policies, local economic conditions demographic trends, employment and income levels and interest rates, among other factors, may affect the real estate market and affect the demand for and valuation of Nitco's projects . Low interest rates on housing loans and favourable tax treatment of these loans have helped boost the recent growth of the Indian real estate market. Interest rates in India, however, are on a rising trend that could discourage consumers from taking loans for acquiring real estate and thereby weaken the real estate market. Rising interest rates also increase Nitco's cost of borrowings. Various provisions and norms imposed by the RBI in relation to housing loans by banks and housing finance companies could reduce the attractiveness of the property, and the RBI or the Government of India may take further steps to reduce directly or indirectly the credit to the real estate sector, which may adversely affect the availability of housing loans at attractive rates. The use of home loans for residential properties has also become attractive due to income tax benefits. A change in fiscal, monetary or other policy or any withdrawal of such income tax benefits may adversely affect our operating results and financial condition. These factors can negatively affect the demand for and valuation of Nitco's projects. Nitco's business, financial condition and results of operations could be adversely affected if real estate market conditions deteriorate, and this could in turn adversely affect our results of operations and financial condition.

Nitco's inability to acquire new plots of real property may result in a change of, a delay in or an abandonment of entire projects, which in turn could cause its business to suffer. A relaxation of Indian foreign investment regulations may result in an increase in the prices of real estate property assets. If Nitco is unable to compete effectively in the acquisition of suitable land in the areas in which it proposes to build projects, Nitco's business and prospects may be adversely affected.

In addition, the Land Acquisition Act, 1894 allows the central and state governments to exercise rights of compulsory purchase, or eminent domain, which, if used in respect of land belonging to Nitco's, could require Nitco to relinquish such land with minimal compensation.

The likelihood of such actions may increase as the central and state governments seek to acquire land for the development of infrastructure projects such as roads, airports and railways.

Some of the projects may not receive sanctions and approvals in a timely manner or at all and may suffer from other title related deficiencies which act as a serious risk to our operations and profitability.

Nitco would require statutory and regulatory approvals and permits to execute its projects, and applications need to be made at appropriate stages for such approvals. Nitco cannot assure you that it will receive these approvals on time, at all or in accordance with its current plans.

For the Kanjurmarg property, The lease which ends on November 19, 2029 may not be extended for a reasonable term , or at all, further permissions for development can only be sought after the property is allowed to be used for commercial purposes as against he current industrial purposes.

For the Thane Wagle property (1), we can only develop the same as an IT Park which might restrict profits otherwise available and require additional permissions from local authorities.

For the Thane Wagle property (2), the Maharashtra Industrial Development Cooperation, has yet to provide its conditional / unconditional no objection certificate to our seeking development approvals, after the property is allowed to be used for commercial purposes as against he current industrial purposes.

For the Worli Yash property, we have yet to document our title to a twenty percent share in the costs, losses, liabilities and profits of the proposed development which is being carried out by Yash Enterprises. We may not be able to share the profits and losses of this venture if the documentation is not concluded in a timely manner or at all. Further, we will at best have a minority stake and as such will have little say in the operations of Yash Enterprises.

For the Alibaug L. property and the Alibaug T. property, we do not currently have any title to the same as the property in question can only be bought by a person having the status of an 'Agriculturist'. These properties are currently owned by our promoter Mr. Vivek Talwar, who currently owns and possesses the same as a trustee for the Issuer. The Issuer has paid the entire purchase consideration in this regard. We intend to have a hundred percent subsidiary of the Issuer obtain the required 'Agriculturist' status so that these properties may then be transferred to this subsidiary, which can then seek permissions for the development after the property is allowed to be used for residential / commercial purposes as against the current agriculture purposes.

While Nitco believes it will be able to obtain such approvals or permits at such times as may be required, there can be no assurance that the relevant authorities will issue any such permits or approvals in the anticipated time frames or at all. Any delay or failure to obtain the required permits or approvals in accordance with its current plans may impede the execution of its business plans and projects.

Some of Nitco's immovable properties may be subject to irregularities in title and some of our agreements may be inadequately stamped, as a result of which our operations may be impaired.

Nitco conduct due diligence prior to acquisition of land for undertaking development, but Nitco may not be able to assess or identify certain risks and liabilities associated with irregularities of title. As a result, some of Nitco's immovable properties in respect of which it has development rights may have one or more irregularities of title, including non-execution of conveyance deeds for transfer of property, inadequate stamping and/or non-registration of deeds and agreements. If Nitco does not have, or is unable to obtain clear title to these lands and is unable to develop such lands for this reason, Nitco's financial position and results of operations may be adversely affected.

Nitco may not be able to increase its land reserves successfully by acquiring suitable land banks.

In order to maintain and grow its business, Nitco will be required to increase its land reserves with suitable sites for development. Its ability to identify and acquire suitable sites is dependent on a number of factors that may be beyond its control. These factors include the availability of suitable land, the willingness of landowners to sell it land on attractive terms, the ability to obtain agreements to sell from all the owners where land has multiple owners, the existence of encumbrances on targeted land, government directives on land use and the obtaining of permits and approvals for land acquisition and development. Its inability to acquire sufficient land may cause itself to change, delay or abandon entire projects, which in turn could cause its business to suffer. In addition, land acquisition in India has been subject to regulatory restrictions on foreign investment. These restrictions are gradually being relaxed, and taken together with the aggressive growth strategies and financing plans of Indian real estate development companies and real estate investment funds, are likely to make suitable land increasingly expensive. If Nitco is unable to compete effectively in the acquisition of suitable land in the areas in which Nitco proposes to build projects, its business and prospects may be adversely affected.

Increases in the prices of land and potential limitations on the supply of land could adversely affect its results of operations.

If Nitco is to continue to grow its real estate business, it must replenish its land reserves over time as current parcels are developed. Should prices for land continue to increase over time, Nitco may have to pass along some or all of the added costs to customers. There can be no assurance that Nitco will be able to pass along higher land acquisition costs without adversely affecting its margins. If Nitco is unable to absorb some or all of any added costs, its margins and profitability could suffer.

Significant increases in prices or shortages of building materials could harm its results of operations.

The real estate business is affected by the availability, cost and quality of the raw materials. The principal raw materials include steel, cement, wood, sand, mettle, glass and aluminum. The prices and supply of these and other raw materials depend on factors not under its control, including general economic conditions, competition, production levels, transportation costs and import duties. If, for any reason, Nitco is unable to obtain such raw materials to in the required quantities and at prices that are competitive, its ability to meet its material requirements for its projects could be impaired, its construction schedules could be disrupted and it may not be able to complete its projects as per schedule. Nitco may also not be able to pass on any increase in the prices of these building materials to its customers. This could affect its results of operations and impact its financial condition.

Nitco's land bank and projects portfolio is relatively concentrated in projects in and around Maharashtra.

Nitco's projects portfolio is concentrated in and around Maharashtra. In the event of a regional slowdown in Maharashtra or its surrounding areas, or any developments that make projects in Maharashtra less economically beneficial, Nitco's business, financial condition and results of operations could be adversely affected.

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

In Fiscal 2007, our first year of generation, we generated 1.27 MW of our electricity needs by the use of 6 windmills as commissioned by us in 2006. 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 61st day of commissioning. After the expiry of the said period, any shortfall in power generation will have an adverse impact on our financials

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 53.76%, 54.70% and 34.86% of our gross sales in Fiscal 2007, 2006 and 2005 respectively from sale of vitrified tiles. We import our entire requirement of vitrified tiles from 2 companies in China, namely (i) 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**"), and (ii) from Foshan Lungo Ceramics, which is a part of New Zhong Yuan, China, one of the world's largest tile manufacturing group ("**FLC**"). Presently, we are not manufacturing vitrified tiles nor do our Promoters have any past experience of manufacture of vitrified tiles. The Exclusive Supply Agreements, entered into by the Company with each party for importing vitrified tiles, may be terminated and cancelled by either party to the Agreement. A discontinuance of any of these Agreements 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*'.

We might have to pay anti-dumping duties

The Ministry of Finance imposed anti-dumping duty on vitrified tiles imported from China and the United Arab Emirates at the rate of US$ 8.28 and US$ 5.54 per square meter for five years commencing from May 2, 2002 until May 1, 2007, which has been further extended until May 1, 2008. Although our Company does import such tiles from China, our imports have not attracted anti-dumping duty pursuant to Ministry of Finance exemptions dated July 28, 2004, September 8, 2006 and May 11, 2007. If any anti-dumping duties are imposed in the future on any of our imports, or if the exemptions granted to us are repealed or revised, whether retrospectively or prospectively, our results of operations could be adversely affected.

We can outsource vitrified tiles from FLL only if we fulfill the minimum sourcing quantity with FCL.

We entered into a tripartite agreement with FCL and PGT for supply of vitrified tiles to us on exclusive basis. One of the terms of the agreements was exclusivity for the transaction, i.e., FCL could only sell vitrified tiles to our Company and in turn, our Company could only purchase vitrified tiles from FCL. However, on November 10, 2006, our Company entered into an agreement with FLL for outsourcing of vitrified tiles from FLL, which was in breach of the agreement entered into with FCL. However, FCL vide its letter dated November 1, 2007 has stated that it has no objection in our Company sourcing vitrified tiles from other suppliers, subject to sourcing of a minimum quantity of 1,500,000 square mtrs of vitrified tiles for every 12 months period from FCL, according to the terms of the agreement as entered into with FCL.

Threat from import of vitrified tiles, ceramic tiles and marble

In Fiscal 2007 we generated approximately 53.76% 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. However, applicable regulations now allow our competitors to import tiles from China, without being liable to pay any amounts towards anti dumping duty, the resultant competition of which could adversely impact our profitability.

We may face stiff competition from imported ceramic tiles. 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.

Recent policy changes for the import of marble came into effect from August 31, 2005. Under this new policy, licenses for import of marble is to be given only to units who have set up manufacturing / processing units and have made imports of marble blocks / slabs in the preceding years, that is, when these items were under the Special Import List, for which documentary evidence showing establishment of manufacturing / processing units during the concerned period would have to be produced. These policy changes have benefited the organized sector. Any changes in this policy may adversely impact the benefits currently available to the organized sector.

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.

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.

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 Fiscal 2007, we have imported approximately 80% 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;
- 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.

One of our business strategies involves venturing into the sanitary ware and bathroom fittings business, which is currently not permitted by our objects clause as stated in our Memorandum of Association.

We intend to venture into the business of sanitary ware and bathroom fittings by outsourcing the manufacturing of such products. Currently this is not permitted by our objects clause as stated in our Memorandum of Association. In order to include this venture in our objects clause, we would have to amend our Memorandum of Association by way of a special resolution from the shareholders. We cannot assure you that the shareholders will pass this resolution and in such an event, we will not be able to venture into the business of sanitary ware and bathroom fittings.

Foreign currency risk

Our imports as a percentage of total cost were 72.06%, 81.69% and 80.94% in Fiscal 2005, 2006 and 2007 respectively. Our sales are mainly in the domestic markets. Hence we are subject to risks associated with foreign exchange fluctuations. The volatility in global financial markets may have an adverse impact on our business. 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.

Export obligation under the import export policy

We have imported certain equipments. 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 outstanding as on September 30, 2007 is US$ 2.5 million, 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 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.

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 million. We have not taken 'key man' life insurance policies for other senior members of our management team or other key personnel.

Conflict of interest within our Promoter Group

Two constituents of our Promoter Group, Nitco Terrazzo Tiles Private Limited and Nitco Tiles and Marble Industries (Andhra) Private Limited, are both engaged in the business similar to that of our Company and their turnover for Fiscal 2007 was Rs. 42.56 Million and Rs. 16.7 Million respectively.

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.

Upon completion of this Offering, 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 Offering, the members of our Promoters and Promoter Group will collectively hold [●]% 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 'Organizational Structure And Major Shareholders'.

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 AEIL 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 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 activities as detailed in this Placement Document could be adversely 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.

Some of the agreements that our Company has entered into, do not have an arbitration clause

Some of the Agreements that our Company has entered into with its agents/dealers do not have an arbitration clause. The Power Purchase Agreement entered into by our Company with Maharashtra State Electricity Distribution Company Limited also does not contain an arbitration clause. As a consequence thereof, the Company may not have an efficacious and timely recourse in case of any disputes. This in turn would adversely affect our Company's operations and profitability.

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, efflux of time, deficiencies in title, or non-renewal thereof, could adversely affect our business operations.

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 Lessor's approval for licensing the said premises to our Company. Any delay, dispute or inability in relation to obtaining such approval could result in our Company seeking to relocate our marble processing business, which would adversely 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.

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.

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 associated entities/ persons. Nor can any assurance be given that no further liability will arise out of these claims. For details please refer to the section titled '*Legal and Other Information*'

A summary of the said pending proceedings as on October 29, 2007 is as follows:

i. *Proceedings against our Company*:

Type of cases	No. of cases	Amount involved (Rs.) (in Million)
Tax	8	95.28
Civil	4	16.42

ii. Proceedings initiated by our Company:

Type of cases	No. of cases	Amount involved (Rs.) (in Million)
Criminal: Dishounored Cheques	18	3.58
Tax	9	154.67

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

- There are four 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. 2.43 million.
- As of date, there are 15 suits against our Company's Promoter, Mr. Vivek Talwar (in his capacity as a Non-Executive Director of Elbee Services Limited) ,pending before the Special Metropolitan Magistrate Court under Section 138 of the Negotiable Instruments Act, 1881. The aggregate of these suits is Rs. 97.53 million.
- There are 2 suits before the Special Metropolitan Magistrate against our Company's Director, Mr. Dinesh Kanabar (in his capacity as a Non-Executive Director of Elbee Services Limited).

iv. *Proceedings initiated by the Promoters and Directors of our Company:*

There are three criminal revision petitions before the Sessions Court, Greater Mumbai and one criminal writ petition before the High Court of Bombay initiated by Mr. Vivek Talwar

v. *Proceedings against group companies / entities / the Promoter Group of our Company*:

Name of group company / entity / Promoter Group	Type of cases	No. of cases	Amount involved (Rs.) (in Million)
Nitco Construction Materials Pvt. Ltd. (a group company)	Civil	4	0.67
Nitco Paints Pvt. Ltd. (a group company)	Tax	4	0.79
Nitco Terrazzo Tiles Pvt. Ltd. (a group company)	Civil Tax	2 1	0.49 0.89

Maharashtra Marble Co. (Mr. V. Talwar is the sole proprietor)	Tax	1	22.3
Mahalakshmi Tiles and Marble Co. Pvt. Ltd. (merged with the Company)	Tax – only show cause notices have been issued	2	8.87
Cospar Impex Private Ltd. (merged with the Company)	Tax – only show cause notices have been issued	1	0.28
Anand Shree (Bombay) Holdings Pvt. Ltd.(ASBH)	Civil –notice invoking arbitration against the company	1	2961.58

vi. *Proceedings filed by group companies / entities / Promoter Group of our Company:*

Name of group company / entity / Promoter Group	Type of cases	No. of cases	Amount involved (Rs.) (in Million)
Particle Boards India Limited (PBIL)	PBIL failed to clear its export obligation under the EPCG License scheme	1	1.73
Maharashtra Marble Co. (Mr. V. Talwar is the sole proprietor)	Pertaining to penalty levied on account of alleged contravention of FERA.	1	0.52

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 under the Income Tax Act such as 100% deduction under Section 80-IB on the entire profit of the windmill division of the Company. 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.

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 our Company.

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.

A slowdown in economic growth in India could cause our business to suffer.

We currently operate primarily in the domestic Indian market, and our performance is intertwined with the overall economy, the gross domestic product ("GDP") growth rate and the economic cycle in India. The Indian economy could be adversely affected by a number of factors. In particular, India depends on imported oil for its energy needs. India imports approximately 70% of its requirements of crude oil. A significant increase in the price of crude oil could adversely affect the Indian economy. India's economy could also be adversely affected by a general rise in interest rates and unfavorable weather conditions adversely affecting agriculture. A slowdown in the Indian economy could adversely affect our business.

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

Over the last few years we have been experiencing a growth in our flooring 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 products 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.

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 instability and significant changes in the Government's policy on liberalization of the Indian economy could impact our financial results and prospects.

India has been charting a course of economic liberalization and our business could be significantly influenced by the economic policies of the Government. The current coalition-led Government which came to power in May 2004 has announced policies and undertaken initiatives that continue the economic liberalization policies pursued by previous Governments. However, there can be no assurance that these liberalization policies and the political stability will continue in the future. The rate of economic liberalization could change, and laws and policies affecting financial securities providers, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. Any significant change in liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect the financial markets and our business.

Terrorist attacks and other acts of violence or war may adversely affect the Indian markets and the worldwide financial markets on which our Equity Shares trade. These acts may result in a loss of business confidence, make travel and other services more difficult and could generally have an adverse effect on our business. In addition, any deterioration in international relations may result in investor concern regarding regional stability which could adversely affect the price of our Equity Shares.

In addition, India has witnessed localized civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse impact on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the market price of our Equity Shares.

Natural calamities could have a negative impact on the Indian economy and harm our business.

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years, most notably the Kashmir earthquake on October 8, 2005, the Mumbai floods on July 26, 2005 and the tsunami that struck the southern coast of India and other Asian countries on December 26, 2004. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of draught conditions during fiscal 2003, the agricultural sector suffered negative growth and the erratic progress of the monsoon in fiscal 2005 adversely affected sowing operations for certain crops which subsequently resulted in a decline in the growth rate of the agricultural sector. Prolonged spells of deficient or abnormal rainfall and other natural calamities could have an adverse impact on the Indian economy, which could adversely affect our business and the price of our Equity Shares.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial performance and our ability to obtain financing to fund our growth on favorable terms or at all.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.

According to a report released by the RBI, India's foreign exchange reserves totalled US$ 199.2 billion as at March 31, 2007 (*Source*: www.rbi.org). A decline in this reserve could impact the valuation of the local currency and could result in reduced liquidity and higher interest rates which could adversely affect our future financial performance and the market price of our Equity Shares.

Fluctuations in operating results and other factors may result in decreases in our equity share price.

The stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares to be issued. There may be significant volatility in the market price of our Equity Shares to be issued. If we are unable to operate our projects and services as profitably as we have in the past, investors could sell our Equity Shares to be issued when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares to be issued.

In addition to our operating results, the operating results of other financial securities companies, changes in financial estimates or recommendations by analysts, changes in government financial securities programs, governmental investigations and litigation, speculation in the press or investment community, the possible effects of war, terrorist and other hostilities, adverse weather conditions, the level of seasonal illnesses, changes in general conditions in the economy or the financial markets, or other developments affecting the financial securities industry, could cause the market price of our Equity Shares to be issued to fluctuate substantially.

An active market for our Equity Shares may not be sustained, which may cause the price of our Equity Shares to fall.

While our Equity Shares have been traded on the BSE and the NSE since March 2006, there can be no assurance regarding the continuity of the existing market for our equity shares, the ability of the Investors to sell their Equity Shares or the price at which the Investors may be able to sell their Equity Shares. In addition, the market for debt and equity securities in emerging markets has been subject to disruptions that have caused volatility in the prices of securities similar to our Equity Shares. There can be no assurance that the market for the Equity Shares, if any, will not be subject to similar disruption. Any disruption in these markets may have an adverse effect on the market price of our Equity Shares.

Investors will bear the risk of fluctuations in the price of the Equity Shares.

The market price of our Equity Shares is expected to be affected by various factors which affect us and our business. It is not possible to predict whether the price of the Equity Shares will rise or fall. Trading prices of our Equity Shares will be influenced by, among others factors, our financial condition, results of operations and political, economic and financial factors. Sales of a substantial number of Equity Shares in the public market could adversely affect the prevailing market price of Equity Shares.

Conditions in the Indian securities market may affect the price or liquidity of our Equity Shares.

Securities markets in India are smaller and more volatile than securities markets in more developed economies. The Indian Stock Exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The BSE and the NSE halted trading on the exchanges in view of the sharp fall in securities prices. In addition, the governing bodies of the Indian Stock Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Although the price of our Equity Shares has been as volatile as the markets generally, future fluctuations could have a material adverse effect on the price of our equity shares.

Financial instability in other countries, particularly emerging market countries, could disrupt our business and affect the price of our Equity Shares.

Although economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India, which could adversely affect the Indian financial sector in particular. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

Investors may not be able to enforce a judgment of a foreign court against us.

We are a limited liability company incorporated under the laws of India. It may not be possible for investors to effect service of process outside of India on us or our directors and executive officers and experts named in the Placement Document who are residents of India, or to enforce judgments obtained against us or these persons in foreign courts predicated upon the liability provisions of foreign countries. Moreover, it is unlikely that a court in India would award damages on the same basis as a foreign court if an action were brought in India or that an Indian court would enforce foreign judgments if it viewed the amount of damages as excessive or inconsistent with public policy.

There may be less company information available regarding Indian securities markets compared to information available regarding securities markets in developed countries.

The level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and markets is not as transparent in India compared to some other developed economies, although SEBI and the Indian Stock Exchanges are responsible for improving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in other more developed economies.

Because the Equity Shares are quoted in Indian rupees in India, investors may be subject to potential losses arising out of exchange rate risk on the Indian rupee and risks associated with the conversion of Indian rupee proceeds into foreign currency.

Investors are subject to currency fluctuation risk and convertibility risk since the Equity Shares are quoted in Indian rupees on the Indian stock exchanges on which they are listed. Dividends on the Equity Shares will also be paid in Indian rupees. Investors that seek to convert the Indian rupee proceeds of a sale of Equity Shares into foreign currency and export the foreign currency will need to obtain the approval of the RBI for each such transaction. In addition, investors that seek to sell Equity Shares will have to obtain approval from RBI, unless the sale is made on a stock exchange or in connection with an offer made under regulations regarding takeovers. Holders of Indian rupees in India may also generally not purchase foreign currency without general or special approval from RBI.

As measured by the RBI's reference rate, the Indian rupee lost approximately 12.8% of its value against the U.S. dollar from September 1999 to May 2002, depreciating from Rs.43.47 per U.S. dollar on September 1, 1999 to Rs.49.03 on May 31, 2002 before appreciating to Rs.45.39 on May 28, 2004. The Indian rupee was at Rs. 43.38 per U.S. dollar on March 30, 2007.

We have not prepared, and do not intend to prepare, our financial statements in accordance with the International Financial Reporting Standards of the International Accounting Standards Board ("IFRS") or generally accepted accounting principles in the United States of America ("US GAAP"). Prospective investors should consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between

Indian GAAP and US GAAP and how they might affect the financial information contained in the Preliminary Placement Document.

There may be less publicly-available information about Indian public companies, including us, than is regularly disclosed by public companies in countries with more mature securities markets. We have prepared our financial statements and the financial information contained in the Preliminary Placement Document in accordance with Indian GAAP and SEBI Guidelines ("Indian Accounting Practices"). Indian accounting practice requirements differ in certain respects from those of IFRS and US GAAP. We have not presented a reconciliation of our financial statements to IFRS or US GAAP in the Preliminary Placement Document, and do not intend to reconcile future financial statements to IFRS or US GAAP. Furthermore, we have not quantified or identified the impact of the differences between Indian Accounting Practices and IFRS or between Indian Accounting Practices and US GAAP as applied to our financial statements. As there are differences between Indian Accounting Practices and IFRS and between Indian Accounting Practices and US GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or US GAAP instead of Indian Accounting Practices. The principal accounting policies applied in the preparation of our financial statements are as set forth in the 'Selected Historical Financial Statement' in this Preliminary Placement Document. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian Accounting Practices and IFRS and between Indian Accounting Practices and US GAAP and how they might affect the financial information contained in this Preliminary Placement Document. In particular greater reliance may be placed by the auditors on representations made by our management and there may be less independent verification of information than would be the case in certain other countries.

MARKET PRICE INFORMATION

As at March 31, 2007, 22,271,330 of our Company's Equity Shares were issued and outstanding. Our Company's Equity Shares are listed and traded on the Indian Stock Exchanges.

Our stock market data have been given separately for each of the Indian Stock Exchanges. Since, our Company was listed on the Indian Stock Exchange on March 21, 2006, the high and low closing prices recorded on the BSE and the NSE shall apply for Fiscal 2006 and 2007 and the number of our Equity Shares traded on the days such high and low prices were recorded are stated below:

The BSE

Year Ending March 31	High (Rs.)	Date of High	Volume on date of High (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of Equity Shares)	Average price for the year (Rs.) *
2006	212.75	30.03.2006	1,097,534	161	21.03.2006	14,492,444	194.19
2007	273.00	07.02.07	223,089	112.00	14.06.06	13,992	196.96

** Average of daily closing prices*
Source: BSE Website

The NSE

Year Ending March 31	High (Rs.)	Date of High	Volume on date of High (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of Equity Shares)	Average price for the year (Rs.) *
2006	212.40	30.03.2006	1,315,751	161.25	21.03.2006	21,555,723	194.74
2007	272.40	07.02.07	279,201	112.00	14.06.06	24,933	197.02

** Average of daily closing prices*
Source: NSE Website

Stock Market data for the last six months:

The high and low prices and volume of our Equity Shares traded during the respective periods over the last six months are as follows:

The BSE

Month, Year	High (Rs.)	Date of High	Volume on date of High (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of Equity Shares)	Average price for the month (Rs.) *	Total volume of securities traded in the month (no. of Equity Shares)	Total volume of securities traded in the month (Rs. Million)
September, 2007	250.00	12-Sep-07	57,673	222.05	28-Sep-07	31,013	233.70	3,505	94.07
August, 2007	254.95	30-Aug-07	43,901	209.00	17-Aug-07	10,994	226.64	4,358	133.55
July, 2007	251.90	24-Jul-07	33,392	200.00	4-Jul-07	18,268	222.32	11,459	199.55
June, 2007	214.00	29-Jun-07	638,934	178.00	13-Jun-07	106,714	195.35	4,670	216.71
May, 2007	214.95	14-May-07	36,649	192.10	7-May-07	8,177	202.99	3,956	164.13

Month, Year	High (Rs.)	Date of High	Volume on date of High (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of Equity Shares)	Average price for the month (Rs.) *	Total volume of securities traded in the month (no. of Equity Shares)	Total volume of securities traded in the month (Rs. Million)
April, 2007	216.85	18-Apr-07	10,606	181.10	2-Apr-07	8,026	200.24	5,389	184.02

** Average of daily closing prices*
Source: BSE Website

The NSE

Month, Year	High (Rs.)	Date of High	Volume on date of High (no. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of Low (no. of Equity Shares)	Average price for the month (Rs.) *	Total volume of securities traded in the month (no. of Equity Shares)	Total volume of securities traded in the month (Rs. Million)
September, 2007	250.00	12-Sep-07	81,916	222.05	27-Sep-07	37,779	234.03	6,027	110.98
August, 2007	256.00	31-Aug-07	123,753	205.30	6-Aug-07	90,174	226.93	8,143	205.76
July, 2007	250.90	23-Jul-07	218,971	200.45	4-Jul-07	26,041	222.90	19,132	503.91
June, 2007	217.00	29-Jun-07	32,571	176.00	13-Jun-07	56,684	196.28	8,239	85.06
May, 2007	218.50	14-May-07	35,649	190.10	11-May-07	33,537	203.30	5,360	145.05
April, 2007	215.00	17-Apr-07	60,806	182.00	2-Apr-07	40,275	200.41	8,265	202.01

** Average of daily closing prices*
Source: NSE Website

The closing price per share of our Company's Equity Shares on the BSE on January 24, 2007, the trading day immediately following the day on which the Board meeting was held to approve the Offering was 249.80. The closing price of our Company's Equity Shares on the NSE on January 24, 2007, the trading day immediately following the day on which the Board meeting was held to approve the Offering was Rs. 249.95.

USE OF PROCEEDS

The net proceeds from the Offering, after deduction of management fees, placement fees, selling commission, offer fees, discounts and commissions, if any, but before deduction of other expenses associated with the Offering, are estimated to be approximately Rs.[●]. For further details please see "Placement.".

Our Company intends to use all or substantially all of the proceeds from the Offering for (i) expansion of ceramic tiles plant and setting up processing unit of Marble; (ii) expanding our network of exclusive showrooms, "***Le Studio***"; (iii) augmenting our long term working capital requirement; (iv) investing in our real estate projects directly or through subsidiaries / special purpose vehicles; and (v) any other use in respect of the Company or any of its joint ventures or subsidiaries as may be permitted under applicable law or regulations, from time to time including for general corporate purposes.

The main objects clauses and objects incidental or ancillary to the main objects of the Memorandum of Association of Nitco enables us to undertake existing activities as well as the activities for which the funds are being raised through the Offering.

Interim Use of Funds

The management of our Company, in accordance with the policies set up by the Board, will have flexibility in deploying the net proceeds received by our Company from the Offering. Pending utilization for the purposes described above, our Company intends to temporarily use the funds for repayment of cash credit and / or invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with banks for necessary duration.

CAPITALIZATION STATEMENT

The table below sets forth our Company's audited capitalization and indebtedness as at March 31, 2007 and as adjusted to account for the issue of QIP Shares in this Offering. This table should be read in conjunction with the Financial Statements of our Company and related notes appearing elsewhere in this Placement Document.

Particulars	**As at** March 31, 2007 **(Rs.) (in Million)**	**Post-allotment of the QIP Shares (Rs.) (in Million)**
Loan Funds		
Secured Loans:		
-- Loans from banks	810.66	[●]
Unsecured Loans	471.63	[●]
Total Debts (A)	1,282.29	[●]
Deferred Tax Liability (Net) (B)	124.61	[●]
Shareholders' Funds		
Share Capital:		
Authorized Capital	500.00	[●]
Fully Paid Up Share Capital -- Equity Share Capital -- Share Capital Suspense	222.71 37.04	[●]
Reserves and Surplus	2,687.27	[●]
Minority Interest	1.48	
Fresh issue post–QIP		
Total Shareholders' Funds (C)	2,948.50	[●]
Total Capitalization (A+B+C)	4,355.40	[●]

Except as set out above, there has been no material change in the capitalization of our Company since March 31, 2007.

DIVIDENDS AND DIVIDEND POLICY

Under the Companies Act unless the Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Equity Shares on the record date for which such dividend is payable. In addition, as is permitted by the Articles of Association, the Board may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date" or to those shareholders keeping their shares in dematerialised form, a list of which is provided by the National Securities Depositary Limited and Central Depositary Services (India) Limited. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his Shares is outstanding.

Under the Companies Act, dividends must be paid out of the profits of our Company in the year in which the dividend is declared or out of the undistributed profits of previous fiscal years. Our Company is also required to set aside certain prescribed amounts for its statutory reserves. Before declaring a dividend greater than 10% of the par value of the Equity Shares, our Company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.5% to 10%, depending on the dividend percentage to be declared in such year. Dividends may also be declared and paid out of the accumulated profits in compliance with the provisions of the Companies (Declaration of Dividend out of Reserves) Rules, 1975. The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, the dividend may be declared for such year out of our Company's accumulated profits subject to the following conditions:

- the rate of dividend to be declared must not exceed 10% of our Company's paid up capital or the average of the rate at which dividends were declared by our Company in the previous five years immediately preceding that year, whichever is less; and

- the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves must not exceed an amount equivalent to 10% of our Company's paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in Fiscal year before any dividends in respect of preference or Equity Shares may be declared; and

- the balance of reserves after withdrawals must not fall below 15% of our Company's paid up capital.

Any dividend declared is required to be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the Government pursuant to which no claim shall lie against our Company or the said Fund. Directors may be held criminally liable for any default of the aforementioned provisions.

The Equity Shares to be issued in connection with the Offering shall qualify for any dividend that is declared in respect of the financial year in which they have been allotted.

For Fiscal year 2006, dividend at the rate of Re. 1/- per Ordinary Share of Rs. 10/-, that is 10% dividend was declared and paid.

For Fiscal year 2007, our Board of Directors have recommended, subject to approval of our Shareholders in the ensuing Annual General Meeting, dividend at the rate of Rs. 2 per share of Rs. 10 each.

Future dividends will depend on our Company's revenues, cash flows, financial condition (including capital position) and other factors.

Dividends is not taxable in the hands of the recipient and hence dividends, if any, paid to the potential investor will not be liable to tax. However, our Company will be required to pay dividend distribution tax at the rate of 15.00% (plus a surcharge at the rate of 10% and an education cess at the rate of 3% on the aggregate dividend distribution tax and surcharge) on the total amount distributed as dividends.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007, MARCH 31, 2006 AND MARCH 31, 2005

PARTICULARS	Schedule	AS AT			
		31-Mar-07	31-Mar-07	31-Mar-06	31-Mar-05
SOURCES OF FUNDS		US $ in Million	Rs in Million	Rs in Million	Rs in Million
SHAREHOLDERS FUNDS					
Share Capital	I	5.12	222.71	222.71	122.71
Share Capital Suspense (Refer Note 2, Schedule XX)		0.85	37.04	-	-
Reserves & Surplus	II	61.81	2687.27	2,356.32	725.14
		67.78	**2947.02**	**2,579.03**	**847.85**
MINORITY INTEREST		0.03	1.48	-	-
DEFERRED TAX LIABILITIES		2.87	124.61	40.63	33.49
LOAN FUNDS					
Secured Loans	III	18.64	810.66	580.87	1,045.25
Unsecured Loans	IV	10.85	471.63	247.75	154.25
		29.49	**1,282.29**	**828.62**	**1,199.50**
TOTAL		**100.17**	**4355.40**	**3,448.28**	**2,080.84**
APPLICATION OF FUNDS					
FIXED ASSETS	V				
Gross Block		52.73	2,292.49	1,989.77	1,360.55
Less: Depreciation		11.76	511.39	414.18	349.88
Net Block		**40.97**	**1,781.10**	**1,575.59**	**1,010.67**
Capital Work-in-progress		7.59	330.33	134.31	87.76
		48.56	**2,111.43**	**1,709.90**	**1,098.43**
INVESTMENTS	VI	8.60	373.88	748.30	-
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	VII	49.63	2,157.86	956.66	771.22
Sundry Debtors	VIII	11.00	478.29	321.32	324.91
Cash and Bank Balances	IX	3.89	169.34	158.25	44.65
Loans and Advances	X	10.76	467.76	379.44	248.48
		75.28	**3,273.25**	**1,815.67**	**1,389.26**
Less: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	XI	27.85	1,210.86	752.77	385.03
Provisions	XII	4.42	192.30	72.82	21.82
		32.27	**1403.16**	**825.59**	**406.85**
NET CURRENT ASSETS		**43.01**	**1870.09**	**990.08**	**982.41**
TOTAL		**100.17**	**4355.40**	**3,448.28**	**2,080.84**

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007, MARCH 31, 2006 AND MARCH 31, 2005

PARTICULARS	Schedules	Year Ended			
		31-Mar-07	31-Mar-07	31-Mar-06	31-Mar-05
SALES AND OTHER INCOME		US $ in Million	Rs in Million	Rs in Million	Rs in Million
GROSS SALES	XIII	108.20	4,704.33	3,063.62	2,088.12
Less : EXCISE DUTY		2.55	110.59	79.7	64.60
NET SALES		**105.65**	**4,593.74**	**2,983.92**	**2,023.52**
OTHER INCOME	XIV	0.29	12.62	0.23	0.11
TOTAL INCOME		**105.94**	**4,606.36**	**2,984.15**	**2,023.63**
EXPENDITURE					
Materials Consumed	XV	53.23	2,314.33	1,444.28	901.12
Stores Consumed		0.96	41.67	29.51	16.96
Power and Fuel		5.59	243.06	219.35	215.91
Personnel	XVI	4.21	183.18	147.01	116.16
Administrative Expenses	XVII	4.38	190.65	134.90	138.22
Selling & Distribution Expenses	XVIII	21.25	923.73	579.03	395.12
		89.62	**3,896.62**	**2,554.08**	**1,783.49**
PROFIT BEFORE INTEREST, DEPRECIATION & TAX		**16.32**	**709.74**	**430.07**	**240.14**
Interest and Other Financial Charges	XIX	1.86	81.13	132.49	85.55
Depreciation	V	2.31	100.40	64.58	56.41
PROFIT BEFORE TAXATION		**12.15**	**528.21**	**233.00**	**98.18**
Provision for Current Tax		1.35	58.86	19.61	7.70
Provision for Fringe Benefit Tax		0.12	5.09	6.00	-
Provision for Deferred Tax		1.93	83.97	7.14	15.09
PROFIT AFTER TAXATION (Before Adjustment for Minority Interest)		**8.75**	**380.29**	**200.25**	**75.39**
Add : Share of Loss transferred to Minority		**0.001**	**0.003**	**0.00**	**0.00**
PROFIT AFTER TAXATION (After Adjustment for Minority Interest)		**8.75**	**380.29**	**200.25**	**75.39**
Add : Balance brought forward from previous year		11.84	514.65	389.81	206.93
Add : Deferred Tax Liability for the Previous years written back		-	-	-	107.89
(Short) / Excess Provision for Tax in earlier years		-	-	-	(0.40)
AMOUNT AVAILABLE FOR APPROPRIATION		**20.59**	**894.94**	**590.06**	**389.81**
Less : Proposed Dividend		1.19	51.95	22.28	-
Less : Dividend Tax on Proposed Dividend		0.20	8.82	3.12	-
Less : Provision for dividend payable on new shares , to be allotted under Qualified Institutional Placement (QIP)		0.41	18.00	-	-
Less Dividend Tax on above		0.07	3.06	-	-
Less: Transferred to General Reserve		1.16	50.00	50.00	-
BALANCE CARRIED TO BALANCE SHEET		**17.56**	**763.11**	**514.66**	**389.81**
EARNING PER SHARE - BASIC & DILUTED (FACE VALUE PER SHARE RS.10/- EACH)	XX(19)		16.39	15.59	6.14

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based on and should be read in conjunction with our audited consolidated financial statements as of and for Fiscal years ended March 31, 2005, 2006 and 2007 including the schedules, annexes and notes thereto and the report thereon, and our unaudited reviewed financial statements on a stand alone basis as of and for the six months ended September 30, 2006 and 2007, which appear elsewhere in this Placement Document.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding such risks and uncertainties, see "Forward-Looking Statements" and "Risk Factors," as appearing in this Placement Document.

Overview

We are one of the leading providers of flooring solutions in India. We provide a diverse range of flooring solutions such as vitrified tiles, ceramic tiles and marble, amongst others. We are now foraying into the business of real estate development directly and through our wholly owned subsidiaries. We intend to become an infrastructure goods marketing company by supplementing our product offerings to include wall tiles and sanitary ware and bathroom fittings. For Fiscal year 2006 and 2007 our total income was Rs. 2,984.15 million and Rs. 4,606.36 million, respectively, and our net profit was Rs. 200.25 million and Rs. 380.29 million, respectively.

We manufacture ceramic tiles and mosaic and paving tiles at our production facilities in Alibaug and Thane. However, we outsource the manufacturing of vitrified tiles to two tile producers in China. We currently have an annual production capacity of 6.31 million square meters of ceramic tiles and 0.84 million square meters of mosaic and paving tiles. We import high quality unprocessed marble from a number of suppliers located in Italy, Spain, Greece, Portugal, Egypt, Oman and Turkey, and process such marble at our facilities in Kanjurmarg and Silvassa.

We intend to develop one property located in Kanjurmarg, Mumbai and two properties located in Thane, Maharashtra, for which we have been granted some of the required development permissions. We also intend to develop one property in Worli, Mumbai, which is owned by us, and two properties located in Alibaug, Maharashtra, which have been bought by our nominee, (which nominee currently owns the same as our trustee). Further, we have agreed with Yash Enterprises, (a partnership firm, which is in the process of obtaining development rights for the development of certain property located at Worli, Mumbai.), to bear 20% of the loses, (if any), and costs, for a 20% share of the profits from the sale of the units from the said development. We also have a 20% shareholding in Soumya Buildicon Private Limited, which has obtained development rights for the development of certain property located at Worli, Mumbai.

These real estate projects include residential as well as commercial developments. Of the eight projects we expect the Saumya Buildcon project, a residential project located at Worli, Mumbai and one commercial project at Wagle Industrial Estate, Thane to be completed by 2010 and the remaining six projects by 2011.

There are numerous risks, including title related risks, and risks associated with the development approvals required to develop these properties which we currently face. For more details please refer to the heading titled '*Risk Factors*'.

Our audited consolidated financial statements included in this Placement Document include the financial results of Nitco Realties, since the date of its becoming our subsidiary on, July 25, 2006.

Factors Affecting Our Results of Operations

Our results of operations will be influenced by the following key factors:

Contracts with Manufacturers of Vitrified Tiles

Our Company is in the business of flooring solutions and we generated approximately 53.75% of our gross sales in fiscal 2007 from sale of vitrified tiles. We import our entire requirement of vitrified tiles from 2 companies in China, namely (i) 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, ("**FCL**"), and (ii) from Foshan Lungo Ceramics, which is a part of New Zhong Yuan, China, the world's largest tile manufacturing group ("**FLC**") The exports of vitrified tiles by these two companies do not attract anti dumping duties in view of the exemption notification from the Ministry of Finance. Presently, we are not manufacturing vitrified tiles and have no experience of manufacture of vitrified tiles. The Exclusive Supply Agreements, entered into by the Company with each party for importing vitrified tiles, may be terminated and cancelled by either party to the Agreement. A discontinuance of any of these Agreements may adversely affect our business and may also result in temporary discontinuance of this segment of our business.

Costs of Raw Material, Power and Fuel

Adequate availability of key raw materials is crucial for our operations. These raw materials are procured from places which are far away from our factory. A substantial portion of the landed cost of raw materials comprises of freight cost incurred to transport the raw materials to our factory. Any disruption of supply or increase in costs will affect our competitiveness and would adversely affect the profitability of the company.

One of our major cost components is power and fuel cost. In fiscal 2007, these expenses constituted 6.24% of the total cost (excluding interest and financial charges and depreciation). Any increase in power tariffs or increase in the prices of fuel will adversely affect the profitability of our Company. Our Company uses LPG fuel in our manufacturing processes whereas some of our competitors have access to natural gas, the cost of which is significantly lower. Any increase in prices of LPG would adversely affect the profitability of our Company.

Taxes, Duties and Quotas

Our products are subject to indirect taxation such as sales tax, value added tax and excise duty. Besides imports of raw materials, vitrified tiles and marble attracts customs duty at the applicable rates. Our current indirect tax rate profile is based on current tariff classification and the current tariff rates classifications or tariff rates or both may change from time to time. If such revision is adverse, our results may be correspondingly affected. The parties from whom we are sourcing our vitrified tiles from China are exempted from anti dumping duty. Any changes in the tariff or removal of the exemption from anti dumping duty could have a material adverse impact on our results of operations in the future.

Our Growth Plans, Including Acquisitions and Joint Ventures

To meet our growth plans, we intend to venture into outsourcing of sanitaryware products which is totally a new segment for us. This may hinder our ability to operate in a commercially successful manner and we may not be able to source appropriate products at a competitive price. These factors may adversely affect our operations and financials. We also intend to set up a Joint Venture for manufacture of Vitrified Tiles in Gujarat. Any failed acquisition or joint venture will adversely affect the operations and financials of the Company.

General Economic and Business Conditions in India

We currently operate primarily in the domestic Indian market, and our performance is intertwined with the overall economy, the gross domestic product (“GDP”) growth rate and the economic cycle in India. The Indian economy could be adversely affected by a number of factors. In particular, India depends on imported oil for its energy needs. India imports approximately 70% of its requirements of crude oil. A significant increase in the price of crude oil could adversely affect the Indian economy. India’s economy could also be adversely affected by a general rise in interest rates and unfavorable weather conditions adversely affecting agriculture. A slowdown in the Indian economy could adversely affect our business.

Our Real Estate Business

To date, Nitco has not completed any real estate project. The real estate operations of Nitco are subject to the performance of the real estate market in India generally and more particularly the market in which its projects are located. The development of a real estate project takes a substantial amount of time and Nitco’s real estate business could be adversely impacted if there is a decline in prices over the timeframe of sale and development. Changes in government policies, local economic conditions (which may differ from countrywide economic conditions), demographic trends, employment and income levels and interest rates, among other factors, may affect the real estate market and affect the demand for and valuation of Nitco’s current and future projects. Low interest rates on housing loans and favourable tax treatment of these loans have helped boost the recent growth of the Indian real estate market. Interest rates in India, however, are on a rising trend that could discourage consumers from taking loans for acquiring real estate and thereby weaken the real estate market. Rising interest rates also increase Nitco’s cost of borrowings. Various provisions and norms imposed by the RBI in relation to housing loans by banks and housing finance companies could reduce the attractiveness of the property, and the RBI or the Government of India may take further steps to reduce directly or indirectly the credit to the real estate sector, which may adversely affect the availability of housing loans at attractive rates. The use of home loans for residential properties has also become attractive due to income tax benefits. In the event of a change in fiscal, monetary or other policy and a consequent withdrawal of such income tax benefits use of home loans may be reduced, which could adversely affect our operating results and financial condition. These factors can negatively affect the demand for and valuation of Nitco's current and future projects. Nitco's real estate business, financial condition and results of operations could be adversely affected if real estate market conditions deteriorate, and this could in turn adversely affect our results of operations and financial condition.

Nitco's inability to acquire new plots of real property may result in a change of, a delay in or an abandonment of entire projects, which in turn could cause its business to suffer. A relaxation of Indian foreign investment regulations may result in an increase in the prices of real estate property assets. If Nitco is unable to compete effectively in the acquisition of suitable land in the areas in which it proposes to build projects, Nitco's real estate business and prospects may be adversely affected.

In addition, the Land Acquisition Act, 1894 allows the central and state governments to exercise rights of compulsory purchase, or eminent domain, which, if used in respect of land belonging to Nitco, could require Nitco to relinquish such land with minimal compensation.

The likelihood of such actions may increase as the central and state governments seek to acquire land for the development of infrastructure projects such as roads, airports and railways. Any acquisitions by the Government of Nitco's real estate property assets under the Land Acquisition Act, 1894 in respect of one or more of Nitco's current or future project, could adversely affect its business, and this could in turn adversely affect our results of operations and financial condition.

Results of Operations

The following table sets forth select financial data from our audited consolidated profit and loss accounts, the components of which are also expressed as a percentage of total income for the periods indicated.

	2005		**2006**		**2007**	
	(Rs. in millions)	**(% of Total Income)**	**(Rs. in millions)**	**(% of Total Income)**	**(Rs. in millions)**	**(% of Total Income)**
Sales and Other Income:						
Gross Sales	2,088.12	103.19	3,063.62	102.66	4,704.33	102.13
Less: Excise Duty	64.60	3.19	79.7	2.67	110.59	2.40
Other Income	0.11	0.01	0.23	0.01	12.62	0.27
Total Income	**2,023.63**	**100.00**	**2,984.15**	**100.00**	**4,606.36**	**100.00**
Expenditure:						
Materials Consumed	901.12	44.53	1,444.28	48.40	2,314.33	50.24
Stores Consumed	16.96	0.84	29.51	0.99	41.67	0.90
Power and Fuel	215.91	10.67	219.35	7.35	243.06	5.28
Personnel	116.16	5.74	147.01	4.93	183.18	3.98
Administrative Expenses	138.22	6.83	134.90	4.52	190.65	4.14
Selling and Distribution Expenses	395.12	19.53	579.03	19.40	923.73	20.05
						-
Total Expenditure	**1,783.49**	**88.13**	**2,554.08**	**85.59**	**3,896.62**	**84.59**

	2005		2006		2007	
	(Rs. in millions)	**(% of Total Income)**	**(Rs. in millions)**	**(% of Total Income)**	**(Rs. in millions)**	**(% of Total Income)**
						-
Interest and Other Financial Charges	85.55	4.23	132.49	4.44	81.13	1.76
Depreciation	56.41	2.79	64.58	2.16	100.40	2.18
Profit before Taxation	**98.18**	**4.85**	**233.00**	**7.81**	**528.21**	**11.47**
						-
Provision for Taxation	7.70	0.38	19.61	0.66	58.86	1.28
Provision for Fringe Benefit Tax	-		6.00	0.20	5.08	0.11
Provision for Deferred Taxes	15.09	0.75	7.14	0.24	83.98	1.82
Profit after Taxation	**75.39**	**3.73**	**200.25**	**6.71**	**380.29**	**8.26**

The following table sets forth select operating data for the periods indicated.

	For Fiscal Year,		
	2005	**2006**	**2007**
Installed Capacity of Ceramic Tiles(in million square meters) per annum	4.03	4.03	6.31
Amount of Ceramic Tiles Produced (in million square meters) per annum	3.51	3.29	4.22
Amount of Ceramic Tiles Sold (in million square meters) per annum	3.51	3.21	4.02
Average Realisation of Ceramic Tiles(in Rs./square meters)	**273.53**	**291.98**	**291.48**
Installed Capacity of Mosaic Tiles(in million square meters) per annum	0.79	0.84	0.84
Amount of Mosaic Tiles Produced (in million square meters) per annum	0.52	0.46	0.45
Amount of Mosaic Tiles Sold (in million square meters) per annum	0.51	0.44	0.47
Average Realisation of Mosaic Tiles(in Rs./square meters)	**151.19**	**258.40**	**342.95**
Sales of Vitrified Tiles (in million square meters) per annum	1.41	3.29	5.19
Average Realisation of Vitrified Tiles(in Rs./square meters)	**513.65**	**513.17**	**487.25**
Sales of Marbles (in million square meters) per annum	0.12	0.13	0.31

	For Fiscal Year,		
	2005	**2006**	**2007**
Average Realisation of Marbles(in Rs./square meters)	**2,761.52**	**2,446.29**	**2,459.22**

Installed capacity of the Ceramic tile plant has been estimated on the basis standard size of Ceramic Tiles of 300 mm x 300 mm. The capacity of the plant gets reduced with production of tiles of higher sizes.

Sales and Other Income: We generate income from the sale of ceramic tiles, vitrified tiles, marble and mosaic tiles (including paver tiles) to our customers. Our income also includes income generated as a result of the receipt of rental payments and other miscellaneous income. Our total income was Rs. 4,606.36 million for Fiscal 2007 as compared to Rs. 2,984.15 million for Fiscal 2006, representing an increase of 54.36%. Our total income was Rs. 2,984.15 million for Fiscal year 2006 as compared to Rs. 2,023.63 million for Fiscal 2005, representing an increase of 47.47%. We attribute the growth in our total income during such fiscal periods primarily to the increase in sales of vitrified tiles and also to the increase in sales of ceramic tiles, marble and mosaic tiles.

The table below provides our product-wise gross sales for our flooring solutions for the periods indicated.

Flooring Solution	**For Fiscal Year,**		
	2005	**2006**	**2007**
			(Rs. in millions)
Ceramic Tiles	960.1	937.24	1,171.74
Vitrified Tiles	724.24	1,688.32	2,528.81
Marble	325.82	324.99	763.08
Mosaic Tiles	76.69	113.07	162.17
Others	1.27		78.53
Gross Sales	**2,088.12**	**3,063.62**	**4704.33**

The Company is not dependent on a single customer. No customer accounts for more than 1% of sales.

Excise Duty: Our total income is recorded net of excise duty. Excise duty is payable at the rate of 8% on ceramic tiles without being entitled for credit on excise duty paid on inputs. The manufacture of mosaic tiles attracts excise duty at 16% with credit being allowed on excise duty paid on inputs. In addition a cess of 3% is payable on the excise duty. Excise duty amounted to Rs. 110.59 million, Rs. 79.70 million and Rs. 64.60 million and formed 2.40%, 2.67% and 3.19% of the gross income for Fiscal 2007, 2006 and 2005 respectively. The excise duty as percentage to gross sales has reduced on account of changes in the product mix.

Expenditure: Our total expenditure consists of costs of raw material and stores consumed, power and fuel costs, personnel costs and expenses, administrative expenses and selling and distribution expenses. Our total expenditure as a percentage of our total income was 84.59%, 85.59% and 88.13% for Fiscal 2007, 2006 and 2005 respectively.

Materials Consumed: Costs of materials consumed are and will continue to be a major cost in our business, and amounted to Rs. 2,314.33 million, Rs. 1,444.28 million and Rs. 901.12 million or 50.24%, 48.40% and 44.53% of our total income, and 59.39%, 56.55%, and 50.53% of our total expenditure, for Fiscal 2007, 2006 and 2005, respectively. Materials consumed consist of raw material such as clay, silica sand and feldspar, frits pigments, cement etc.. Materials consumed also included amounts paid for purchase of vitrified tiles and marble inclusive of customs duty, freight and clearing. Our cost of materials has generally increased as a result of our change in product mix. We believe that materials consumed will continue to remain a significant portion of our total expenditure.

Stores Consumed: Costs of stores consumed amounted to Rs. 41.67 million, Rs. 29.51 million and Rs. 16.96 million or 0.9%, 0.99% and 0.84% of our total income, for Fiscal 2007, 2006 and 2005, respectively. Stores consumed primarily consists of consumables and machinery spares consumed.

Power and Fuel: Power and fuel expenses amounted to Rs. 243.06 million, Rs. 219.35 million and Rs. 215.91 million, or 5.28%, 7.35% and 10.67% of our total income, for Fiscal 2007, 2006 and 2005, respectively. Although our power and fuel expenses have increased in each of Fiscal periods discussed in this Placement Document when compared to the previous fiscal period, these expenses have generally reduced as a percentage of total income as a result of change in product mix, efficient utilization of power and generation of power through windmills.

Personnel: Personnel expenses amounted to Rs. 183.18 million, Rs. 147.01 million and Rs. 116.16 million, or 3.98%, 4.93% and 5.74% of our total income, for Fiscal years 2007, 2006 and 2005 respectively. Personnel expenses consist of salaries, wages, bonuses, contribution to provident and welfare funds and welfare expenses. Although our personnel expenses have increased for each of the fiscal periods discussed in this Placement Document when compared to the previous fiscal period, primarily due to normal revisions of the salaries of employees and the recruitment of additional employees as a result of an increase in our business and operations, these expenses have generally decreased as a percentage of total income as a result of volume growth.

Administrative Expenses: Administrative expenses amounted to Rs. 190.65 million, Rs. 134.90 million and Rs. 138.22 million or 4.14%, 4.52% and 6.83% of our total income, for Fiscal 2007, 2006 and 2005 respectively. Administrative expenses consist of rent paid, taxes paid, processing charges, water charges, postage and telephone charges, printing and stationery costs, insurance charges, legal and professional fees, travelling and conveyance expenses, audit fees, hire charges, security charges, donations, repair and maintenance costs and miscellaneous expenses.

Selling and Distribution Expenses: Selling and distribution expenses amounted to Rs. 923.73 million, Rs. 579.03 million and Rs. 395.12 million, or 20.05%, 19.40% and 19.53% of our total income, for Fiscal 2007, 2006 and 2005 respectively. Selling and distribution expenses consist of expenses arising from advertisement and sales promotions, sales tax, freight forwarding and distribution, and bad debts (including provisions for bad debts). We believe that selling and distribution expenses will continue to be a major cost in our business.

Interest and Other Financial Charges: Interest and other financial charges consist of interest paid on term loans, expenses incurred in connection with credit lines and other indebtedness and gains and losses as a result of foreign exchange fluctuations. See " – Indebtedness."

Depreciation: Depreciation is provided at the rates calculated using the straight-line method and in accordance with the rates specified under Schedule XIV of the Companies Act. The following table provides the depreciation rates for our tangible assets:

Assets	**Annual Depreciation Rate**
Plants and Machinery...	5.28%
Buildings	3.34%
Office Equipment	4.75%
Electrical Installations..	4.75%
Motor Vehicles	9.50%
Furniture and Fixtures..	6.33%
Windmills	5.28%

Taxation: We provide for both current taxes and deferred taxes. Tax on income for the current period is determined on the basis of estimated taxable income and tax credit, if any, and computed in accordance with the provisions of applicable law. Deferred tax arises mainly due to the timing differences between accounting income and the estimated taxable income for the period and quantified using the tax rates and laws enacted or substantially enacted as on relevant the balance sheet date. Our deferred tax liability is recognized net of deferred tax assets, if any. In recent years, we have had a low effective tax rate on account of accelerated depreciation available on windmills. After Fiscal 2008, the quantum of depreciation on windmills will be significantly lower and our effective tax rate could increase.

Latest Unaudited Results on a stand alone basis

Sr. No .	Particulars	Half year ended September 30,	
		2007 (Unaudited) Rs in Million	2006 (Unaudited) Rs in Million
1	Gross Sales/Income from Operations	2,895.54	2,096.91
	Less : Excise Duty	55.91	52.80
	Less : Sales Tax	265.67	189.23
	Net Sales/Income from Operations	**2,573.95**	**1,854.88**
2	Other income	14.34	7.04
	Total Income	**2,588.29**	**1,861.91**
3	**Expenditure**		
	a. (Increase)/Decrease in Stock	225.44	(87.70)
	b. Materials	547.84	444.15
	c. Purchase	802.20	676.09
	d. Power & Fuel	111.79	101.26
	e. Staff cost	129.28	82.72
	f. Selling & Distribution Expenses	268.00	209.95
	g. Other Expenditure	116.86	108.67
	h. Depreciation	53.50	48.57
	i. Total Expenditure	**2,254.91**	**1,583.71**
4	Interest	50.62	51.35
5	**Profit Before Tax**	**282.77**	**226.85**
6	Provision For Taxation	31.67	25.04
7	Provision For Fringe Benefit Tax	3.20	2.12
8	Deferred tax	2.83	40.79
9	**Net Profit**	**245.06**	**158.89**

Fiscal Year 2007 Compared to Fiscal Year 2006

Our results of operations for Fiscal Year 2007 were particularly affected by the following factors:

- An increase in income arising from the increase in sales of vitrified tiles, marble, ceramic tiles and mosaic tiles and
- The increase in manufacturing capacity of our ceramic tiles production facility;
- An increase in total expenditure, particularly expenses arising from materials consumed, selling and distribution expenses and personnel expenses.

Total Income: Our total income increased by 54.36% to Rs. 4,606.36 million for Fiscal 2007 from Rs. 2,984.15 million for Fiscal 2006, primarily due to an increase in sales.

Gross Sales: Our gross sales increased by 53.55% to Rs. 4,704.33 million for Fiscal 2007 from Rs. 3,063.62 million for Fiscal 2006, primarily due to an increase in the sale of vitrified tiles, marble and ceramic tiles. Our gross sales also increased marginally due to an increase in sale of paver tiles.

Increased sales of vitrified tiles was facilitated by an increase in demand for vitrified tiles as well as increased import of such tiles as a result of our entering into an outsourcing agreement with a second vitrified tiles production entity located in China. We sold 5.19 million square meters of vitrified tiles at an average realisation of Rs. 487.25 per square meter for Fiscal 2007 as compared to 3.29 million square meters at an average realisation of Rs. 513.17 per square meter in Fiscal 2006. The average realisation slipped slightly due to substantial increase in sales over a higher base, the Company had change the product mix to cover products at all price points.

The increase in the production capacity of our ceramic tiles facility was the significant factor in the increase in quantity of ceramic tiles sold. We sold 4.02 million square meters of ceramic tiles at an average realisation of Rs. 291.48 in Fiscal 2007 as compared to 3.21 million square meters at an average realisation of Rs. 291.98 in Fiscal 2006. As capacity addition happened during the year, increased capacity could be utilized for part of the year. Full effect of increased capacity would be reflected in the performance of 2007-08 onwards.

Our gross sales from the sale of marble also increased significantly in Fiscal 2007 compared to Fiscal 2006, due to a change in the import policy for marble by the Indian Ministry of Commerce, which increased our marble import quota from 2,392 tonnes for Fiscal 2005 to 12,816 tonnes for Fiscal 2006. We sold 0.31 million square meter at an average realisation of Rs. 2,459.22 per square meter in Fiscal 2007 as compared to 0.13 million square meter at an average realisation of Rs. 2446.29 per square meter in Fiscal 2006. Being a natural product, prices varied based on material, colour, appearance and other features.

Following a decline in the off take of traditional mosaic tiles, in Fiscal 2007, we also focussed on the sale of cement-based paver tiles used in the construction of roads and walkways, which also contributed to the increase in gross sales for Fiscal 2007 when compared to gross sales for Fiscal 2006. We sold 0.47 millions square meter at an average realisation of Rs. 342.95 per square meter in Fiscal 2007 as compared to 0.44 millions square meter at an average realisation of Rs. 258.40 per square meter in Fiscal 2006.

Other Income: Our other income increased to Rs. 12.62 million for Fiscal 2007 from Rs. 0.23 million for Fiscal 2006, primarily due to miscellaneous income. Our other income as a percentage of total income increased to 0.27% for the Fiscal 2007 as compared to 0.01% for Fiscal 2006.

Total Expenditure: Our total expenditure increased by 52.56% to Rs. 3,896.62 million for Fiscal 2007 from Rs. 2,554.08 million for Fiscal 2006, primarily as a result of an increase in expenses arising from materials consumed, selling and distribution expenses and personnel expenses resulting from the increase in sales. Our total expenditure as a percentage of total income decreased marginally to 84.59% for Fiscal 2007 as compared to 85.59% for Fiscal 2006.

Materials Consumed: Our expenses arising from materials consumed increased by 60.24% to Rs. 2,314.33 million for Fiscal 2007 from Rs. 1,444.28 million for Fiscal 2006, primarily due to increases in purchase of vitrified tiles, marble and raw material for the manufacturing of ceramic tiles. Our expenses arising from material consumed as a percentage of total income increased to 50.24% in Fiscal 2007 from 48.40% in Fiscal 2006 primarily due to change in the product mix of ceramic tiles and freight costs. The principal raw materials used in the manufacture of ceramic tiles comprise clay, silica and feldspar (body raw material). The principal component of the cost of body raw material is transportation. The overall cost of body material increased by 18% on account of increase in freight rates and also increased consumption due to change in product mix.

Stores Consumed: Our expenses arising from stores consumed increased by 41.21% to Rs. 41.67 million for Fiscal 2007 from Rs. 29.51 million for Fiscal 2006, primarily due to increase in the production of ceramic tiles. Our expenses arising from stores consumed as a percentage of total income decreased marginally to 0.90% in Fiscal 2007 from 0.99% in Fiscal 2006.

Power and Fuel: Our power and fuel expenses increased by 10.81% to Rs. 243.06 million for Fiscal 2007 from Rs. 219.35 million for Fiscal 2006. Despite the growth in our business and operations, our expenses arising from power and fuel as a percentage of total income decreased to 5.28% in Fiscal 2007 from 7.35% in Fiscal 2006, primarily due to efficient utilization of fuel together with increased amount of power generated from windmills.

Personnel: Our personnel expenses increased by 24.60% to Rs. 183.18 million for Fiscal 2007 from Rs. 147.01 million for Fiscal 2006, primarily due to normal revisions of the salaries of employees and the recruitment of additional employees as a result of an increase in our business and operations. However our personnel expenses as a percentage of total income decreased to 3.98% in Fiscal 2007 from 4.93% in Fiscal 2006 due to economies of scale.

Administrative Expenses: Our administrative expenses increased by 41.33% to Rs. 190.65 million for Fiscal 2007 from Rs. 134.90 million for Fiscal 2006 primarily due to an increase in rental charges and warehousing expenses, insurance premiums and travelling and conveyance expenses partially offset by a decrease in processing charges. The administrative expenses as a percentage of total income decreased marginally to 4.14% in Fiscal 2007 from 4.52% in Fiscal 2006.

Selling and Distribution Expenses: Our selling and distribution expenses increased by 59.53% to Rs. 923.73 million for Fiscal 2007 from Rs. 579.03 million for Fiscal 2006, primarily due to increase in freight forwarding and other distribution expenses. The selling and distribution expenses as a percentage of total income increased marginally to 20.05% in Fiscal 2007 from 19.40% in Fiscal 2006.

Interest and Other Financial Charges: Our interest and financial expenses decreased by 38.77% to Rs. 81.13 million for Fiscal 2007 from Rs. 132.49 million for Fiscal 2006, primarily due to foreign exchange fluctuation gains and lower interest payments as a result of lower average aggregate outstanding indebtedness. The interest and financial expenses as a percentage of total income decreased to 1.76% in Fiscal 2007 from 4.44% in Fiscal 2006.

Depreciation: Our depreciation expenses increased by 55.47% to Rs. 100.40 million for Fiscal 2007 from Rs. 64.58 million for Fiscal 2006, primarily due to depreciation of plant and machinery purchased to increase our ceramic tiles production facility as well as upgrading such facility and depreciation of our windmills. The depreciation expenses as a percentage of total income increased marginally to 2.18% in Fiscal 2007 from 2.16% in Fiscal 2006.

Taxation: Our total tax expense increased to Rs. 147.92 million for Fiscal 2007 from Rs. 32.75 million for Fiscal 2006 as a result of an increase in total profit before tax. The total tax expenses as a percentage of total income increased to 3.21% in Fiscal 2007 from 1.10% in Fiscal 2006 due to increase in tax rate applicable under minimum alternate tax (MAT) and also due higher provisioning under deferred taxation.

Profit After Taxation: Our profit after taxation for the period increased by 89.91% to Rs. 380.29 million for Fiscal 2007 from Rs. 200.25 million for Fiscal 2006, primarily due to the factors discussed above.

Fiscal Year 2006 Compared to Fiscal Year 2005

Our results of operations for Fiscal year 2006 were particularly affected by the following factors:

- An increase in income arising from the increase in sales of vitrified tiles;
- An increase in total expenditure, particularly expenses arising from materials consumed and selling and distribution expenses; and
- The completion of our initial public offering raising Rs. 1,680 million rupees.

Total Income: Our total income increased by 47.47% to Rs. 2,984.15 million for Fiscal 2006 from Rs. 2,023.63 million for Fiscal 2005, primarily due to an increase in gross sales.

Gross Sales: Our gross sales increased by 46.72% to Rs. 3,063.62 million for Fiscal 2006 from Rs. 2,088.12 million for Fiscal 2005, primarily due to an increase in the sale of vitrified tiles as a result of an increase in demand for such tiles. Our gross sales also increased marginally due to an increase in sale of paver tiles.

The outsourcing of manufacturing of vitrified tiles to a manufacturer in China allows us to benefit from the utilisation of the manufacturer’s lower production costs, economies of scale and reliability of delivery. We sold 3.29 millions square meters of vitrified tiles at an average realisation of Rs 513.17 in Fiscal 2006 as compared to 1.41 million square meters at an average realisation of Rs 513.65 in Fiscal 2005 .

Our gross sales from the sale of ceramic tiles decreased in Fiscal 2006 when compared to Fiscal 2005 due to decrease in production resulting from change in the product mix. However these changes in product mix is part of our long term strategy of increasing focus on premium flooring solutions that increases the average realisation per square meter of ceramic tiles. We sold 3.21 million square meters of ceramic tiles at an average realisation of Rs 291.98 in Fiscal 2006 as compared to 3.51 million square meters of ceramic tiles an average realisation of Rs 273.53 in Fiscal year 2005.

Our gross sales from the sale of marble remained substantially unchanged (Rs 324.99 million in Fiscal 2006 compared to Rs 325.82 million in Fiscal 2005). However average realisations for marble declined to Rs. 2,446.29 per square meter from Rs. 2,761.52 per square meter

During Fiscal 2006, we also focused on the sale of cement-based paver tiles used in the construction of roads and walkways, which also contributed to the increase in gross sales for Fiscal 2006 when compared to the gross sales for Fiscal 2005. Our average realisation from the sale of paver tiles increased to Rs. 258.40 per square meter for Fiscal 2006 from Rs. 151.19 per square meter for Fiscal 2005.

Other Income: Our other income increased by 109.09% to Rs. 0.23 million for Fiscal 2006 from Rs. 0.11 million for Fiscal 2005, primarily due to miscellaneous income.

Total Expenditure: Our total expenditure increased by 43.21% to Rs. 2,554.08 million for Fiscal 2006 from Rs. 1,783.49 million for Fiscal 2005, primarily as a result of an increase in expenses arising from materials consumed and selling and distribution expenses. Our total expenditure as a percentage of total income decreased marginally to 85.59% for Fiscal 2006 as compared to 88.13% for Fiscal 2005.

Materials Consumed: Our expenses arising from materials consumed increased by 60.28% to Rs. 1,444.28 million for Fiscal 2006 from Rs. 901.12 million for Fiscal 2005, primarily due to an increase in purchase of vitrified tiles.

Stores Consumed: Our expenses arising from stores consumed increased by 74.00% to Rs. 29.51 million for Fiscal 2006 from Rs. 16.96 million for Fiscal 2005, primarily due to change in the product mix of the ceramic tiles.

Power and Fuel: Our expenses arising from power and fuel marginally increased by 1.59% to Rs. 219.35 million for Fiscal 2006 from Rs. 215.91 million for Fiscal 2005, primarily due to increases in fuel prices offset by a decline in the consumption of LPG, furnace oil, and electrical energy as a result of our focus on efficient utilization of fuel.

Personnel: Our personnel expenses increased by 26.56% to Rs. 147.01 million for Fiscal 2006 from Rs. 116.16 million for Fiscal 2005, primarily due to normal revisions of the salaries of employees and the recruitment of additional employees as a result of an increase in our business and operations.

Administrative Expenses: Our administrative expenses decreased by 2.40% to Rs. 134.90 million for Fiscal 2006 from Rs. 138.22 million for Fiscal 2005, primarily due to decreased processing charges insurance premiums and legal and professional fees offset by an increase in rental charges and warehousing expenses. Insurance premium for fiscal year 2005 includes premium for key man of Rs.50 million which was one time.

Selling and Distribution Expenses: Our selling and distribution expenses increased by 46.55% to Rs. 579.03 million for Fiscal 2006 from Rs. 395.12 million from for Fiscal 2005, primarily due to increase in spending on advertisements and sales promotions and an increase in freight forwarding expenses.

Interest and Other Financial Charges: Our interest and other financial charges increased by 54.87% to Rs. 132.49 million for Fiscal 2006 from Rs. 85.55 million for Fiscal 2005, primarily due to higher average outstanding unsecured indebtedness and an increase in working capital borrowings in form of letters of credit used for purchases of vitrified tiles. On March 21, 2006, we completed our initial public offering raising Rs. 1,680 million by issuing and selling 10 million equity shares. We used a portion of the net proceeds from our initial public offering to pay our outstanding secured indebtedness. During the IPO the issue expense was Rs. 124 million and the Company has also declared the dividend of 10% on the face value.

Depreciation: Our depreciation expenses increased by 14.48% to Rs. 64.58 million for Fiscal 2006 from Rs. 56.41 million for Fiscal 2005, primarily due to depreciation of plant and machinery purchased to increase our ceramic tiles production facility as well as upgrading such facility and depreciation of our windmills.

Taxation: Our total tax expense increased by 43.70% to Rs. 32.75 million for Fiscal 2006 from Rs. 22.79 million for Fiscal 2005 as a result of an increase in total profit before tax.

Profit After Taxation: Our profit after taxation for the period increased by 165.62% to Rs. 200.25 million for Fiscal 2006 from Rs. 75.39 million for Fiscal 2005, primarily due to the factors discussed above.

Financial Condition, Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered separately from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our capital requirements primarily through funds generated from our operations, financing from banks and other financial institutions in the form of term loans and letters of credit, as well as from sales of equity. We believe that we will have sufficient capital resources from our operations, net proceeds of this offering of equity shares and other financings from banks and financial institutions to meet our capital requirements for at least the next 12 months.

Cash Flows

The table below summarises our cash flows for the Fiscal years 2005, 2006 and 2007:

	Fiscal Year

(Rs. in millions)	2005	2006	2007
Net cash (used in)/generated from operating activities	(15.46)	485.39	(283.93)
Net cash generated from/(used in) investing activities	(151.67)	(1,424.74)	(53.61)
Net cash generated from/(used in) financing activities	184.62	1,052.96	348.63
Net (decrease)/increase in cash and cash equivalents	**17.49**	**113.61**	**11.09**

Cash and cash equivalents increased to Rs. 169.34 million as of March 31, 2007 from Rs. 158.25 million as of March 31, 2006. Cash in form of bank deposits, current account deposits, margin money investments and cash on hand represent our cash and cash equivalents.

Operating Activities:

Net cash used in operating activities was Rs. 283.93 million for Fiscal 2007, primarily as a result of advances given to our subsidiary, Nitco Realties, for their operational activities in the amount of Rs. 307.88 million.

Net cash generated from operating activities was Rs. 485.39 million for Fiscal 2006, primarily as a result of an increase in sales and collections as well as an increase in sundry creditors due to an increase in the import and sales of vitrified tiles.

Investing Activities:

Net cash used in investing activities was Rs. 53.61 million for Fiscal 2007, primarily as a result of the purchase of fixed assets amounting to Rs 506.79, offset in part by the sale of certain investments made during March 2006 out of the IPO proceeds which were realised to meet the objects of the issue.

Net cash used in investing activities was Rs. 1,424.74 million for Fiscal 2006, primarily as a result of purchases of investments, including investments made during March 2006 out of the IPO proceeds, and purchases of fixed assets, including plant and machinery to expand and upgrade our ceramic tiles production facility and install our windmills.

Financing Activities:

Net cash generated from financing activities was Rs. 348.63 million for Fiscal 2007, primarily as a result of borrowings from Banks partially offset by payments of interest and dividends.

Net cash generated from financing activities was Rs. 1,052.96 million for Fiscal year 2006, primarily as a result of receipt of net proceeds from our initial public offering partially offset by repayment of debt and interest payments.

Capital Expenditures

For Fiscal 2007, 2006 and 2005, we spent Rs. 506.79 million, Rs. 676.51 million and Rs. 152.87 million, respectively, on capital expenditures. The capital expenditures for Fiscal 2007 consisted primarily of upgradation of ceramic floor tile plant and for additional warehousing space for vitrified tiles. The capital expenditures for Fiscal year 2006 consisted primarily of purchases of windmills and expansion of ceramic floor tile capacity. The capital expenditures for Fiscal year 2005 consisted primarily of plant and machinery for ceramic floor tile and mosaic tiles

Indebtedness

As of March 31, 2007, we had Rs. 1277.16 million of aggregate principal amount of indebtedness outstanding.

As of March 31, 2007					
Name of Lender	**Type Of Debt**	**Amount Outstanding**	**Rate Of Interest**	**Collateral**	**Repayment Schedule**
Punjab National Bank	Working Capital	129.44	10.75%	Hypothecation of Stock	
State Bank of India	Working Capital	101.29	9.10%		

As of March 31, 2007					
Name of Lender	**Type Of Debt**	**Amount Outstanding**	**Rate Of Interest**	**Collateral**	**Repayment Schedule**
Syndicate Bank	Working Capital	44.81	10.50%		
SBI Commercial & International Bank Ltd	Working Capital	6.86	10.75%		
State Bank of India	Term Loan	130.00	8.50%	First charge on Fixed Asset - Alibag	First year 4 equal installments of Rs.5.00 Million, Second year 4 equal Installments of Rs.7.50 Million and Balance quarterly 12.5 Million started from June 30, 2007
State bank of Indore	Term Loan	40.00	9.00%		20 equal Installments of Rs.50.00 Lacs started from June 30, 2006.
State bank of Indore	Term Loan	175.00	10.75%		16 equal Installments of Rs.156.25 Lacs starting from June 12, 2008.
State Bank of Hyderabad	Term Loan	49.67	10.25%		20 equal Installments of Rs.50.00 Lacs started from November 29, 2004.
Vijaya Bank	Term Loan	29.99	9.00%		20 equal Installments of Rs.50.00 Lacs started from December 29, 2003.
The Catholic Syrian Bank Ltd	Term Loan	50.00	9.50%		20 equal Installments of Rs.50.00 Lacs started from December 27, 2004.
Corporation Bank	Term Loan	40.98	10.25%		20 equal Installments of Rs.37.25 Lacs started from December 28,

As of March 31, 2007					
Name of Lender	**Type Of Debt**	**Amount Outstanding**	**Rate Of Interest**	**Collateral**	**Repayment Schedule**
					2005.
The United Western Bank Ltd	Short Term Loan	60.00	9.00%	Per. Guarantee of Mr. Vivek Talwar	8/22/2007
State Bank of Hyderabad	Short Term Loan	100.00	10.50%		10/17/2007
The Catholic Syrian Bank Ltd	Short Term Loan	100.00	10.00%		9/20/2007
The J & K Bank Ltd	Short Term Loan	100.00	9.25%		11/26/2007
Barclays Bank PLC	Short Term Loan	100.00	10.50%		2/15/2008
Nitco Tiles & Marble Ind P Ltd	Short Term Loan	4.47	9.00%		
Wadthru Synthics P Ltd	Short Term Loan	2.04	9.00%		
ICICI Bank Ltd	Hire Purchase Loans	12.10	3.5% to 8%	Hypothecation of specific Vehicle	Monthly Equal Installments
Kotak Mahindra Bank Ltd	Equipment Fin. Loan	0.53	7.20%		Monthly Equal Installments

Impact of Inflation

Inflation affects our costs of materials consumed, power and fuel expenses and administrative, selling and distribution expenses.

Contractual Obligations and Commercial Commitments

The following table summarises our contractual obligations and commercial commitments as of March 31, 2007 and the effect such obligations and commitments are expected to have on our liquidity and cash flows in future periods. We have no capital lease obligations and, other than certain motor vehicles, we own all of our fixed assets.

Contractual Obligations	As of March 31, 2007	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long term debt	528.26	175.00	273.60	79.66	
Short term debt	466.50	466.50			

Contingent Liabilities

As of March 31, 2007, our contingent liabilities comprised of: .

Rs in Million

Particulars	Year Ended
	31-Mar-07

Particulars	Year Ended
	31-Mar-07
Guarantees / Counter Guarantees given by the Company / by banks on behalf of the Company	21.59
Letter of credits opened for which the Company is contingently liable	551.52
Export Bills discounted / purchased with the Banks	9.95
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	39.20
Demands against the company not acknowledged as debts and not provided for against which the company is in appeal: Excise Duty & Customs	49.71
Total	**671.977**

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties, including our Subsidiary, affiliates and certain key management members on an arm's lengths basis. Such transactions could be for provision of services, lease of assets or property (including intellectual property), sale or purchase of equity shares or entail incurrence of indebtedness. For details of our related party transactions, see Note 21 of Schedule XX of our audited consolidated financial statements included elsewhere in this Placement Document.

Seasonality

Our results of operations do not generally exhibit seasonality. However, we may have variation in our financial results from fiscal period to fiscal period as a result of various factors, including those described under "– Factors Affecting Our Results of Operations" and "Risk Factors."

Off Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss related to adverse charges in market prices, including interest rate risk, foreign currency exchange risk and commodities risk. We are exposed to foreign currency exchange risk, commodity risk and interest rate risk in the normal course of our business.

Foreign Currency Exchange Rate Risk

We face foreign exchange rate risk owing to the fact that we have exports, imports and expenditure in currency other than Indian rupees which are subject to fluctuations against the rupee depending upon the market condition. In respect of raw materials and capital goods imports, we are exposed to multiple currencies including the Euro, appreciation or depreciation of the rupee in relation to any of these currencies could cause us to recognise on foreign exchange losses or gains. In accordance with our foreign exchange management policy, we enter into rupee forward contract only to mitigate risk to changes in foreign exchange rates.

Interest Rate Risk

We currently have floating rate indebtedness and also maintain deposits of cash and cash equivalents with banks and other financial institutions and thus are exposed to market risk as a result of changes in interest rates. As of March 31, 2007, Rs. 1277.16 million of our indebtedness consisted of floating rate indebtedness. We do not currently use any derivative instruments to modify the nature of our exposure to floating rate indebtedness or our deposits so as to manage interest rate risk.

Commodity Risk

We are exposed to the risk fluctuations in prices of commodities such as LPG, light, diesel, oil, furnace oil and cement. We currently do not have hedging mechanism in place in respect of any of the commodity we purchase.

Credit Risk

We are exposed to credit risk on accounts receivables owed to us by our customers. If our customers do not pay us promptly, or at all, we may have to make provisions for or write-off such amounts. [We monitor the credit worthiness of our customers to whom we have granted credit terms in the normal course of business.]

Competition

The market for flooring solutions in India is extremely competitive and we expect competition to intensify and increase from many sources. See "Business – Competition."

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 on straight line method in accordance with and at the rates prescribed in the Companies Act, 1956.

iii) Modvat Credit availed on capital goods is accounted for by credit to respective assets, and no depreciation is availed thereon.

C) Inventories

i) Stores and spare parts are stated at or below cost.

ii) Inventories other than stores and spare parts are valued "At cost or Net Realizable Value, whichever is lower". Cost is generally determined on weighted average cost basis and whenever required, appropriate overheads are taken into account. Net Realizable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

i) Cost of raw materials, stores, spare parts and consumables is net of applicable Modvat credit wherever applicable.

D) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An impairment loss will be recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognized impairment loss is further provided or reversed depending on change in circumstances.

E) Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred, including trial production expenses net of revenue earned and attributable interest and financing costs, prior to commencement of commercial production are capitalized.

F) Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary. Current investments are stated at cost or fair value whichever is lower. Cost is determined on a weighted average basis.

G) 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.

H) Sales

Sales are inclusive of excise duty and sales tax as applicable.

I) Foreign Currency Transactions

i) All loans repayable in foreign currency and outstanding at the close of the period 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.

ii) Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the period, 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 period.

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.

J) Employment / Retirement Benefits

i) Company's contribution to Provident Fund, Superannuation Fund and other Funds for the period is accounted for on accrual basis and charged to the Profit & Loss Account of the period.

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.

K) Taxation

Current Tax

Current tax is provided on the basis of tax payable on estimated taxable income computed in accordance with the applicable provisions of Income tax Act, 1961 after considering the benefits available under the said Act.

Deferred Taxes

In accordance with Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing difference between the book and tax profits for the period is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date. Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

INDUSTRY OVERVIEW

Ceramic products are used extensively by the average homeowner, for flooring, paving, wall tiles, kitchenware and bathroom accessories. Housing and industrial projects are increasingly switching to ceramic tiles from traditional mosaic tiles as a result of their versatility, durability, rigidity, mechanical strength, low price and hygiene. The main product segments within ceramic tiles are wall tiles, vitrified tiles and porcelain tile segments.

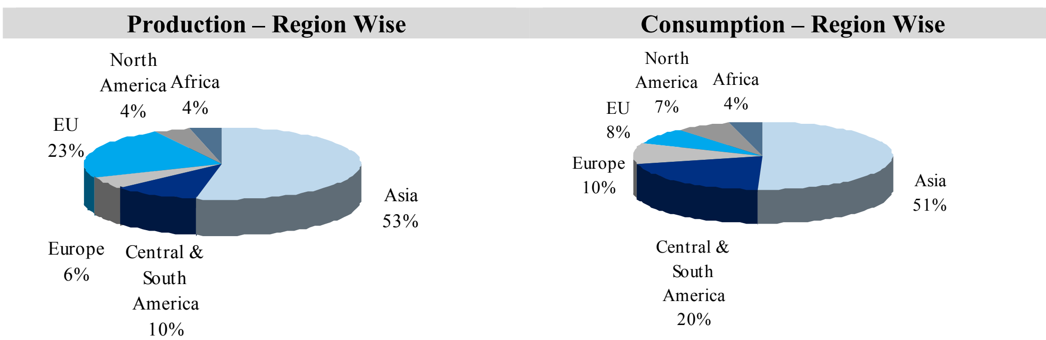
The tile industry is capital intensive with a high working capital component. Location of a plant vis-à-vis the market and raw material sources is important as freight is a significant component of cost price and generally ranges from 7 to 10% of the total cost of a tile. Manufacturing units are generally concentrated around the source for the major raw materials, including clay, feldspar, flint and talc.

World over, the tile industry adopts a regional strategy, i.e. meeting local demand with local supply, a trend similar to that followed in the cement industry. The tile industry is also freight-sensitive and the regional strategy helps in reducing freight as the respective manufacturing centres can meet regional demand.

(Source: Corporate Catalyst of India, ICCTAS)

Global Scenario

In 2005, the world ceramic tile production totalled 6,955 million square metres, an increase of 5.7% over 6,580 million square metres in 2004. The same year, consumption rose to 6,550 million square metres from 6,150 million square metres, i.e., up approximately 6.5%.



Source: Ceramic World Review

Production

The following table lists the world's ten largest ceramic tiles producing countries as well as their total production (in million square meters) and percentage of total world production for 2005.

Country	Production	% of World Production
China	2,500	35.9
Spain	656	9.4
Italy	570	8.2
Brazil	568	8.2
India	298	4.3
Turkey	261	3.8
Mexico	190	2.7
Indonesia	175	2.5
Thailand	138	2.0
Iran	125	1.8
World	6,955	

- The world production has grown by 6% during 2001-05;
- In 2005, the 30 largest tile manufacturing countries contributed to approximately 96% of total world production of ceramic tiles;

- China is the largest producer in the world and contributed to 35.9% of the world production in 2005;
- India is the fifth largest producer in the world and the second largest producer in Asia and contributed to 4.3% of the world production in 2005; and
- Thailand, Poland, South Africa, Russia have grown at a CAGR of about 20% between 2001-05 whereas countries like Japan and Italy have shown negative growth over such period.

Source: Ceramic World Review

Consumption

The following table lists the world's ten largest ceramic tiles consuming countries as well as their total consumption (in million square meters), percentage of total world consumption and consumption as percentage of production for such country for 2005.

Country	Consumption	% of World Consumption	Consumption as a % of Production
China	2,000	30.5	80.0
Brazil	442	6.7	77.8
Spain	383	5.8	58.4
USA	305	4.7	491.9
India	303	4.6	101.7
Italy	192	2.9	33.7
Turkey	172	2.6	65.9
Mexico	156	2.4	82.1
Indonesia	155	2.4	88.6
Russia	131	2.0	131.0
World	6,550	100.0	

- 30 tile-manufacturing countries consumed about 88% of total world consumption of ceramic tiles in 2005;
- China dominates the consumption list as well and its consumption is almost five times that of Brazil, the second highest country in the list;
- USA and Russia feature in the top 10 list of consuming countries but not in the top 10 producing nations;
- USA, India, Russia, Germany and France are amongst the countries who consume more than they produce and are meeting their demand through imports;
- India consumes 4.6% of the world consumption; and
- The growth in consumption has fallen in Germany, Japan and Portugal between 2001-05 but has risen in Russia, South Africa, India and Poland.

Source: Ceramic World Review

Indian Ceramic Industry

The Indian ceramic tile industry is almost 100 years old. Currently, there are 33 tile production facilities in the organized sector with an installed capacity of 85.2 million metric tonnes.

The production of ceramic tiles in India aggregated to 298 million square metres in 2005 compared to 270 million square metres in 2004 and 240 million square metres in 2003. While the production levels have increased, the quantity of ceramic tiles exported is still at a very low level of 4.4% of total production. Further, the level of exports declined from 15 million square metres in 2004 to 13 million square metres in 2005. Imports have increased in 2005 and stood at 18 million square metres, China being the primary exporter to India.

(Source: Ceramic World Review; Ministry of Commerce & Industry, Government of India)

Factors Driving Industry Growth

Construction boom

According to the estimates of the Central Statistical Organization (the "CSO"), India's real GDP growth accelerated from 7.5 % in 2004-05 to 8.1 % in 2005-06. Construction, a sub-sector of services exhibited, double-digit growth rates for the third consecutive year. *(Source: RBI Macroeconomic and Monetary Developments in 2005-06).*

The growing demand for housing is a primary indicator of economic growth. The continuous increase in construction activity is also an indicator of the increase in disposable income, which in turn leads to a higher demand for new houses or for remodeling material for existing houses.

Per Capita Consumption and Penetration

Ceramic tile penetration is very low in India. The per capita consumption is as low as 0.15 square metres as compared 2 square metres in China, 5 to 6 metres in Europe and 2.5 metres in Brazil. Rising disposable incomes in the growing Indian middle class coupled with a housing shortage have created good potential for the tile industry in India.

In India, a mere 10% of all tile flooring is covered by ceramic tiles while mosaic tiles account for nearly 85%. There is a huge opportunity for ceramic manufacturers to provide an aggressive awareness campaign to develop a replacement market. Focus on cost reduction to make ceramic tiles available to customers at reasonable rates would help increase replacement demand.

(Source: Indiainfoline)

Government's Measures for the Growth of the Ceramic Tile Industry

The Central and State Governments of India have taken a number of steps for the development of the tile industry. Some of the measures are as under:

- Excise duty for the tile industry has been rationalized from as high as 55% in fiscal 1994 to 8% currently. The reduction in the excise duty has resulted in a drop in tile prices which has in turn resulted in an increase in demand;
- Reduction in custom duty from 15% to 5% on the minerals used as raw materials for production of vitrified tiles; and
- Supply of gas through pipe lines to the ceramic tile production facilities.

(Source: Gitco Report)

Lower Cost of Production

The cost of producing tiles is substantially lower in India when compared to developed countries. This is a result of lower labour cost and the availability of cheaper raw materials for manufacturing tiles.

Export Potential

The United States of America is a major importer of tiles. In 2005, out of their total requirements, 80.66 % of their consumption was met through imports.

Italy is a major supplier to the United States of America, however, due to constant fluctuations in the exchange rates of the Euro and the US Dollar, imports from Italy have become costlier for the United States of America. This has provided an opportunity to the Indian manufacturers, who have a lower cost base and improved quality standards, to export to markets such as the United States of America.

As per the Export Import Data Bank of the Indian Department of Commerce, India commenced exporting vitrified tiles to the United States of America from the year 2005-06.

(Source: Ceramic World Review)

Future Prospects

The per capita consumption of tiles in India remains very low at just 0.25 square metres in comparison to 2.0 square metres in China, Brazil and Malaysia and 8.0 square metres in Spain. The total market size of the tile industry is estimated to be Rs 40,000 million.

The growth of the Indian tile market in quantitative terms has been greater than the growth in value. This is largely a result of the steady fall in the selling price over the last three years due to the increase in competition, reduction in cost of production by the use of the latest technology, additional measures for reduction in the cost of fuel, government measures in to reduce sales tax and excise duty.

The expected 15% annual growth of the Indian tile industry will be driven by the growth in the construction industry, particularly in residential buildings, and the growing financial resources of the steadily expanding Indian middle class.

(Source: Ceramic World Review)

Vitrified Tiles

With a 20% annual growth rate internationally, vitrified tiles is the fastest growing segment in the ceramic tile industry, accounting for close to 10 % of the overall tile production across the world.

In India too, vitrified tiles are emerging as the next generation of flooring material. Until 2002, vitrified tiles were considered to be premium flooring products. However, after the setting up of newer units, the market for vitrified tiles has expanded. The new entrants in this segment have aggressively marketed their products and benefits. As a result, vitrified tiles are being increasingly used as flooring material for a variety of construction requirements. These tiles are now being used at major airports, restaurants, showrooms, malls, among other places.

At present, the market for vitrified tiles is concentrated in the big cities where large offices, commercial complexes, luxurious residential buildings, shopping malls and multi-storied buildings are constructed. The Indian vitrified tiles market is expanding rapidly at a pace of about 30% a year. Vitrified tiles are replacing natural products such as marble and the vitrified tile industry is expected to grow at a rate of 30% per annum for the next five years in India.

(Source: Ceramic World Review)

Real Estate

Historically, the real estate sector in India has been unorganized and characterized by various factors that impeded organized dealing, such as the absence of a centralized title registry providing title guarantee, a lack of uniformity in local laws and their application, non-availability of bank financing, high interest rates and transfer taxes and the lack of transparency in transaction values. In recent years however, the real estate sector in India has exhibited a trend towards greater organization and transparency, accompanied by various regulatory reforms. These reforms include:

- modifications in the Rent Control Act to provide greater protection to homeowners wishing to rent out their properties;
- rationalization of property taxes in a number of states;
- the proposed computerization of land records; and
- foreign direct investment (“FDI”) now being permitted in the real estate sector, subject to certain conditions.

Residential Real Estate Development

The growth in the residential real estate market in India has been largely driven by rising disposable incomes, a rapidly growing middle class, demographic changes which include a rapidly growing urban working population, low interest rates as well as a trend towards nuclear families. According to its “Annual Review on Retail Finance” (March 2005), CRIS INFAC (the information services business of the Credit Rating Information Services of India Limited (“CRISIL”)) estimates that loans for residential real estate purchases have increased from Rs. 107 billion (US$ 2,378 million) in Fiscal year ended March 31, 1999 to Rs. 569 billion (US$ 12,644 million) in Fiscal year ended March 31, 2004 and are expected to increase to Rs. 1,347 billion (US$ 29,933 million) by Fiscal year ending March 31, 2009.

Commercial real estate development

The recent growth of the commercial real estate sector in India has been fuelled in large part by the increased revenues of companies in the services business, particularly in the IT and ITES sectors. According to CRIS INFAC’s

"Construction, Annual Review" (February 2006), the space required for the IT and ITES sectors is expected to increase at CAGR of 25 per cent over the three year period ending March 31, 2008 and at CAGR of 24 per cent over the five year period ending March 31, 2008. The expected demand for commercial space in the IT and ITES sector alone for the next 5 years is approximately 20 million square feet per annum.

Retail real estate development

In its survey entitled "Retailing Annual Review" (September 2005), CRIS INFAC estimates that retail spending in India in Fiscal year ended March 31, 2005 was Rs. 9.9 trillion, of which organized retail accounted for Rs. 349 billion (US$ 7.75 billion), or approximately 3.5%. The organized retail segment in India is expected to grow at a rate of 25% to 30% over the next five fiscal years. The growth of organized retail segment is expected to be driven by demographic factors, increasing disposable incomes, changes in shopping habits, the entry of international retailers into the market and the growing number of retail malls. This is expected to create significant demand for available retail space in India. In 2000, there were only three shopping malls in India. By 2008, 219 malls are scheduled to start operations in eight Indian major cities.

BUSINESS

Overview

We are one of the leading providers of flooring solutions in India. We provide a diverse range of flooring solutions such as vitrified tiles, ceramic tiles and marble, amongst others. We are now foraying into the business of real estate development directly and through our wholly owned subsidiaries . We intend to become an infrastructure goods marketing company by supplementing our product offerings to include wall tiles and sanitary ware and bathroom fittings. For Fiscal year 2006 and 2007 our total income was Rs. 2,984.15 million and Rs. 4,606.36 million, respectively, and our net profit was Rs. 200.25 million and Rs. 380.29 million, respectively.

We manufacture ceramic tiles and mosaic and paving tiles at our production facilities in Alibaug and Thane. However, we outsource the manufacturing of vitrified tiles to two tile producers in China. We currently have an annual production capacity of 6.31 million square meters of ceramic tiles and 0.84 million square meters of mosaic and paving tiles. We import high quality unprocessed marble from a number of suppliers located in Italy, Spain, Greece, Portugal, Egypt, Oman and Turkey, and process such marble at our facilities in Kanjurmarg and Silvassa.

We intend to develop one property located in Kanjurmarg, Mumbai and two properties located in Thane, Maharashtra, for which we have been granted some of the required development permissions. We also intend to develop one property in Worli, Mumbai, which is owned by us, and two properties located in Alibaug, Maharashtra, which have been bought by our nominee, (which nominee currently owns the same as our trustee). Further, we have agreed with Yash Enterprises, (a partnership firm, which is in the process of obtaining development rights for the development of certain property located at Worli, Mumbai.), to bear 20% of the loses, (if any), and costs, for a 20% share of the profits from the sale of the units from the said development. We also have a 20% shareholding in Saumya Buildicon Private Limited, which has obtained development rights for the development of certain property located at Worli, Mumbai.
These real estate projects include residential as well as commercial developments. Of the eight projects we expect the Saumya Buildcon project, a residential project located at Worli, Mumbai and one commercial project at Wagle Industrial Estate, Thane to be completed by 2010 and the remaining six projects by 2011.

There are numerous risks, including title related risks, and risks associated with the development approvals required to develop these properties which we currently face. For more details please refer to the heading titled '*Risk Factors*'.

Our Strengths

We believe that our competitive strengths include the following:

Brand Name

"Nitco" as a brand has been in use for over four decades. We have sought to associate the brand with premium and luxury products, innovation and superior quality. We continue to invest in our brand name by advertising in print as well as television media and by growing our marketing, sales and distribution networks.

Wide Sales and Distribution Network

Our product offerings are targeted at a wide range of customers, including large and small commercial and residential builders, companies and financial institutions and individual consumers. We have established a country-wide distribution network in India comprising of more than 550 direct dealers and more than 5,000 retail outlets that cover all 28 states in India. In addition, we have 130 sales and display counters in shops that offer tiles and other products. Further, we have established 9 exclusive showrooms, under the brand "***Le Studio***", in major Indian cities. To facilitate our distribution network, we have 18 marketing offices that are strategically located in India. These offices not only serve as our sales and marketing offices for our institutional and other clients, but also serve as display centres for our products. In addition, we utilise 14 warehouses for our products, which in turn eliminates the need for our third party dealers and retailers to purchase or hold our products in large quantities in their own outlets. As such these warehouses constitute an effective and timely product delivery network for our products. Further, our sales and marketing is supplemented by a country-wide toll-free customer helpline.

Outsourcing of Vitrified Tiles

We were one of the first companies in India to outsource the production of vitrified tiles to China. Vitrified tiles manufactured in China have a lower production cost as compared to those manufactured in India. We have long-term exclusive agreements with two manufacturers of vitrified tiles in China, who produce tiles based on our designs, specifications and quality control guidelines. This enables us to procure quality products at low cost giving us an edge over competition. Our contracts with these manufacturers provide that they will not sell vitrified tiles in India, directly or through third parties, during the duration of the contract.

Diverse Range of Premium Flooring Solutions

We have a diverse range of premium floor tiles and marble. Our flooring solutions include homogeneous and non-homogeneous vitrified tiles, glossy tiles, matt tiles, wood finish tiles, metal finish tiles, stone finish tiles, leather finish tiles, rustic ceramic tiles, processed and crystal marble, cement terrazzo and paving tiles. These product offerings enable us to target a wide range of customers, including large and small commercial and residential builders, companies and financial institutions, as well as individual consumers. Our diverse range also enables us to offer flooring solutions for an extensive range of uses such as in offices and shops, , auditoriums, lobbies, staircases, pavements and footpaths in commercial or public places, as well as in homes, including in living and dining rooms, bedrooms, bathrooms, kitchens, terraces, and other residential areas such as driveways and swimming pools.

Innovation and Product Excellence

We have constantly endeavoured to bring new and improved products into our markets. Through constant product innovation and research and development, we not only offer a diverse range of flooring solutions but also products that are new to the market and innovative in nature. We were among the first companies in India to offer flooring solutions such as metal finish tiles and leather finish tiles, as well as the luxury Dholpur and Aqua series, the wood series, the Spa collection and the dirt-free Inviza range.

Operational Efficiency and Cost Competitiveness

We constantly focus on reducing our operational costs and are committed to constant improvement. We use MIS tools to conduct our operations at optimal efficiency. We also focus on business aspects such as shipping and logistics, materials outsourcing and financial planning to increase our overall efficiency.

In addition, we continue to focus on reducing our operational costs. For example, the outsourcing of vitrified tiles to manufacturers who generally have a lower cost basis has decreased our cost price for such tiles and improved our sales margins.

Long Operating History and Experienced Management Team

We have an operating history of over four decades in the tiles manufacturing business. We have an experienced management team with hands-on experience in managing and addressing complexities of operating a flooring solutions business, including a tile manufacturing company, with a diverse range of products. Both our promoters have over two decades of experience in the tile industry, and some of our key managerial personnel have over a decade of experience working in the flooring solutions or related industries. Under the guidance of our promoters and key managerial personnel, we provide a diverse range of flooring solutions and are now foraying into the development of real estate.

Our Strategy

Focus on Brand, Marketing and Distribution as Key Differentiating Factors

"Nitco" has been a well known brand in the flooring solutions industry for over four decades. We plan to utilise our existing brand and build on it by focussing on marketing and distribution. We have an all-India distribution network with more than 550 direct dealers and more than 5,000 retailers spread across the country. A distinguishing feature of our marketing network are our 9 exclusive "***Le Studio***" showrooms and 18 marketing offices which also serve as our display centres, and our 14 warehouses which help us supply products to dealers and retailers with ease and speed. We are committed to making significant investments to increase the visibility of our brand and regularly advertise in print and television media. As such, we focus on utilising and building our brand name and our existing marketing and distribution networks, which we believe is a significant differentiator from our competitors who tend to be focused on manufacturing. While our focus is predominantly on marketing and distribution, including of products manufactured by third parties under our brand name "Nitco", we will continue to monitor manufacturing opportunities and where appropriate, we will commit our resources on enhancing our production facilities.

Focus on Higher-Margin Products in the Flooring Solutions Business

We focus on value-added products such as premium ceramic tiles, vitrified tiles, marble and crystal marble, which provide us with good margins and comparatively less pricing pressure. Sale of mass products in higher volumes is not our focus. We believe that we have built a strong presence in the premium products segment of the flooring solutions industry and intend to continue to differentiate ourselves in this segment. To facilitate this strategy, we will continue to distribute a wide range of superior quality products and adhere to stringent quality control.

Enhancing our Product Portfolio

We have a diverse range of flooring solutions as a result of our commitment to an extensive portfolio of products. Our focus is to continue to extend our existing range of flooring solutions, providing unique and value-added products to our customers.

We recognize that there is significant growth potential in related sectors such as sanitary ware and bathroom fittings. We intend to move into the sanitary ware and bathroom fittings business by outsourcing the manufacturing of such products and utilise our experience from outsourcing vitrified tiles from China and our existing marketing and distribution network of flooring solutions in India. We believe this will contribute to our revenues and profits while providing cost savings due to synergies with our existing tile business.

Continue to Reduce Costs

We plan to reduce costs by continuing to improve our operational efficiency. We have a track record of conducting our operations efficiently, including by using MIS tools. We are also focussed on improving efficiency relating to business aspects such as shipping and logistics and financial planning.

Our commitment to reduce costs incorporates the outsourcing of products opportunistically. If outsourcing the manufacturing of products provides us with cost effective and superior quality products and economies of scale, we enter into such arrangements, as we have for the production of vitrified tiles from two manufacturers in China.

Foray into Real Estate Business

We intend to develop one property located in Kanjurmarg, Mumbai and two properties located in Thane, Maharashtra, for which we have been granted some of the required development permissions. We also intend to develop one property in Worli, Mumbai, which is owned by us, and two properties located in Alibaug, Maharashtra, which have been bought by our nominee, (which nominee currently owns the same as our trustee). Further, we have agreed with Yash Enterprises, (a partnership firm, which is in the process of obtaining development rights for the development of certain property located at Worli, Mumbai.), to bear 20% of the loses, (if any), and costs, for a 20% share of the profits from the sale of the units from the said development. We also have a 20% shareholding in Soumya Buildicon Private Limited, which has obtained development rights for the development of certain property located at Worli, Mumbai.

These real estate projects include residential as well as commercial developments. Of the eight projects we expect the one residential projects located at Worli, Mumbai and one commercial project located at Wagle Industrial Estate, Thane to be completed by 2010 and the remaining six projects by 2011.

We intend to grow and further develop our real estate business by constantly identifying new areas of land.

Our History

We started our operations in 1966 with a mosaic tile manufacturing facility in Thane. Some of the milestones in our history are given below.

- In 1984, we started our operations in Kanjurmarg for the import, processing and distribution of marble in India.
- In 1997, we commenced the production of ceramic floor tiles at a greenfield facility established by us in Alibaug, Maharashtra.

- In 2001, Mahalaxmi Tiles & Marble Company Private Limited, a company engaged in the business of manufacturing mosaic tiles, and Cospar Impex Private Limited, a company engaged in the import of marble, merged with us.
- In 2002, we set up a facility in Silvassa for the processing and sale of marble.
- In 2004, we entered into a long-term agreement with Foshan Chancheng Oulian Construction Ceramic Company Limited, for the outsourcing of vitrified tiles from China.
- In 2004, we started manufacturing cement-based paving tiles.
- In March 2006, we commenced the generation of wind powered electricity.
- In March 2006, we completed our initial public offering and raised Rs. 1,680 million.
- In May 2006, we expanded capacity for manufacturing Ceramic Floor Tiles at our existing facilities at Alibaug.
- In November 2006, we entered into a long-term agreement with Foshan Lungo Ceramics Company Limited for the outsourcing of vitrified tiles from China.
- In 2007, we were allotted licence for import of 15,895 tonnes (11% share of total licence issued) of marble blocks which as per the Import Export policy of Government of India restricted for import and can be imported against licence issued by Government of India.
- On September 7, 2007, the Hon'ble High Court of Bombay sanctioned the merger of Shark Properties Private Limited with the Issuer and the merger of Motivation Properties Private Limited with Nitco Realties Private Limited, effective from January 1, 2007.

Our Flooring Solutions Business

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/Procelor	Vitrified	Pavers
Glossy	Homogeneous	Mosaic
Satin Matt	Non Homogenous	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

Residential	Commercial/Public Places
Terraces	

Our Facilities

We have two tile production facilities. The production facility located at Poynad, Alibaug is used for production of ceramic tiles and has an annual installed capacity of 6.31 million square meters. Our annual installed capacity assumes production of tiles in one standard size of 300 mm × 300 mm. We produced 4.22 million square meters and 3.29 million square meters of ceramic tiles of various sizes in Fiscal 2007 and 2006 respectively.

The production facility located at Thane is used for production of mosaic and paving tiles. It has an installed capacity of 0.84 million square meters. We produced 0.45 million square meters and 0.46 million square meters of mosaic and paving tiles in Fiscal 2007 and 2006 respectively. The production of mosaic tiles has been replaced with the production of paving tiles.

Our marble processing facilities are located at Kanjurmarg, Mumbai and Silvassa.

Outsourcing 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 World Trade Organisation, we decided to outsource vitrified tiled 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 manufacture 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, unless it is terminated earlier by written communication six months prior to the exact date of termination. and, Under this agreement, we have agreed to annually purchase vitrified tiles to the tune of 1.5 million square meters from PGT (manufactured by FCL), which has to be uniform throughout a 12 month period with a 20% variation.. Our Company and FCL have agreed to exclusivity for the transaction, i.e., FCL cannot sell vitrified tiles to any party for sale in India and in turn our Company can purchase vitrified tiles only from FCL. Under this agreement, designs for vitrified tiles supplied by our Company to FCL shall not be used for sale to any other party and such designs shall at all times remain the exclusive property of our Company. Further, FCL is to compensate our Company for any loss suffered by it due to complaints from customers in India and overseas with respect to quality of the vitrified tiles. In Fiscal 2006 and 2007, we purchased an aggregate of 3.60 million square meters and 3.87 million square meters, respectively, of vitrified tiles from FCL.

On November 10, 2006, our Company entered into an agreement with FLL, another manufacturer of vitrified tiles in China, for the outsourcing of vitrified tiles from FLL. The tenure of the agreement is for a minimum period of 3 years and expires on November 9, 2009, unless it is terminated earlier by written communication six months prior to the exact date of termination. Our Company entered into this arrangement in order to address the increase in demand for vitrified tiles in India as well as to reduce our reliance on one manufacturer for the entire production of such product. Under this agreement, our Company has agreed to purchase a minimum quantity of (i) 3.0 million square meters during the first 12 months of the term of the agreement, (ii) 4.50 million square meters during the next 12 months and (iii) 6.0 million square meters during the last 12 months of the term of the agreement. FLL has agreed not to sell vitrified tiles, directly or through third parties, in India. The agreement provides that there will not be any increase in purchase price of vitrified tiles for the first two years, subject to force majeure conditions. Under this agreement, designs for vitrified tiles supplied by our Company to FLL shall not be used for sale to any other party and such designs shall at all times remain the exclusive property of our Company. In Fiscal 2007, we purchased an aggregate of 3.09 million square meters of vitrified tiles from FLL.

Import of Marble

Under the Central Government's Foreign Trade Policy 2004-09, the import of marble blocks and slabs is restricted and is subject to import licensing procedures. The policy for import of unprocessed marble blocks and slabs was modified on August 31, 2005. Under the new policy, licences for the import of marble will only be given to entities who have set up units to manufacture or process marble and that have imported unprocessed marble in preceding years when these items were under the special import list. The entitlement of individual entities who are eligible to import marble is determined on the basis of the marble products turnover and imports of such entity in the preceding fiscal year. Our Company was granted a license on April 2, 2007 for import of marble. Pursuant to this license, we were entitled to import up to 12,816 MT of marble in Fiscal year ended March 31, 2007, out of which we have imported 9,518 MT and are entitled to import the balance amount within twenty four months from the date of the license. In addition, for the Fiscal year ending March 31, 2008, we are entitled to import 15,895 MT of marble blocks.

Our Exports

Exports accounted for less than 2.0% of our total income in Fiscal year 2006 and 2007.

Production and Processing

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.

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 2 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.

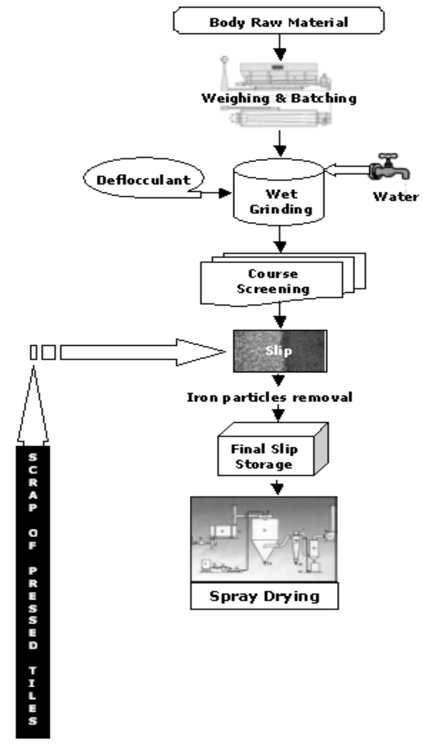
Sorting and Quality Control

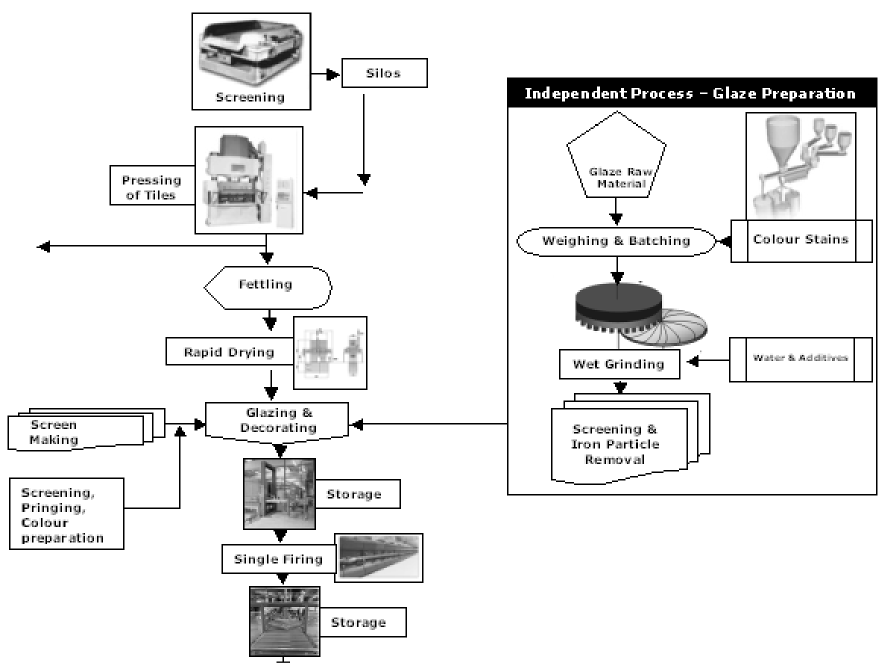
The firing is the concluding technical phase of the production cycle of a ceramic tile. The material that emerges from the oven is the final product, with the exception of specific surface treatments for some types of products, like the polishing of porcelain tiles. Before they are sent to be packed 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 aesthetic sorting, surface and colour defects are identified by trained qualified personnel. Here, the tiles are marked with fluorescent 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.

The Manufacturing Process Chart:





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.

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.

Paving Tiles

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.

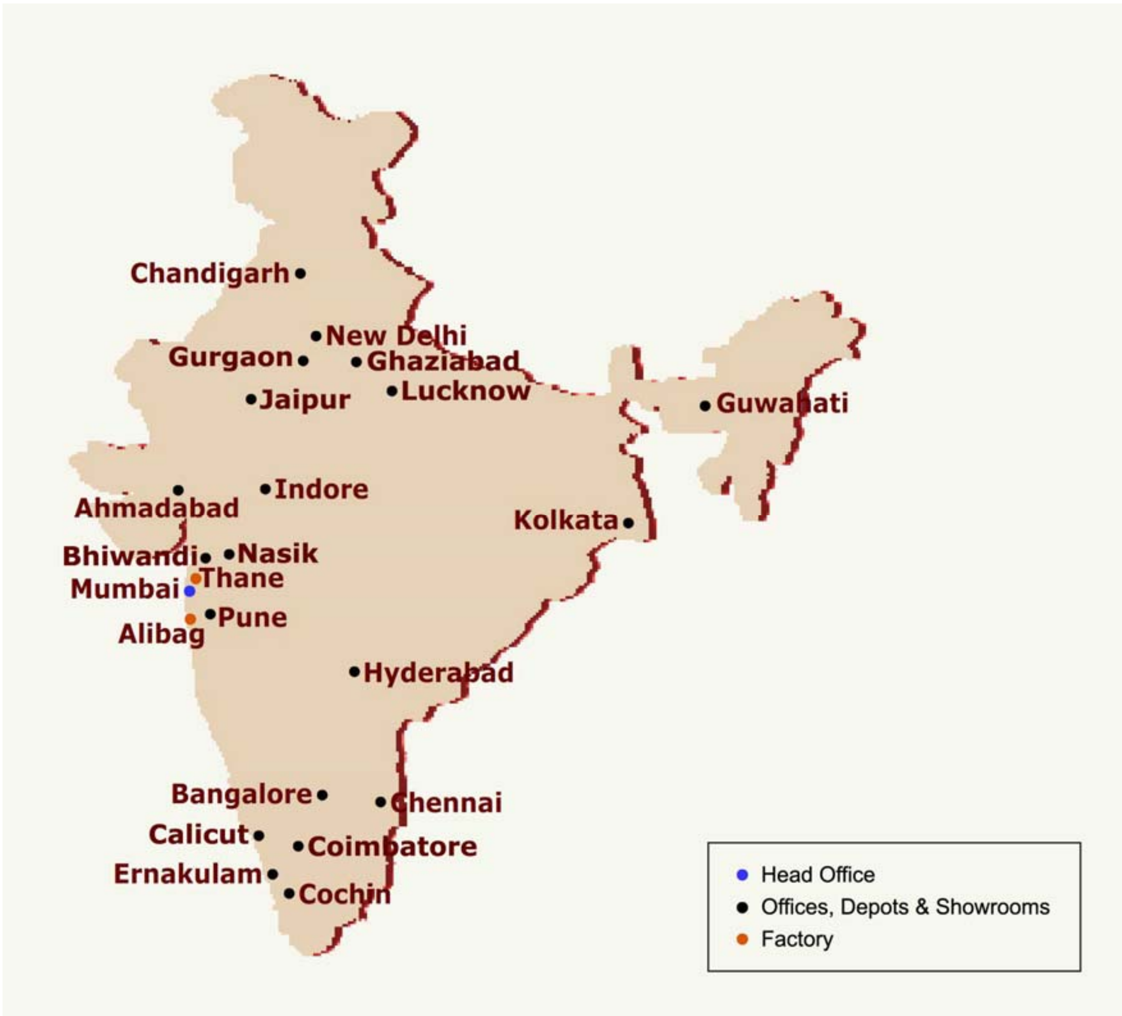
Our Marketing and Selling Network

We have established a country-wide distribution network in India comprising of more than 550 direct dealers and more than 5,000 retail outlets that cover 28 states in India. We have 18 marketing offices that are strategically located in the cities of Mumbai, New Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Chandigarh, Pune, Cochin, Bhiwandi, Nasik, Indore, Ahmedabad, Gurgaon, Ghaziabad, Lucknow, Jaipur and Guwahati. These offices not only serve as our sales and marketing offices for our institutional and other clients but also serve as display centres for our products. In addition, we have 130 sales and display counters in shops that offer tiles and other products

We have one of the largest collection of ceramic, vitrified, imported marble and mosaic tiles. Due to space constraint sometimes the dealer is unable to display our entire range of products and customers are left to choose between whatever is displayed. Hence we have devised the concept of company-owned display centres across the country which has been named as *Le Studio*. Recently, 9 such *Le Studio* display centers have been started in Mumbai, Kolkata, Ahmadabad, Coimbatore, Nasik, Goa, Amby Valley and Cochin. These outlets not only act as the sales point, but are also aimed at providing visibility to our products to architects, builders and customers. The size of *Le Studio* is minimum 2,500 square feet.

In addition, we have established 14 warehouses in the cities of New Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Chandigarh, Cochin, Calicut, Bhiwandi, Indore, Ahmedabad, Ghaziabad, Jaipur and Guwahati, that eliminates the need for our third party dealers and retailers to purchase or hold our products in large quantities in their outlets, as our warehouses constitute an effective and timely product delivery network throughout India. As a result, our dealers and retailers need not require significant amounts of working capital for sale of our products. Further, our sales, marketing and product usage efforts are supplemented by a country-wide toll-free customer helpline.

The following map shows the location of our showrooms, marketing offices, warehouses as well as our production facilities.



We sell our products on a regular basis to several major institutional construction businesses such as the Hiranandanis', Rahejas', Pantaloon Retail, Godrej Properties, Oberoi Constructions, Keystone, Piramals', Nirmal Lifestyle, Shrusti, Runwal, RNA, DLF, Sobha Developers, Unitech as well as large companies and financial institutions that require significant real estate. We have a dedicated team of sales and marketing agents who service our institutional clients.

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.

All the other raw materials are readily available and do not require any long term arrangements. Based on the reorder levels, orders are placed with 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.

The following table illustrates an estimate of the raw materials required for our current production mix of 13,500 square meters per day of tiles in a period of one month.

Raw Material	Quantity Required
Clays	4,000 MT
Feldspar	1,900 MT
Silica Sand	375 MT
Glaze	225 MT
Pigments	4 MT
Frits	140 MT
Light Diesel Oil	250 KL
LPG/Propane	450 MT

Power and Water

Our average daily requirement of power at our facilities located in Thane, Kanjurmarg, Poynad and Silvassa is 341 KVA, 144 KVA, 3,000 KVA and 14.914 KVA, respectively. Our requirement of power is currently met out from power supplied by Maharashtra State Electricity Distribution Company Limited. We have also installed standby power generator sets at each of our facilities.

Our total requirement of water at our facilities is approximately 14,000 cubic meters/month and, other than for our facility in Silvassa, is met by water supplied by the state and local water supplies. For our Silvassa facility, we use water from a bore well located at such facility.

Our Power Generation Operations

We have established six windmills in Dhule, Maharashtra to generate power. Our windmills began generating power in March 2006. Our total annual power generation capacity is 7.50 MW, though we expect to utilise only 23% of such production capacity. During Fiscal 2007, we generated, and sold 1.27 MW to Maharashtra State Electricity Distribution Company Limited. While our requirement for power is met from power supplied by Maharashtra State Electricity Distribution Company Limited and we sell all power generated by our six windmills to Maharashtra State Electricity Distribution Company Limited, we expect to generate from our windmills the amount of power equal to our aggregate requirement for our existing operations.

Our Real Estate Business

We intend to develop one property located in Kanjurmarg, Mumbai and two properties located in Thane, Maharashtra, for which we have been granted some of the required development permissions. We also intend to develop one property in Worli, Mumbai, which is owned by us, and two properties located in Alibaug, Maharashtra, which have been bought by our nominee, (which nominee currently owns the same as our trustee). Further, we have agreed with Yash Enterprises, (a partnership firm, which is in the process of obtaining development rights for the development of certain property located at Worli, Mumbai.), to bear 20% of the loses, (if any), and costs, for a 20% share of the profits from the sale of the units from the said development. We also have a 20% shareholding in Soumya Buildicon Private Limited, which has obtained development rights for the development of certain property located at Worli, Mumbai.

These real estate projects include residential as well as commercial developments. Of the eight projects we expect one residential projects located at Worli, Mumbai and one commercial project located at Thane to be completed by 2010 and the remaining six projects by 2011.

In addition we also intend to identify new areas of land for further development as an on going business.

We provide below the list of the properties and details of the proposed projects such as location and type of project, expected date of completion, our holding in the project, estimated expected saleable area and status of the project.

Name of the Project	Location	Type of the Development	Anticipated Date of Completion	Our Share in the Costs, Profits and Losses of the Venture	Estimated Saleable Area*(Square Feet)	Status of the Project
Saumya Buildcon	Worli, Mumbai	Residential	2010	20.0%	160,888	Construction commenced

Yash Enterprises	Worli, Mumbai	Commercial	2011	20.0%	319,078	Pending final development approvals
Opera Properties	Worli, Mumbai	Commercial	2011	100.0%	23,154	Pending final development approvals
Particel Board	Kanjur Marg, Mumbai	Commercial	2011	95%	398,322	Pending final development approvals
Lonare	Alibaug	Residential	2011	100%	127,609	Pending final development approvals
Tulsiwadi	Alibaug	Residential	2011	100%	92,868	Pending final development approvals
Wagle Industrial Estate	Thane	Commercial	2010	100%	144,561	Pending final development approvals
Wagle Industrial Estate	Thane	Commercial	2011	100%	111,515	Pending final development approvals

* Based solely on our estimates.

Competition

We operate in an intensely competitive environment. Our major competitors in the flooring solutions business include companies such as Ajanta Ceramics Limited, Antique Ceramics Limited, Bell Ceramics Limited, Decolight Ceramics Limited, Euro Ceramics Limited, H&R Johnson, Kajaria Ceramics Limited, Murdeshwar Ceramics Limited, Regency Ceramics Limited, Sogo Ceramics Limited, SPL Limited and Varmora Ceramics Limited, often collectively known as the "organised sector." We also compete in our flooring solutions business with many regional and local businesses who generally have smaller production capacities and are limited geographically, often collectively known as the "unorganised sector." The Indian Council of Ceramic Tiles and Sanitaryware Association estimates that the organised sector has a market share of 56% and has 16 major players, and the unorganised sector comprises of approximately 200 entities out of which approximately 70% are located in Gujarat. (*Source*: www.icctas.com)

We compete in our real estate business with established real estate developers as well as construction and other companies engaged in the real estate business.

Intellectual Property

We own the trademarks "NITCO Valentino Polished Porcelain Tiles," "Invizia Dirt-Free Ceramic Tiles," "Nitco Marble Tiles" , "Rockad", "Porcelor" and "Nitco Ceramic Tiles."

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.

Research and Development

We have constituted a research and development centre which serves several purposes. We are continuously engaged in development of new types of tiles, including of varying designs, textures and colours. We are also focussed on producing tiles that are harder and more wear-resistant.

Environmental Matters

We have obtained consents under the Water (Prevention & Control of Pollution) Act, 1974, the Air (Prevention & Control of Pollution) Act, 1981 as well as under the Hazardous Work Management (Management & Handling) Rules, 2000, to conduct our operations.

Human Resources

As of September 30, 2007, we had a total of 944 employees, of which 298 employees were workmen, and of which, 258 were skilled and 40 were unskilled employees. Our sales, marketing and distribution employees are located at our headquarters, our showrooms and marketing offices and total 237 persons as of September 30, 2007. The administrative and finance and supporting staff comprises of 409 employees. Our success depends on our ability to recruit, train and retain quality employees and workers.

Our compensation policy is performance based and we believe that it is competitive when compared to 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

Our insurance policies cover our facilities, machinery and inventories at all our locations as well as goods in transit. We believe that our current levels of insurance coverage commensurate with industry norms in India. We also own two keyman insurance policies for our Managing Director, Vivek Talwar, in the aggregate sum of Rs. 50 million.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the central and state governments that are applicable to us. The information detailed in this section has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice.

We are a leading provider of flooring solutions in India. We provide a diverse range of flooring solutions such as vitrified tiles, ceramic tiles and marble, amongst others. 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 tile manufacturers sought to impose anti-dumping duties on tiles manufactured and exported by Chinese and UAE companies to India.

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 policy circular dated July 26, 2007 the import of marble blocks / slabs was restricted and subject to certain import licensing procedures.

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

(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 the Special Import Licence list.

(ii) Actual users such as hotels and places of worship among others subject to the condition that the product manufactured after the processing of the imported product will not be allowed for sale.

The licences were further subject to the following purchase floor price:

(a) For crude or roughly trimmed marble – US$ 325 per Metric Tonne (MT)

(b) For rough marble blocks – US$ 325 per Metric Tonne (MT); and

(c) For Slabs – US$ 500 per Metric Tonne (MT)

The total import of rough marble blocks will be subject to a ceiling of 18.5 lakh MT for the year 2007-08. This quota has been worked out based on the growth in demand for these items in India and the unallocated quota of the preceding year, i. e., 2006-07. The entitlement for each individual firm for the year 2007-08 will be worked out on the basis of the eligible turnover of the eligible firms for the year 2006-07 i.e. the actual turnover of the eligible firms for the year 2005-06, or the turnover of these firms for the year 2004-05 with a cap of 10%, whichever is less. All licences shall be subject to actual user condition. Licence holders shall file monthly returns regarding imports made by them to the concerned Regional Licensing Authority.

Real Estate Development

We have recently entered into the real estate development business and intend to develop commercial as well as residential projects. Since our business would involve the acquisition of land in several states, it will be subject to Central and State legislation which regulates substantive and procedural aspects of the acquisition, development and transfer of land. Additionally, our projects would require, at various stages, the sanction of the concerned authorities under the relevant State legislations and local bye-laws. The following is an overview of the important laws and regulations which are relevant to our business as a developer of real estate:

a. Laws Promulgated by the GoI

The Urban Land (Ceiling and Regulation) Act, 1976

The Urban Land (Ceiling and Regulation) Act, 1976 prescribes the ceiling on acquisition of the vacant urban land by a single entity. It has however been repealed in some states under the Urban Land (Ceiling and Regulation) Repeal Act, 1999.

Land Acquisition Act, 1894

Land holdings are subject to the Land Acquisition Act, 1894 which provides for the compulsory acquisition of land by the GoI or appropriate State Government for public purposes, including planned development and town and rural planning. However, any person having an interest in such land has the right to object to such compulsory acquisition and the right to compensation. Some states have their own Land Acquisition Act and we have to abide by those State Acts in which we transact business.

Transfer of Property Act, 1882

The transfer of property, including immovable property, between living persons, as opposed to the transfer of property by the operation of law, is governed by the Transfer of Property Act, 1882. This act establishes the general principles relating to the transfer of property, including among other things, identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property.

The Indian Stamp Act, 1899

Stamp duty is required to be paid on all documents specified under the Indian Stamp Act, 1899 at the rates specified in the Schedules to such act. The rate of stamp duty varies from state to state. The applicable rates for stamp duty on the instruments chargeable with duty, including those relating to conveyance, are prescribed by the state legislation. Instruments chargeable to duty under this act which are not duly stamped are incapable of being admitted in the court as evidence of the transaction contained therein. This act also provides for impounding of instruments which are not sufficiently stamped or not stamped at all.

Registration Act, 1908

The Registration Act, 1908 has been enacted with the object of providing public notice of the execution of documents affecting transfer of interest in immoveable property. The purpose of this act is the conservation of evidence, assurances, title, and publication of documents and prevention of fraud. It details the formalities for registering an instrument. Section 17 of this act identifies documents for which registration is compulsory and includes, among other things, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in the present or in the future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more and a lease of immovable property for any term exceeding one year or reserving a yearly rent. A document will not affect the property comprised in it, nor be treated as evidence of any transaction affecting such property (except as evidence of a contract in a suit for specific performance or as evidence of part performance under the Transfer of Property Act, 1882 or as collateral), unless it has been registered.

The Environment (Protection) Act, 1986

The law relating to the environment is governed by the Environment (Protection) Act, 1986. This act provides for the protection and improvement of environment and for matters connected there with.

The Easements Act, 1882

The law relating to easements is governed by the Easements Act, 1882. The right of easement is derived from the ownership of property and has been defined under this act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do and continue to do something or to prevent and continue to prevent something being done, in or upon, in respect of certain other land not his own. Under this act an easement may be acquired by the owner of immovable property, i.e. the dominant owner, or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

b. Laws and Policies Promulgated by the State Governments

Urban Development Laws

State legislations provide for the planned development of urban areas and the establishment of regional and local development authorities charged with the responsibility of planning and development of urban areas within their jurisdiction. Real estate projects have to be planned and developed in conformity with the norms established in these laws and regulations made thereunder and require sanctions from government departments and developmental authorities at various stages. Where projects are undertaken on land which form part of the approved layout plans and/or fall within municipal limits of a town, generally the building plans of the projects have to be approved from concerned municipal or developmental authority. Building plans are required to be approved for each building within the project area. Clearances with respect to other aspects of development such as fire, civil aviation and pollution control are required from appropriate authorities, depending on the nature, size and height of the projects. The approvals granted by the authorities generally prescribe a time limit for completion of the projects. These time limits are renewable upon payment of a prescribed fee. The regulations provide for obtaining a completion/occupancy certificate upon completion of the project.

Maharashtra Ownership of Flats Act, 1963

The Maharashtra Ownership of Flats Act, 1963 was enacted to regulate the construction, sale, management and transfer of flats on ownership basis in the State of Maharashtra.

Mumbai Municipal Corporation Act, 1888

The Mumbai Municipal Corporation Act, 1888 was enacted to consolidate and amend the law relating to the Municipal Government of Brihanmumbai. As per the provisions of this act, the builder/developer is required to obtain a commencement certificate, from the commissioner before commencing construction or re-construction activity.

The Maharashtra Regional Town Planning Act, 1966

The Maharashtra Regional Town Planning Act, 1966 was enacted to authorize a development plan by the planning authorities to ensure that the town planning schemes are made in a regulated manner.

Development Control Regulations for Greater Bombay, 1991

The Development Control Regulations for Greater Bombay, 1991 apply to the development of immovable properties situated within the territorial jurisdiction of the Municipal Corporation, Greater Mumbai. These regulations are applicable to all development, re-development, construction, change of user and the mode of construction and design of the buildings. No development can be carried out without first obtaining the prescribed development permission was under these regulations. To carry out the development, the builder/owner has to first comply with the relevant acts including the Mumbai Municipal Corporation Act, 1888 and the Maharashtra Regional Town Planning Act, 1966.

Regulations Regarding Foreign Investment in the Real Estate Sector

Foreign Investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India (the '**Industrial Policy**') and the Foreign Exchange Management Act, 1999 (the '**FEMA**'). While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of Indian Economy, the FEMA regulates the precise manner in which such investments can be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment is not permitted in the real estate industry.

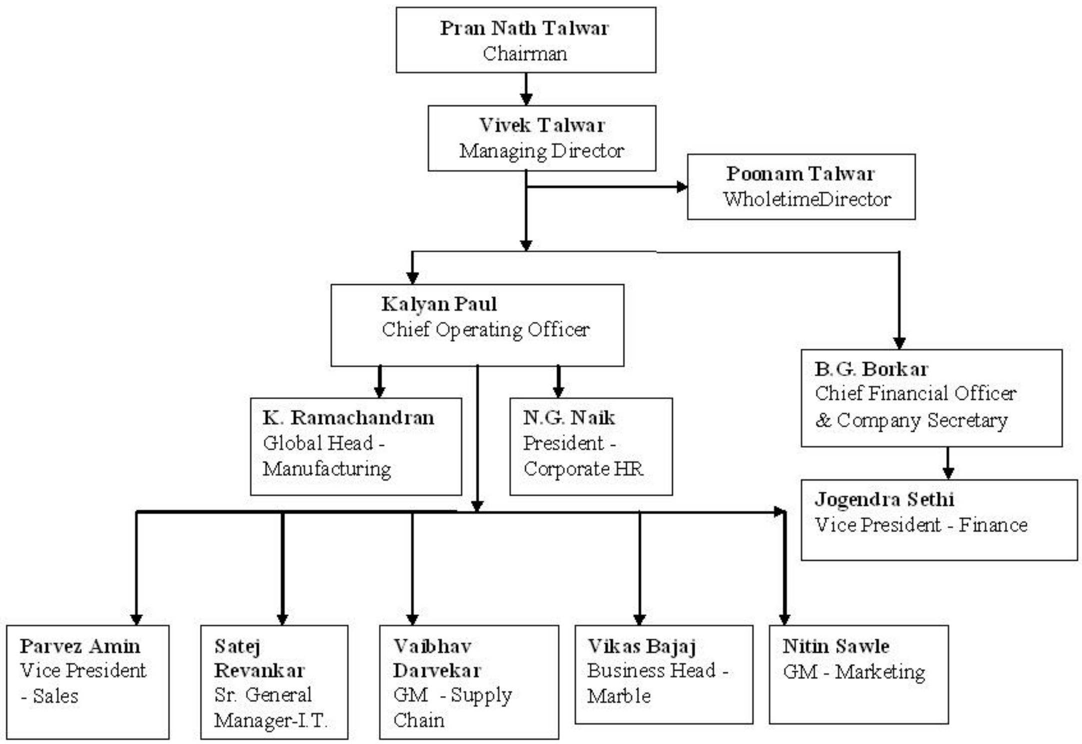
The GoI has permitted foreign direct investment ('**FDI**') of up to 100.0% under the automatic route in township, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure), subject to certain conditions contained in Press Note No. 2 (2005 series) ("Press Note 2") and Press Note No. 4 (2006 series) ("Press Note 4").

Under FEMA Notification No.20/2000-RB dated 3 May, 2000, as amended from time to time (the "FII Regulations"), a registered FII may purchase shares or convertible debentures of an Indian company under a prescribed portfolio investment scheme, subject to the terms and conditions specified in Schedule 2 of the FII Regulations which stipulates the mode of purchase/sale of shares or convertible debentures, maintenance of the account held by a registered FII for routing transactions, and remittance of sale proceeds of shares or convertible debentures.

Therefore, while Press Note 2 and Press Note 4 are applicable to investments made under the FDI route, the abovementioned FII Regulations shall be applicable to investment by FII under the portfolio investment scheme.

ORGANIZATIONAL STRUCTURE AND MAJOR SHAREHOLDERS

Organizational Structure



Major Shareholders

Our Company's Shareholding Pattern as on October 19, 2007

Category	No. of shares held	Percentage
A. **Promoter Holdings**		
1. Promoters		
Indian Promoters	10,353,515	39.86
Foreign Promoters		
2. Persons Acting in Concert	4,017,050	15.47
SUB TOTAL	14,370,565	55.33
B. **Non Promoter Holdings**		
3. Institutional Investors		
(a) Mutual Funds and UTI	1,634,203	6.29
(b) Banks, Insurance Companies (Central/State Government Institutions/ Non-Government Institutions	10,000	0.04
(c) Foreign Institutional Investors	5,073,794	19.53

Category			No. of shares held	Percentage
		SUB TOTAL	6,717,997	25.86
4.	Others			
	(a)	Private Corporate Bodies	2,305,102	8.87
	(b)	Indian Public	1,105,186	4.25
	(c)	NRI/OCBs	1,394,601	5.37
	(d)	Any Others *	81,582	0.31
		SUB TOTAL	4,886,471	18.80
		GRAND TOTAL	**25,975,033**	**100.00**

Clearing Members

Clearing Members refers to all entities with Equity Shares in Demat Transit, in Trust, etc. and also includes shares held by foreign nationals.

Promoter and Promoters Group

Sr.No	Name	Number of Shares	% of Total
1	ANJALI TALWAR	543,146	2.09
2	LOVRAJ TALWAR	87,301	0.34
3	NORTHERN INDIA TILES CORPORATION	2,241	0.01
4	A N TALWAR (HUF)	2,000	0.01
5	AURELLA ESTATES & INVESTMENTS P LTD	200	0.00
6	NITCO TILES & MARBLE IND[ANDHRA] PVT.LTD	85,517	0.33
7	SANJNAA TALWAR	85,517	0.33
8	VIVEK TALWAR (HUF)	22,500	0.09
9	VIVEK TALWAR (HUF)	4,764	0.02
10	A N TALWAR (HUF)	1	0.00
11	PRAKALP PROPERTIES PVT LTD	175,785	0.68
12	EDEN GARDEN BUILDERS PVT LTD	156,951	0.60
13	AURELLA ESTATES AND INVESTMENTS PVT. LTD	3,577,543	13.77
14	SAVITRI TALWAR	28,002	0.11
15	VIVEK TALWAR	6,457,820	24.86
16	POONAM WASAN	62,562	0.24
17	PRANNATH AMARNATH TALWAR	317,952	1.23
18	WATCO ENGINEERING CO. PVT. LTD	1,616,712	6.22
19	NITCO PAINTS PVT LTD	373,647	1.44
20	ENJOY BUILDERS PRIVATE LIMITED	72,646	0.28
21	RANG MANDIR BUILDERS PVT. LTD.	280,269	1.08
22	LAVENDER PROPERTIES PRIVATE LIMITED	208,072	0.80
23	USHAKIRAN BUILDERS PRIVATE LIMITED	209,417	0.81
	Total	**14,370,565**	**55.33**

The shareholding pattern as on October 19 2007, of persons belonging to the category "Public" and who are holding more than 1% of the total number of the Company's issued and paid-up share capital has been set out in the table below:

Sr. No	Name	Number of Shares	% of Total
1	HSBC FINANCIAL SERVICES (MIDDLE EAST) LIMITED	1,937,747	7.46
2	RELIANCE CAPITAL TRUSTEE CO. LTD A/C RELIANCEEQUITY OPPORTUNITIES FUND	1,459,203	5.62
3	UBS SECURITIES ASIA LIMITED. A/C SWISS FINANCE CORPORATION (MAURITIUS) LIMITED	1,264,615	4.87
4	MERRILL LYNCH CAPITAL MARKETS ESPANA S.A	603,794	2.32
5	INDIABULLS CAPITAL SERVICES LTD	540,982	2.08
6	PRASAM TRADING AND FINANCE PVT LTD	428,338	1.65
7	INDIABULLS INSURANCE ADVISORS (P) LTD.	406,279	1.56
8	CITIGROUP GLOBAL MARKETS MAURITIUS TE LIMITED PRIVA	356,118	1.37
9	MINIVET LIMITED	339,898	1.31
10	SEA GLIMPSE INVESTMENTS PVT LTD	296,280	1.14
11	PROMETHEAN INDIA FINANCE PRIVATE LTD	287,929	1.11
12	BSMA LIMITED	252,235	0.97
	Total	**8,173,418**	**31.47**

Lock in

Following promoter holding is locked-in till 180 days after the Closing Date:

	Name/s of holder	No. of shares held	Percentage
1	AURELLA ESTATES & INVESTMENTS P LTD.	200	0.00%
2	AURELLA ESTATES AND INVESTMENTS PVT. LTD.	3513943	15.78%
3	VIVEK TALWAR	637466	2.86%
		4,151,609	**18.64**

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors and Executive Officers

The Directors have ultimate responsibility for the management and administration of the affairs of our Company. Our Company's executive officers are responsible for the day-to-day management of our Company. Members of the Board of Directors are elected by our Company's shareholders.

The following table sets forth the name, age and position of each Director and executive officer of our Company as of the date of this Placement Document.

Name	Age	Designation
Directors		
Mr. Pran Nath Talwar	81 years	Non-Executive Chairman
Mr. Vivek Talwar	51 years	Managing Director
Ms. Poonam Talwar	43 years	Whole Time Director
Mr. Dinesh H. Kanabar	49 years	Independent Director
Mr. S. K. Bhardwaj	63 years	Independent Director
Mr. Atul Sud	51 years	Independent Director
Mr. Gaurav Burman	35 years	Independent Director
Key Employees		
Mr. Kalyan Paul	51 years	Chief Operating Officer
Mr. K. Ramachandran	58 years	Global Head Manufacturing
Mr. B. G. Borkar	45 years	CFO & Company Secretary
Mr. N. G. Naik	51 years	President –Corporate HR
Mr. Jogendra Sethi	41 years	Vice President-Finance
Mr. Parvez Amin	48 years	Vice President –Sales
Mr. Vikas Bajaj	42 years	Business Head - Marble
Mr. Satej Reavankar	38 years	Senior General Manager-I.T
Mr. Vaibhav Darvekar	32 years	General Manager – Supply Chain
Mr. Nitin Sawle	38 years	General Manger - Marketing

The following sets forth information on the business and working experience of our Company's Directors:

Directors

Mr. Pran Nath Talwar, aged 81 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 our Company. He has 52 years of experience in tile industry. His leadership and direction has been instrumental in the growth of our Company. 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 51 years, is the Managing Director of our Company. He has over 27 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 43 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 49 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 63 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. He has vast experience of nearly 36 years in the field of indirect Taxation, Public administration, etc. He has dealt with issues relating to 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 51 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.

Mr. Gaurav Burman, aged 35 years, is an Independent Director of our Company. He is a Bachelor of Arts with a dual degree in Economics and History from Tufts University, United States of America. He has over 10 years of experience in private equity which has seen him invest in Europe, Asia and America. Mr. Burman has been a partner in Promethean, a United Kingdom listed private equity fund, since its inception.

Proceedings against our Promoters:

- There are four tax proceedings against Mr. Vivek Talwar before the Income Tax Appellate Tribunal. The quantum involved is approximately Rs. 2.43 million.

- As of date, there are 15 suits against Mr. Vivek Talwar (in his capacity as a Non-Executive Director of Elbee Services Limited) pending before the Special Metropolitan Magistrate Court under Section 138 of the Negotiable Instruments Act, 1881. The aggregate of these suits is Rs. 97.53 million.

Compensation of Directors and Executive Officers

The following table sets forth the total cash compensation paid to each of our Company's Directors in fiscal year 2006.

Name of the Director	Fixed Component (Rs. In Million)	Variable Component (Rs. In Million)	Sitting Fee (Rs. In Million)	Total (Rs. In Million)
Mr Pran Nath Talwar				
Mr Vivek Talwar	3.93	2.40		6.33
Ms. Poonam Talwar	1.33			1.33
Mr Dinesh Kanabar			0.05	0.05
Mr S K Bhardwaj			0.04	0.04
Mr Atul Sud			0.04	0.04

All commissions were approved by the Annual General Meeting of the company held on August 24, 2006.

The following table sets forth the total cash compensation paid to each of the Company's Directors for Fiscal Year 2007. The amounts in the following table are presented in Indian Rupees.

Name of the Director	Fixed Component (Rs.) (In Millions)	Variable Component (Rs.) (In Millions)	Sitting Fee (Rs.) (In Millions)	Total (Rs.) (In Millions)
Mr Pran Nath Talwar				
Mr Vivek Talwar	4.87	5.37		10.24
Ms. Poonam Talwar	1.09			1.09
Mr Dinesh Kanabar			0.20	0.20
Mr S K Bhardwaj			0.21	0.21
Mr Atul Sud			0.13	0.13

Shareholding of Directors in our Company

The following table details the shareholding of our Company's Directors who hold shares in their personal capacity either as sole or first holder, as at the date of this Placement Document.

Sr.No.	Name of Director	No. of equity shares	% of total
1	Vivek Talwar, M.D.	6457820	24.86
2	Pran Nath Talwar, Chairman	317,952	1.43
3	Poonam Talwar, Whole time director	62,562	00.28
4	Dinesh Kanabar	Nil	Nil
5	S.K.Bhardwaj	Nil	Nil
6	Atul Sud	Nil	Nil
7	Gaurav Burman	45,000	00.17

Committees of the Board

The following are the existing Committees constituted by our Company's Board of Directors as at February 2, 2007 :

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.

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.

Employee Stock Option Schemes

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

Our Promoters and Promoter Group

The Promoters of our Company are Mr. Pran Nath Talwar, Mr. Vivek Talwar, and Aurella Estate and Investments Private Limited.

A profile of our Promoter Group, (which definition includes our Promoters), is as follows:

Immediate Relatives of the Promoters			
	Relationship	**Vivek Talwar**	**Pran Nath Talwar**
	Father	Mr. P. N. Talwar	Late Shri Amarnath Talwar
	Mother	Mrs. Rajeshwari Talwar	Late Smt. Bagoo Talwar
	Brother	Mr. Lovraj Talwar	Late Shri W. N. Talwar
	Sister	Mrs. Poonam Talwar	-----
	Spouse	Mrs. Anjali Talwar	Mrs. Rajeshwari Talwar
	Children	Mr. Rohan Talwar and Mrs. Sanjanaa	Mr. Vivek Talwar, Mr. Lovraj Talwar

		Talwar	and Ms. Poonam Talwar
	Spouse's Father	Mr. S. L. Malhotra	Late Shri Raisaab Radha Krishnan Kapoor
	Spouse's Mother	Mrs. Soni Malhotra	Late Ramditti Kapoor
	Spouse's Brother	-	1. Late Amarnath Kapoor 2. Late Diwan Daulat Rai Kapoor 3. Late Bal Krishan Kapoor
	Spouse's Sisters	Mrs. Kiran Kapoor and Mrs. Renuka Mahajan	1. Late Prakash Mehra 2. Late Rama Talwar 3. Late Phoolan Behl 4. Ms. Savitri Talwar

	Relationship	**In Connection With Our Promoter Mr. Vivek Talwar**	**In Connection With Our Promoter Mr. Pran Nath Talwar**
	Any company in which 10% or more of the share capital is held by the Promoter or an immediate relative of the Promoter or a firm or HUF in which the Promoter or any one or more of his immediate relatives is a member	Nitco Tiles & Marble (Andhra) Pvt. Ltd. Nitco Paints Pvt Ltd Nitco Constructions Materials Pvt Ltd Nitco Terrazzo Tiles Pvt Ltd Nitco Consultants & Exports Pvt Ltd Norita Investments Pvt Ltd Ferocity Properties Pvt Ltd Opera Properties Pvt Ltd Cosmos Realtors Pvt Ltd Rhythm Real Estates Pvt Ltd Orchid Realtors Pvt Ltd. Anandshree (Bombay) Holding Pvt Ltd Merino Realtors Pvt Ltd Eden Garden Builders Pvt Ltd Enjoy Builders Pvt Ltd Lavender Properties Pvt Ltd Prakalp Properties Pvt Ltd Rangmandir Builders Pvt Ltd Ushakiran Builders Pvt Ltd Strength Properties Pvt Ltd Delicious Properties Pvt Ltd	Nitco Tiles & Marble (Andhra) Pvt. Ltd. Nitco construction material Pvt. Ltd. Nitco Terrazzo tiles Pvt. Ltd. Northern India tiles corporation
	Any company in which a company mentioned in (1) above, holds 10% of the total	N.A.	N.A.
	Any HUF or firm in which the aggregate share of the Promoter and his immediate relatives is equal to or more than 10% of the total	Vivik Talwar – HUF Mahalaxmi Tiles Corporation Nitco tiles Sales Corporation (Bombay) Northern India Tiles Sales Corporation Nitco Export Nitco Tiles Nitco Sales Corporation, (Delhi) Maharashtra Marble Co.	Pran Nath Talwar & Sons – HUF Nitco tiles Sales Corporation (Bombay) Northern India Tiles Sales Corporation The Northern India Tiles Corporation, Delhi

	Relationship	**In Connection With Our Promoter Company,** **(Aurella Estate and Investments Private Limited)**
	A subsidiary or holding company of that company	N.A.

	Any company in which the Promoter holds 10% or more of the equity capital, or which holds 10% or more of the equity capital of the Promoter	N.A.
	Any company in which a group of individuals or companies or combinations thereof who hold 20% or more of the equity capital in that company, also hold 20% or more of the equity capital of the issuer company	N.A.

OFFERING PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of the Equity Shares. The procedure followed in the Offering may differ from the one mentioned below and investors are assumed to have appraised *themselves of the same from us or the Lead Managers, Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.*

Qualified institutional Placements

The Offering is being made in reliance upon Chapter XIII-A of the SEBI (DIP) Guidelines through the recently introduced mechanism of Qualified Institutional Placements (QIPs) wherein a listed company may issue and allot equity shares / fully convertible debentures / partly convertible debentures or any other security (excluding warrants) on a private placement basis to QIBs as defined in clause 2.2.2B (v) of the SEBI (DIP) Guidelines and below.

We shall apply for the approval of the Indian Stock Exchanges under Clause 24 (a) of the listing agreements, and shall also file a copy of the Placement Document with the Indian Stock Exchanges.

Offering Procedure

The Lead Managers and we shall circulate the preliminary Placement Document either in electronic form or physical form to not more than 49 QIBs.

1. The Lead Managers shall deliver to the QIBs a Bid cum Revision Form. The list of QIBs to whom the Bid cum Revision Form is delivered shall be determined by us in consultation with the Lead Managers.

2. QIBs may submit the Bids (including the revision of Bids) through the Bid cum Revision form during the bidding period to the Lead Managers.

3. QIBs would have to indicate the following in the Bid:

   a. Name of the QIB to whom QIP Shares are to be allotted;

   b. Number of QIP Shares in which the QIB has interest; and

   c. Price at which they are agreeable to apply for the QIP Shares, provided that QIB's may also indicate that they are agreeable to submit a Bid at the "Cut-off Price" which shall be any price as may be determined by us in consultation with the Lead Managers at or above the Floor Price.

   Note: Each sub account of an FII will be considered as an individual QIB and separate forms would be required from each such sub account for submitting Bids.

4. The Bid Closing Date shall be notified to the Indian Stock Exchanges and the QIBs shall be deemed to have been given notice of the same.

5. Based on the Bids received, we shall decide the Offering Price, which shall be at or above the Floor Price, and the number of QIP Shares to be issued, in consultation with the Lead Managers. We shall notify the Indian Stock Exchanges of the Offering Price. On determining Offering Price and the QIBs to whom Allocation shall be made, such QIBs shall be sent the Confirmation of Allocation Note, ("**CAN**"), inviting such QIBs to submit the Application Form. The CAN shall contain details like the number of QIP Shares allocated to the QIB, the details of the amounts payable by the QIB for Allotment of the QIP Shares in its name and the Pay-In Date as applicable to the respective QIB. The QIBs will also be sent a serially numbered Application Form and a serially numbered Placement Document either in electronic form or through physical delivery. Only QIBs that receive the CAN are invited to participate in this Offering. Ours and the Lead Managers' decisions in this regard shall be at our sole and absolute discretion.

6. QIBs shall have to deliver the completed Application Form with the requisite annexures to the Lead Managers along with a cheque / confirmation of payment through electronic transfer for the application monies to our designated bank account by the Pay-in-Date as specified in the CAN sent to the respective QIBs.

7. Upon receipt of the completed Application Forms and the application monies from the QIBs, we shall issue and allot the Equity Shares to the QIBs in accordance with the details provided in the Application Form. We shall not allot Equity Shares to more than 49 QIBs. We will intimate to the Indian Stock Exchanges the details of the Allotment.

8. After passing the Allotment resolution and prior to crediting the Equity Shares into the depository participant accounts of the QIBs, we shall apply for in-principle approval of the Indian Stock Exchanges for listing of the Equity Shares.
9. After receipt of the in-principle approval of the Indian Stock Exchanges, we shall credit the Equity Shares into the depository participant accounts of the QIBs.
10. We shall then apply for the final trading and listing permissions from the Indian Stock Exchanges with regard to the QIP Shares.
11. The QIP Shares that have been so allotted and credited to the depository participant accounts of the QIBs shall be eligible for trading on the Indian Stock Exchanges only upon the receipt of final trading and listing approvals from the Indian Stock Exchanges.
12. The Indian Stock Exchanges shall notify the final trading and listing permissions, which is ordinarily available on their websites. We shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Indian Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to keep themselves apprised of the status of the receipt of the permissions from the Indian Stock Exchanges or us.

Qualified Institutional Buyers

Only QIBs as defined in clause 2.2.2B (v) of the SEBI (DIP) Guidelines are eligible to invest. Currently these include:

- public financial institutions as defined in section 4A of the Companies Act, 1956;
- scheduled commercial banks;
- mutual funds registered with SEBI (“Mutual Funds”);
- foreign institutional investors registered with SEBI (“FIIs”);
- 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 Insurance Regulatory and Development Authority, India;
- provident funds with minimum corpus of Rs.250 million; and
- pension funds with minimum corpus of Rs.250 million.

Under Clause 13A.2.4 of the SEBI (DIP) Guidelines, no allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the promoter(s) of the Company. For this purpose, any QIB who has all or any of the following rights shall be deemed to be related to promoters:

- rights under a shareholders’ agreement or voting agreement entered into with promoters of the Company or persons related to the promoters of the Company;
- veto rights; or
- the right to appoint a nominee director on the board of the Company,

unless a QIB has acquired any of these rights in its capacity as a lender to the Company and such QIB does not hold any shares in the Company.

We and the Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations which may occur after the Preliminary Placement Document is filed with the Indian Stock Exchanges. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs 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 applicable law or regulation or as specified in this Placement Document. Furthermore, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Note: Affiliates or associates of the Lead Managers who are QIBs may participate in the Offering in compliance with applicable laws.

BIDDING

Bid cum Revision Form

QIBs shall only use the specified Bid cum Revision Form supplied by the Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including revision) for QIP Shares pursuant to the terms of the preliminary Placement Document, the QIB will deemed to have made the following representations and warranties and the representations, warranties and agreements as detailed under "Placement - Selling Restrictions" herein:

1. The QIB confirms that it is a Qualified Institutional Buyer ("QIB") in terms of Clause 2.2.2B (v) of the SEBI (DIP) Guidelines and is eligible to participate in this Offering;
2. The QIB confirms that it is not a promoter of our Company and is not a person related to the Promoters, either directly or indirectly and its Bid does not directly or indirectly represent our Promoter or Promoter Group;
3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;
4. The QIB has no right to withdraw its Bid after the Bid Closing Date;
5. The QIB confirms that if allotted QIP Shares pursuant to the Placement Document, the QIB shall, for a period of one year from allotment sell the QIP Shares so acquired only on the floor of the Indian Stock Exchanges;
6. The QIB confirms that the QIB is eligible to Bid and hold the QIP Shares so allotted and together with any QIP Shares held by the QIB prior to the Offering. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible in accordance with any regulations applicable to the QIB;
7. The QIB confirms that the Bids would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; and
8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Offering that belong to the same group or are under common control, the allotment to the QIB shall not exceed 50% of the Offering Size. For the purposes of this statement:
   a. The expression "belongs to the same group" shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and
   b. "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Submission of Bid cum Revision Form

All Bid cum Revision Forms shall be duly completed with information including the name of the QIB, the price and the number of QIP Shares bid. The Bid cum Revision Form shall be submitted to the Lead Managers either through electronic form or through physical delivery at the following address:

Name	: Avendus Advisors Private Limited,
Address	: IL&FS Financial Center,
	B Quadrant, 5th Floor,
	Bandra Kurla Complex,
	Bandra (East)
	Mumbai — 400 051, India
Contact Person	: Amit Kadoo
e-mail	: ntl.qip@avendus.com

Name : Motilal Oswal Investment Advisors Private Limited,

Address : Palm Spring Centre, 2nd Floor,

Palm Court Complex,

New Link Road,

Malad (West),

Mumbai - 400 064, India

Contact Person : Ms. Nish Shah

e-mail : nitco_qip@motilaloswal.com

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Revision Form within the bidding period to the Lead Managers who shall maintain the Book. The Lead Managers shall not be required to provide any written acknowledgement of the same.

Price Discovery and Allocation

We, in consultation with the Lead Managers, shall finalize the Offering Price which shall be at or above the Floor Price. After finalization of the Offering Price, we shall update the Preliminary Placement Document with the issue details and file the same with the Indian Stock Exchanges as the Placement Document.

Method of Allocation

We shall determine the Allocation for the purposes of inviting Application Forms in consultation with the Lead Managers in compliance with Chapter XIII-A of the SEBI (DIP) Guidelines. Bids received from the QIBs at or above the Offering Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Offering Price. Allocation shall be decided by us in consultation with the Lead Managers on a discretionary- basis to a maximum of 49 QIBs. Allocation to Mutual Funds for up to a minimum of 10% of the Offering Size shall be undertaken subject to valid Bids being received at or above the Offering Price.

THE DECISION OF THE COMPANY AND THE LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF QIP SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE OFFERING PRICE. NEITHER THE COMPANY NOR THE LEAD MANAGERS IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of QIP Shares shall not be less than:

(a) two, where the issue size is less than or equal to Rs.2.5 billion; and

(b) five, where the issue size is greater than Rs.2.5 billion.

Provided that no single allottee shall be allotted more than 50% of the issue size. Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see "Bidding - Bid cum Revision Form."

THE DECISION OF THE COMPANY AND THE LEAD MANAGERS IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL QIBS.

The maximum number of allottees of QIP Shares shall not be greater than 49 allottees.

Application Form and CAN

Based on the Bids received, we and the Lead Managers will, in our sole and absolute discretion, decide the list of QIBs to whom the CAN shall be sent inviting such QIBs to submit an Application Form containing details of the QIP Shares allocated to them and the details of the amounts payable by them for Allotment of the QIP Shares in their respective names. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the Application Form needs to be sent, Pay-In Date as well as the probable designated date ,("**Designated Date**"), being the date of credit of the QIP Shares to the investor's account, as applicable to the respective QIBs. The dispatch of a CAN shall be deemed an invitation to the QIBs to submit an Application Form to apply for the QIP Shares so allocated and pay the entire Offering Price for such QIP Shares. The eligible QIBs would also be sent a serially numbered Application Form along with a serially numbered Placement Document either in electronic form or by physical delivery

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, SUB-ACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Mutual funds should submit only one Bid cum Application form on behalf of all their schemes and should further provide details of Allocation once the CANs are sent to them. Demographic details such as address and bank account information will be obtained from the Depositories in accordance with the demat account details given above.

By submitting the Application Form, the QIB will be deemed to have made the representations and warranties as specified under the section, "BID CUM REVISION FORM" and further that such QIB shall not undertake any trade in the QIP Shares credited to its depository participant account until such time that the final listing and trading approval for the QIP Shares is issued by the Indian Stock Exchanges.

QIBs are advised to instruct their Depository Participant to accept the QIP Shares that may be allocated / allotted to them pursuant to this Offering.

Submission of Application Form

All Application Forms duly completed along with payment and a copy of the PAN card or application for PAN shall be submitted to the Lead Managers, according to the details provided in the respective CANs. The dispatch of the Placement Document and the CAN shall be deemed a valid, binding and irrevocable contract for the QIB to submit the Application Form and pay the entire Offering Price for all the QIP Shares allocated to such QIB.

Bank Account for Payment of Application Money

We have opened special bank accounts with Citibank N.A. in terms of the arrangement between us and the Banks. The QIB will be required to deposit the entire amount payable for the QIP Shares allocated to it by the Pay-In Date as mentioned in the respective CAN. If the payment is not made favouring the Bank Account within the time stipulated in the CAN, the Bid of the QIB, the Application Form and the CAN is liable to be cancelled.

PLACEMENT

Placing Arrangements

On [●], the Lead Managers entered into a placement agreement with our Company, (the "**Placement Agreement**"), pursuant to which the Lead Managers have agreed to use their best efforts to issue, place and sell up to [●] QIP Shares, the aggregate subscription price of which shall be the Indian Rupee equivalent of up to US$ [●] Million. The Lead Managers will be paid a placement commission of [●]. In addition, we may, in our sole discretion, pay an incentive fee of up to [●] to the Lead Managers.

The Placement Agreement provides that the obligations of the investors to pay for and accept delivery of the QIP Shares offered by this Placement Document is subject to the approval of certain legal matters by the counsel to the Lead Managers and to other conditions. The Placement Agreement also provides that we will indemnify the Lead Managers against certain liabilities.

Applications shall be made to list the QIP Shares and admit them to trading on the Indian Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the QIP Shares, the ability of holders of the QIP Shares to sell their QIP Shares or the price at which holders of the QIP Shares will be able to sell their QIP Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and that, with the exception of QIBs, no QIP Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors other than QIBs.

In connection with the Offering, the Lead Managers (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the QIP Shares at the same time as the offer and sale of the QIP Shares, or in secondary market transactions. As a result of such transactions, the Lead Managers may hold long or short positions in such QIP Shares. These transactions may comprise a substantial portion of the Offering and no specific disclosure will be made of such positions. Affiliates of the Lead Managers may purchase QIP Shares and be allocated QIP Shares for asset management and/or proprietary purposes and not with a view to distribution.

The Lead Managers and other affiliates may, from time to time, engage in transactions with and perform services for our Company in the ordinary course of their business for which they may receive customary compensation.

Lock-up

Our Company has agreed, subject to certain exceptions (including the issue, offer and sale by our Company of the QIP Shares pursuant to the Offering and existing or approved Employee Stock option plans), not to issue or offer, sell, contract to sell or otherwise dispose of any Equity Shares or any securities convertible, exchangeable or exercisable for Equity Shares (including any warrants), for a period of 180 days following the Closing Date, without the prior written consent of the Lead Managers (such consent not to be unreasonably withheld). With respect to shares that are not currently subject to statutory lock-in, our promoter Aurella Estates And Investments Pvt. Ltd. and Mr. Vivek Talwar, and other members of the promoter group, namely Watco Engineering Co. Pvt. Ltd, Nitco Paints Pvt Ltd, Rang Mandir Builders Pvt. Ltd., Lavender Properties Private Limited And Ushakiran Builders Private Limited have collectively agreed not to offer, sell or contract to sell, pledge or otherwise dispose of, for a period of 180 days following the Closing Date, any of their respective Equity Shares or any securities convertible, exchangeable or exercisable for Equity Shares (including any warrants) and any Equity Shares obtained upon conversion, exchange or exercise of such securities or publicly announce an intention to effect any such transaction without the prior written consent of the Lead Managers (such consent not to be unreasonably withheld.

SELLING RESTRICTIONS

The distribution of this Preliminary Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Preliminary Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Preliminary Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

Canada. Equity Shares have not been sold in Canada or to residents of Canada other than in compliance with applicable securities laws, or the Canadian Securities Laws. Without limiting the foregoing, offers and sales of the Equity Shares included in this offering in Canada or to residents of Canada will be made only (i) through an appropriately registered securities dealer or in accordance with an available exemption from the applicable registered securities dealer requirements under the Canadian Securities Laws and (ii) pursuant to an exemption from the prospectus requirements under Canadian Securities Laws.

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Lead Manager has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Equity Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Equity Shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Managers for any such offer; or
- in any other circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of the Prospectus Directive;

provided that no such offer of Equity Shares shall result in a requirement for the publication by our Company or any Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means, of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Hong Kong. Each Lead Manager has represented and agreed that no Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore. Each Lead Manager has represented and agreed that this Preliminary Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Preliminary Placement Document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Equity Shares under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

United Arab Emirates. This Preliminary Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the "UAE"). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange.

The Offering, the QIP Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Preliminary Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom. Each Lead Manager has represented and agreed that:

- (i) it is a person who is a qualified investor within the meaning of Section 86(7) of the Financial Services and Markets Act 2000 (the "FSMA"), being an investor whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Equity Shares other than to persons who are qualified investors within the meaning of Section 86(7) of the FSMA or who it reasonably expects will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Equity Shares would otherwise constitute a contravention of Section 19 of the FSMA by us;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to it; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

United States of America. Each Lead Manager has represented and agreed that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and are being offered outside the United States of America in reliance of Regulation S, and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

TRANSFER RESTRICTIONS

Resales of Equity Shares, except on recognized stock exchanges, are not permitted for a period of one year from the date of allotment, pursuant to Chapter XIII-A of the SEBI (DIP) Guidelines. Because the following additional restrictions will apply, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of our Company's Equity Shares.

Regulation S Equity Shares

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S, by accepting delivery of this Preliminary Placement Document and those Equity Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time the Equity Shares are purchased pursuant to Regulation S will be, the beneficial owner of such Equity Shares and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of us or a person acting on behalf of such an affiliate.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act.

(3) Our Company, each of the Lead Managers, their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, BSE and the NSE, and has not been prepared or independently verified by us or the Lead Managers, or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the GoI acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act 1956 ("**SCRA**") and the Securities Contracts (Regulation) Rules, 1957 ("**SCRR**"), which, along with the rules, bye-laws and regulations of the respective stock exchanges regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act, 1992 granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, FIIs, credit rating agencies and other capital market participants.

The Central Listing Authority of India (the "**CLA**") has been set up by SEBI and will begin to address the issue of multiple listing of the same security across various Indian stock exchanges. It also aims to bring about uniformity in the due diligence process by scrutinising all listing applications on any stock exchange in India. The functions of the CLA are enumerated in the SEBI (Central Listing Authority) Regulations, 2003, which, inter alia, include processing the application made by any body corporate, mutual fund or collective investment scheme, for the letter of recommendation for it to be listed at the stock exchange; making recommendations as to listing conditions, making suggestions with respect to investor protection development and regulation of the securities market and disclosures to be made in offering documents and any other functions that may be specified by SEBI from time to time.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges, under which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of the listed company's obligations under such agreement, subject to receiving prior notice of such intent of the stock exchange.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. SEBI has the power to direct the amendment of listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges on their own requires the prior approval of SEBI. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed the stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and additionally, there are currently in place varying individual scrip-wise bands. The Indian stock exchanges can also exercise the power to suspend trading during periods of market volatility.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in our case is currently the Registrar of Companies located in Mumbai, Maharashtra. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and SEBI guidelines to prepare, file with the Registrar of Companies in India and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party disclosures and the management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, companies are now required to publish unaudited financial statements (subject to a limited review by our auditors) on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide segment wise sector reporting, to increase their disclosure regarding related party transactions from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002. From April 1, 2003, accounting of intangible assets is also regulated by accounting standards set by the Institute of Chartered Accountants of India and as of April 1, 2004, these accounting standards also regulate accounting for impairment of assets.

Indian Stock Exchanges

There are now 22 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualization as a measure of moving towards greater investor protection.

The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

The National Stock Exchange of India Limited

The NSE serves as a national exchange, providing nationwide on-line satellite-linked screen-based trading facilities with an electronic order-based trading system, and electronic clearing and settlement for securities, including government securities, debentures, public sector bonds and units. The principal aim of the NSE is to enable investors to buy or sell securities from anywhere in India and to serve as a national market for securities. Deliveries for trades executed "on-market" are settled through the National Securities Clearing Corporation Limited. The NSE does not categorise shares into groups as does the BSE, except in respect of the trade-to-trade category. Screen-based paperless trading and settlement is possible through the NSE from 342 cities in India. The NSE commenced operations in the wholesale debt market in June 1994, in capital markets in November 1994 and in derivatives in June 2000.

The average daily turnover of the capital market segment was Rs. 133.02 billion as of September 2007. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. The market capitalization of the NSE reached a high of Rs. 57, 222.27 billion as of October 2007. Derivatives trading commenced on the NSE in 2000.

The Bombay Stock Exchange Limited

The BSE, the oldest stock exchange in India, was established in 1875. It has evolved over the years into its present status as the premier stock exchange of India. The BSE switched over to online trading ("BOLT") from May 1995. Only a member of the BSE has the right to trade in the stocks listed on the BSE.

As of September 30, 2007, there were 4,871 listed companies trading on the BSE. The market capitalisation of stocks trading on the BSE as on September 30, 2007 was Rs. 52,029.55 billion. The average daily turnover on the BSE was Rs. 61.57 billion as of September, 2007. The BSE has obtained SEBI approval to expand its BOLT network to more than 400 cities.

Derivatives trading commenced on the BSE in 2000. The BSE has wholesale and retail debt trading segments. Retail trading in government securities commenced in January 2003.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to these obligations, as applicable. Certain important provisions of the Takeover Code are as follows:

- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5.0%, 10.0%, 14.0%, 54.0% or 74.0% of the equity shares or voting rights in a company (together with our company's equity shares or voting rights, if any, already held by him) is required to disclose the aggregate of his equity shareholding or voting rights in that company to the company which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean equity shares or any other security which entitles a person to acquire shares with voting rights.

- A person who, together with persons acting in concert with him, holds 15.0% or more, but less than 55.0%, of the equity shares or voting rights in any company is required to disclose any purchase or sale representing 2.0% of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed).

- Promoters or persons in control of a listed company are also required to make annual disclosure of their holding in the same manner. The listed company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed.

- An acquirer cannot acquire equity shares or voting rights which (taken together with existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15.0% or more of the voting rights in a listed company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20.0% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.

- No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15.0% or more but less than 55.0% of the shares or voting rights in a listed company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5.0% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20.0% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code.

- An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55.0% or more but less than 75.0% of the equity shares or voting rights in a listed company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10.0% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90.0% of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of 20.0% of the shares or voting rights which it does not already own in the company. However, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

- Where an acquirer who (together with persons acting in concert) holds 55.0% or more, but less than

75.0% of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10.0% of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90.0% of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20.0% of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in the listing agreement with the stock exchanges.

- In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a listed company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20.0% of the voting equity shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfil his obligations.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial Company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled company. A "financially weak Company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50.0% but less than 100% of the total sum of its paid up capital and free reserves as at the end of the previous financial year. A "sick industrial Company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a State Government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the takeover panel seeking exception from the open offer requirements of the Takeover Code. In addition, the Takeover Code does not apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into equity shares carrying voting rights.

Under the Takeover Code, the term "promoter" includes any person who is control of the company or any person identified as a promoter in any document for the offer of securities to the public or existing shareholders or in the shareholding information disclosed under the listing agreement, whichever is later, or any person named as a relating to or belonging to the promoter group as defined under the Takeover Code.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 ("Insider Trading Regulations") have been promulgated by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an "insider" from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The terms "unpublished" and "price-sensitive information" are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who whilst in possession of such unpublished price-sensitive information shall not deal in securities. The prohibition under the Insider Trading Regulations also extends to a company dealing in the securities of a company listed on any stock exchange whilst in the possession of unpublished price-sensitive information. It is to be noted that recently SEBI has amended the Insider Trading Regulations to provide certain defences to the prohibition on companies in possession of unpublished price-sensitive information dealing in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5.0% of the shares or of the voting rights in any listed company is required to disclose to the company, the number of shares or voting rights held by him and any change in shareholding or voting rights, (even if such change results in the shareholding falling below 5.0%) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2.0% of the total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

- the receipt of intimation of allotment of the shares; or
- the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has promulgated the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996, which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also required compulsory dematerialised trading in specified scripts for all retail investors. SEBI has subsequently significantly increased the number of scripts in which dematerialised trading is compulsory for all investors. However, even in the case of scripts required for compulsory dematerialised trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depository in the listed company's books and the depository shall enter the name of the investor in its records as the beneficial owner, thus affecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depository. Every person holding equity share capital of the company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a shareholder of the concerned company.

The Companies Act provides that Indian companies making initial public offering of securities for or in excess of Rs. 100.00 million must issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

EXCHANGE CONTROLS

Restrictions on Conversion of Indian Rupees

There are restrictions on conversion of Rupees into U.S. Dollars. Before February 29, 1992, RBI determined the official value of the Rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, RBI announced relaxations of the payment restrictions previously applicable to certain transactions. Since August 1994, the GoI has substantially complied with its obligations to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument to manage the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment. The GoI has also relaxed restrictions on capital account transactions by resident Indians since 1999. For example, resident Indians are now permitted to remit up to U.S. $100,000 for any capital/current account transaction without any prior approval.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.

General

The authorized share capital of our Company is 500,000,000 Equity Shares of Rs. 10.00 each.

Dividends

Under the Companies Act unless the Board of Directors recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. The shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board of Directors. Dividends are generally declared as a percentage of the par value (paid up value). The dividend recommended by the Board of Directors and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their Equity Shares on the record date for which such dividend is payable. In addition, as is permitted by the Articles of Association, the Board of Directors may announce and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date" or to those shareholders keeping their shares in dematerialised form, a list of which is provided by National Securities Depositary Limited and Central Depositary Services (India) Limited. No shareholder is entitled to a dividend while any lien in respect of unpaid calls on any of his Shares is outstanding. (However, dividend can be adjusted by the company against unpaid amount of call).

Under the Companies Act, dividends must be paid out of the (distributable) profits of our Company in the year in which the dividend is declared or out of the undistributed (distributable) profits of previous fiscal years. Our Company is also required to set aside certain prescribed amounts for its statutory reserves. Before declaring a dividend greater than 10.0% of the par value of the Equity Shares, our Company is required under the Companies Act to transfer to its reserves a minimum percentage of its profits for that year, ranging from 2.50% to 10.0%, depending on the dividend percentage to be declared in such year. Dividends may also be declared and paid out of the accumulated profits in compliance with the provisions of the Companies (Declaration of Dividend out of Reserves) Rules, 1975. The Companies Act further provides that, in the event of an inadequacy or absence of profits in any year, the dividend may be declared for such year out of our Company's accumulated profits subject to the following conditions:

- the rate of dividend to be declared must not exceed 10.0% of our Company's paid up capital or the average of the rate at which dividends were declared by our Company in the previous five years immediately preceding that year, whichever is less; and

- the total amount to be drawn from the accumulated profits earned in the previous years and transferred to the reserves must not exceed an amount equivalent to 10.0% of our Company's paid up capital and free reserves, and the amount so drawn is to be used first to set off the losses incurred in the fiscal year before any dividends in respect of preference or equity shares may be declared; and

- the balance of reserves after withdrawals must not fall below 15.0% of our Company's paid up capital.

Any dividend declared is required to be deposited in a separate bank account within five days from the date of the declaration of such dividend. Dividends must be paid within 30 days from the date of the declaration and any dividend which remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money which remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the GoI pursuant to which no claim shall lie against our Company or the said Fund. Directors may be held criminally liable for any default of the aforementioned provisions. The Articles of Association authorize the Directors of our Company to pay from time to time to the members of our Company such interim dividends as in their judgment the position of our Company justifies.

The Equity Shares to be issued in connection with the Issue shall qualify for any dividend that is declared in respect of the financial year in which they have been allotted.

Capitalization of Profits

Article 109 of our Articles of Association provides that our Company in general meeting may, upon the recommendation of Bonus by the Board of Directors, may resolve that it is desirable to capitalize any part of the amount standing to the credit of any of our Company's reserve accounts or to the credit of the profit and loss account or any capital redemption reserve account or in the hands of our Company and available for dividend or representing premium received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the basis that they become entitled thereto as capital and that all or any part of such capitalized fund shall not be paid in cash but shall be applied subject to the provisions contained in Article 109(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 satisfied in sub-clause (ii).

Article 109(3) provides that 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 the unissued shares to be issued to the members of the Company as fully paid bonus shares.

Article 109(4) provides that the Board of Directors shall give effect to the Resolution passed by the Company in pursuance of this regulation.

Article 110 of our Articles of Association states that for the purpose of giving effect to any such resolution the Board of Directors shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares if any and generally do all acts and things required to give effect thereto. The Board of Directors may make such provision, by the issue of fractional certificates or by payment in cash or otherwise, for in the case of shares or debentures becoming distributable in fractions. The Board of Directors may authorise any person to enter, on behalf of the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalization, or (as they may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their shares. Any agreement made under such authority shall be effective and binding on all such members.

Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares a company should not have defaulted in the payment of interest or principal in respect of existing debentures. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within six months from the date of approval by the Board of Directors or the shareholders, whichever is later.

Pre-emptive Rights and Alteration of Share Capital

Article 40 of our Articles of Association provides that our Company may by ordinary resolution in a general meeting from time to time 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 that the Company by the ordinary resolution do the following:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (b) sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the memorandum; subject, nevertheless to the provisions of clause (d) of sub-section (1) of section 94 of the Companies Act, 1956.
- (c) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled. A

cancellation of shares in pursuance of this clause shall not be deemed to be a reduction of share capital within the meaning of the Companies Act.

With respect to reduction of share capital, Article 42 of our Articles of Association states that our Company may by special resolution subject to any incident authorized and consent required by law, reduce its share capital, any capital redemption reserve account or any share premium account.

Article 42A of our Articles of Association provides that except as provided in the articles, none of the funds of the Company shall be applied in the purchase of the shares of the Company and the Company shall not, except as provided in Section 77 of the Companies Act, 1956, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company. This article will not affect the right of the Company to redeem shares under section 80 of the Companies Act, 1956.

Article 42A(2) further provides that subject to the Companies Act, 1956 and other applicable laws and subject to the approvals / permissions /sanction that 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 payments out of the Capital Reserves or otherwise in respect of the acquisition, purchase, financing on such terms as the Board of Directors may determine.

Article 42A(3) provides that the Company may subject to the provisions of Section 78,80 and 100 to 105 of the Companies Act, 1956 and other applicable provisions may from time to time by a special resolution reduce its share premium account in any manner and with and subject to any incidents, for the time being authorised and consent required by law and in particular capital may be called up again or otherwise.

Article 42B states that any person whose name is entered in the register of members of the Company a holder of a share in the Company but who does not hold the beneficial interest in such share shall in the manner prescribed by the Companies Act, 1956 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.

Article 42C of the Articles of Association authorises the Company to dematerialize its securities and states that every person who is subscribing to the securities offered by the Company shall have the option to get the securities in the dematerialized form. If a person opts to hold his securities in the dematerialized form then the Company shall intimate the depository, the details of allotment of such person.

It is further stated in Article 42C that a depository shall be deemed to be the registered owner for the purpose of affecting transfer of ownership of security on behalf of the beneficial owner. The depository shall not have any voting or 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 and 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. 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 purpose of the Articles.

Meetings of Shareholders

Article 43 of our Articles of Association states that our Company shall, subject to the provisions contained in sections 166 and 210 of the Companies Act, 1956, hold a general meeting which shall be called its 'Annual General Meeting' at the intervals and in accordance with the provisions specified below:

(a) The AGM shall be held by our Company within six months after the expiry of each financial year.

(b) Not more than fifteen months shall elapse between the date of one AGM and that of the next, unless the Registrar of Companies shall have for any special reasons extended the time for holding any AGM for a period not exceeding six months.

(c) Every AGM shall be called for a time during the business hours on a day that is not a public holiday and shall be held either at the Registered Office of our Company or at some other place within the city, town or village in which the registered office of the Company is situated and the notices calling the meeting shall specify it as the 'Annual General Meeting'.

Article 44 of our Articles of Association provides that all general meetings other than the Annual General Meeting shall be called Extraordinary General Meetings. Article 45 further stipulates that the Board of Directors or the Chairman may call the Annual General Meeting or the Extra Ordinary General Meeting as and when they think fit. It further provides that if at any time there are not enough Directors within India sufficient to form a quorum, then any Director or member who holds 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 that in which such a meeting may be called by the Board of Directors.

Article 46 of our Articles of Association states that 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 a quorum for a General Meeting. It further stipulates that in case of any member which is body corporate if it is represented by a duly appointed representative who is entitled to vote on its behalf, such representatives shall be considered to be a member who is present in person.

Article 47 of our Articles of Association provides the Chairman of the Board of Directors shall preside as Chairman at every general meeting of the Company. If there is no chairman or if he is not present within fifteen minutes of the appointed time of holding the meeting or is unwilling to act as Chairman of the meeting then the members present shall elect one of their numbers to be the Chairman of the meeting. It further states that if at any meeting no director is willing to act as a chairman or if no director is present within fifteen minutes of the appointed time of holding the meeting, then the members present shall elect one of their numbers to be the Chairman of the meeting.

Article 48 of the Articles of Association states that The Chairman may, with the consent of the meeting at which the quorum is present and shall if so directed by the meeting adjourn the meeting from time to time and from place to place. At the adjourned meeting no business other than the unfinished business shall be transacted. It is not necessary to give notice of an adjournment or of the business to be transacted at any adjourned meeting except when the meeting is adjourned for more than thirty days in which case notice of the adjourned meeting shall be given as in the case of an original meeting.

Article 49 of the Articles of Association stipulates that in the case there is an equality of votes whether on show of hands or on a poll the Chairman of the meeting shall be entitled to a second or casting vote.

Article 50 of our Articles of Association states that at any general meeting a resolution including a special resolution put to the vote of the meeting shall be decided by a show of hands, unless a poll is demanded by:

a) By Chairman;

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 through 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 through proxy and holding shares in the company conferring Amalgam 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 of the Articles of Association states that any business other that on which the poll has been demanded may be proceeded with, pending the taking of the poll.

A company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the Articles of Association, a buy-back of shares under the Companies Act, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act (and guidelines issued there under) may pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of such notice.

Voting Rights

Article 52 of our Articles of Association provides that subject to any rights or restrictions for the time being attached to any class or classes of shares, -

(a) on a sow 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 Companies Act, 1956.

Article 53 of our Articles of Association states that 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 of the Article of Association provides that where 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 where 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 55 of our Articles of Association provides that if the member is of unsound mind then in that case his committee or legal guardian may vote by way of a proxy whether on a show of hands or on a poll. Article 56 states that no member shall be allowed to vote at any general meeting unless all calls other sums presently payable by him in respect of the shares in the Company have been paid. Article 57 further provides that no objection for the qualification of any voter shall be raised except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be void for all purposes. All such objections shall be made to the Chairman of the meeting, whose decision shall be final and conclusive.

Article 58 of our Articles of Association states that the instrument appointing a proxy and the power of attorney o other authority, if any, under it s signed or the notarially certified copy of the power of authority, shall b 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 of our Articles of Association stipulates that a body corporate, whether a Company within the meeting of the Act or not which is a member of this Company, may, by resolution of its Directors, authorized 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 further stipulates that 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 of our Articles of Association states a vote given in accordance with the terms of an instrument of proxy shall be valid, not with standing the previous death or insanity of the principle 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.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting.

The Companies Act allows us to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights the company must have had distributable profits for a period of three financial years and the company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three years.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our registered office at [•] or at some other place in the same city. We recognize as shareholders only those persons who appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgement of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into the company's records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times as the Board of Directors may deem expedient in accordance with the provisions of the Companies Act, 1956. Under the listing agreements of the Stock Exchanges on which our Company's outstanding shares are listed, our Company may, upon at least 15 days' advance notice to such Stock

Exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, our Company is also required to maintain a register of debenture holders.

Annual Report and Financial Results

Our Company's annual report must be presented before the AGM. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to our Company's shareholders.

Under the Companies Act, 1956 we must file the annual report with the Registrar of Companies within six months from the close of the accounting year or within 30 days from the date of the AGM, whichever is earlier. As required under our listing agreements, copies are required to be simultaneously sent to the Stock Exchanges. We must also publish our financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region of our registered office.

Our Company files certain information on-line, including its annual report, six-month and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by the SEBI from time to time.

Transfer of Shares

Equity Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the Stock Exchanges.

Except as provided herewith, the Equity Shares are freely transferable, subject to the provisions of the Companies Act under which, if a transfer of shares contravenes the SEBI provisions or the regulations issued under it or the SICA, or any other similar law, our Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, SEBI or other parties, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company, the transferee may appeal to the Company Law Board seeking to register the transfer. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act 2002, the Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act 2003, the SICA is sought to be repealed and the board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal, set up under the Companies Act.

Pursuant to the listing agreements with the relevant Stock Exchanges, in the event that a transfer of shares is not affected within one month or where the transferor has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the transferor is required to compensate the aggrieved party for the opportunity loss caused by the delay.

The Companies Act, 1956 provides that shares or debentures of a public listed company (like ours) shall be freely transferable. However, our Articles of Association provide for certain restrictions on the transfer of shares, including granting power to the Board of Directors in certain circumstances to refuse to register or acknowledge transfer of shares or other securities issued by us. Pursuant to Article 30(2) of our Articles of Association, the Directors of our Company shall have the right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee in an ordinary transfer presented for registration.

A transfer may also be by transmission. Subject to the provisions of our Company's Articles of Association, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board of Directors, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or his title, as the Board of Directors thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles of Association, transfer such shares.

Acquisition by our Company of its own Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75.0% of its shareholders, voting on it in accordance with the Companies Act, 1956 and sanctioned by the High Court of competent jurisdiction. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, and provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, pursuant to certain amendments to the Companies Act, 1956 a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account, the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the Articles of Association of the company;
- a special resolution has been passed by postal ballot authorizing the buy-back;
- the buy-back is limited to 25.0% of the total paid-up capital and free reserves;
- the debt owed by the company is not more than twice capital and free reserves after such buy-back;
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998.

The second condition mentioned above would not be applicable if the buy-back is for less than 10.0% of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorized by the company's board. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue securities for six months.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities, if the company is in default in the repayment of deposit or interest, redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act, 1956.

Liquidation Rights

Subject to the rights of creditors, of employees and holders of any other shares entitled by their terms of issue to preferential repayment over the Equity Shares, in the event of winding up of our Company, the holders of the shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

In case assets available are insufficient to repay the whole of the paid up capital, the assets shall be so distributed such that the losses are borne to the extent possible by the shareholders in the ratio of capital contributed. In case any of the shares involve a liability to call or otherwise, any person may, within ten days after the passing of the resolution, by notice in writing direct the liquidators to sell his portion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

The division of assets on winding up, if thought expedient, may subject to the provisions of the Companies Act, 1956 be otherwise than in accordance with the legal rights of the contributories (except when unalterably fixed by our Memorandum) and in particular, any class may be given preferential or special rights which may be excluded altogether or in part but any contributory who is prejudiced by the same have a right to dissent and possess ancillary rights as though such determination were a special resolution under Section 494 of the Companies Act, 1956.

TAXATION

The following is a summary of the principal taxation aspects that would be applicable to prospective investors in the QIP Shares. The summary is based on the taxation law and practice in force at the time of this Placement Document and is subject to change. The summary does not purport to deal with all aspects of taxation that may be relevant to a particular investor in light of their investment, tax or other circumstances.

THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF THE TAX CONSEQUENCES OR A LEGAL OPINION UNDER INDIAN LAW OR THE LAW OF ANY OTHER JURISDICTION OF THE ACQUISITION, OWNERSHIP AND SALE OF THE QIP SHARES BY POTENTIAL INVESTORS. POTENTIAL INVESTORS SHOULD, THEREFORE, CONSULT THEIR OWN TAX ADVISOR ON THE CONSEQUENCES OF SUCH ACQUISITION, OWNERSHIP AND SALE, INCLUDING SPECIFICALLY, TAX CONSEQUENCES UNDER INDIAN LAW.

The Indian Income Tax Act, 1961, (the "**Income Tax Act**"), relates to taxes chargeable on income in India. The Income Tax Act provides for the taxation of persons resident in India on global income and persons not resident in India on income received, accruing or arising in India or deemed to have been received, accrued or arisen in India.

Taxation of Dividends

Dividends are not taxable in the hands of the recipient and hence dividends, if any, paid to the potential investor will not be liable to tax. However, our Company will be required to pay dividend distribution tax at the rate of 15%. (plus a surcharge at the rate of 10.0%. and an education cess at the rate of 3.0%. on the aggregate dividend distribution tax and surcharge) on the total amount distributed as dividends.

Residence for the Purpose of the Income Tax Act

A company is resident in India in any year ended March 31 if it is an Indian company or if, during that year, control and management of its affairs is situated wholly in India.

An Indian company means a company formed and registered under the Companies Act and includes a company formed and registered under any law relating to companies formerly existing in India or a corporation established by or under a central, state or provincial Act of India or an institution, association or a body declared by the Central Board of Direct Taxes of India to be a company for the purpose of the Income Tax Act, provided that the registered office or, as the case may be, the principal office of our Company, corporation, institution, association or body is in India.

Taxation on the Sale of Shares

Currently, any gain realized on the sale of the Equity Shares which have been held for more than 12 months to an Indian resident, or to a non-resident investor in India, will not be subject to Indian capital gains tax if Securities Transaction Tax, ("**STT**"), has been paid on the transaction. Such transactions are subject to STT of 0.125%., depending on the nature of the securities. No surcharge or education cess is payable on STT. STT is collected by the relevant stock exchange and is paid to the government.

Any long-term capital gain realized on the sale of Shares to an Indian resident whether in India or outside India, or to a non-resident in India on which no STT has been paid, will be subject to Indian capital gains tax, if any, at the rate of 10.0 %. plus the applicable surcharge on income tax and education cess at the rate of 3.0 %. For the purpose of computing capital gains tax on the sale of the Shares under the Income Tax Act, the cost of the acquisition of the Shares will be the cost at which the Shares are acquired in the Offering. Capital gains realized in respect of Shares held (calculated in the manner set forth in the prior paragraph) for 12 months or less (a short-term capital gain) on which STT is paid in the manner and at the rates set out above are subject to tax at the rate of 10.0 %. plus the applicable surcharge on income tax and an education cess at the rate of 3.0 %. In the event that no STT is paid, a short-term capital gain is subject to tax at variable rates with a maximum rate of 40.0 %. plus the applicable rate of surcharge on income tax and education cess at the rate 3.0 %. The actual rate of tax on a short-term capital gain depends on a number of factors, including the legal status of the seller. Capital losses arising on a transfer of shares in India are not dealt with in the Income Tax Act. In general terms, losses arising from a transfer of a capital asset in India can only be set-off against capital gains. A long-term capital loss can be set-off only against a long-term capital gain. A short-term capital loss can be set-off against both long-term capital gains and short-term capital gains. To the extent that losses are not absorbed in the year of transfer, they may be carried forward for a period of eight assessment years immediately succeeding the assessment year in which the loss arises and may be set-off against the capital gains of subsequent assessment years. If investors are covered by the STT regime, any loss arising from the transfer of long-term capital assets may not be available for set-off against long-term capital gains. As per the provisions of Sections 196D(2) of the Income Tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to FIIs (as defined in Section 115AD of the Income Tax Act) on the transfer of the redeemed underlying Equity Shares in India.

Tax Treaties

The provisions of the Agreement for Avoidance of Double Taxation entered into by the Central Government with the country of residence of the non-resident investor will be applicable to the extent that they are more beneficial to the non-resident investor. This will be applicable to all the existing provisions of the Income Tax Act set out in this section

Taxation on Buy-backs of Shares or Delisting

If the Shares held by the investor are purchased by our Company from the investor under a Buy Back Offer or by an acquirer under a Delisting Offer, the investor will be liable to income tax in respect of the capital gains arising on such buy-back as per the provisions of the Income Tax Act.

Taxation on Payment on Liquidation or Reduction of Capital

If any distribution is made by our Company to the shareholders on our Company’s liquidation or on the reduction of our Company’s capital, to the extent to which the distribution is attributable to our Company’s accumulated profits, the same will be treated as deemed dividend income in the hands of the shareholders. Under the existing provisions of the Income Tax Act, in addition to the income tax chargeable in respect of a domestic company for any assessment year, any amount declared, distributed or paid by such company by way of dividends (whether interim or otherwise) on or after April 1, 2003, whether out of current or accumulated profits, shall be charged to additional income tax referred to as tax on distributed profits at the rate of 15%. plus the applicable surcharge at the rate of 10.0%. of the dividend distribution tax and the applicable education cess at the rate of 3.0%. on aggregate dividend distribution tax and surcharge. Any gains accruing to the shareholders on the liquidation or reduction of capital in excess of such accumulated profits will be liable to income tax as capital gains in the hands of the shareholders as per the provisions of the Income Tax Act.

Withholding Tax

Long-term capital gains arising to non-resident investors on the transfer of the Shares in India will not be subject to a withholding tax if STT has been paid on the transaction. Other long-term capital gains will be subject to a withholding tax at the rate of 10.0%. plus the applicable surcharge and education cess at the rate of 3.0%. Short-term capital gains arising to non-resident investors on the transfer of the Shares will be subject to a withholding tax at the normal rate of 10.0%. plus the applicable surcharge and education cess (as explained above) applicable to the non-resident investor under the Income Tax Act if STT has been paid on the transaction. Other short-term capital gains will be subject to withholding tax at variable rates subject to a maximum rate of 40.0%. plus the applicable surcharge and education cess at the rate of 3.0%., depending on their legal status. However, as per the provisions of Section 196D(2) of the Income Tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to FIIs (as defined in Section 115AD of the Income Tax Act) on the transfer of the redeemed underlying Equity Shares in India. The provisions of the Agreement for Avoidance of Double Taxation entered into by the Central Government with the country of residence of the non-resident investor will be applicable to the extent that they are more beneficial to the non-resident investor.

Service Tax

Brokerage or commission fees paid to stockbrokers in connection with the sale or purchase of Shares are now subject to an ad valorem Indian service tax of 12.0%. (plus an education cess of 3.0%.). The stockbroker is responsible for collecting such service tax at such rate and for paying the same to the relevant authority.

LEGAL AND OTHER INFORMATION

We are involved in legal proceedings in various states in India, both as plaintiff and defendant. In addition, we are also involved in various claims raised by various central, state and local governmental authorities in respect of assessment of direct and indirect taxes, which claims are currently being defended or appealed by us.

However, except as described below, we and our group companies have not been involved as defendants in any legal proceedings, and no proceedings are threatened, which may have, or have had, during the 12 months preceding the date of this Placement Document, a material adverse effect on the business, properties, financial condition or operations of our Company and our subsidiary, associates and joint ventures, taken as a whole. We do not believe that the number of proceedings in which we are involved is unusual for a company of our size in the context of doing business in India.

Proceedings initiated against our Company:

Sr. No.	Forum	Filed By	Particulars	Quantum (Rs. In Million)	Current Status
1.	Income Tax Appellate Tribunal, (“**ITAT**”)	The Deputy Commissioner, Income Tax, (“**DCIT**”)	The DCIT, in connection with the period starting April 1, 1987, to September 5, 1997, filed an appeal against an order passed by the CIT (Appeals), which appeal has alleged that the CIT (Appeals): 1. erred in deleting the addition of Rs.16.32 million. as made by the Assessing Officer, (“**AO**”), on account of suppression in sales; and 2. erred in deleting the addition of Rs.0.36 million as made by the AO on account of depreciation. As such, this appeal seeks to reinstate these deletions.	16.69	Pending hearing and final disposal
2.	Commissioner of Customs	Directorate of Revenue Intelligence (DDI), Mumbai (“**DRI**”)	The DRI issued a show cause notice under Sections 28 and 124 of the Customs Act, 1962, for the alleged evasion of customs duty by declaring a lower maximum retail price, (“**MRP**”), in the Bill of Entry to the Customs. 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	The Commissioner Customs (Import), Mumbai has been appointed as an Adjudicating Authority to decide the matter, and a hearing has taken place. Orders are awaited.
3.	Bombay High Court	Commissioner of Customs, Mumbai (“**CC**”) Versus Cospar Impex Pvt.	The CC has alleged that CIPL had imported certain marble blocks without a valid licence. Accordingly, a redemption fine and penalty was sought to be imposed, and, pursuant to an appeal, the	13.30	Pending hearing and final disposal

		Ltd., (“**CIPL**”), which (merged with the Company, pursuant to an amalgamation)	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. In connection with the said CESTAT orders, three appeals have been filed by the CC.		
4.	Customs Excise & Service Tax Appellate Tribunal, Mumbai (“**CESTAT**”)	Committee of Chief Commissioner’s of Central Excise (“**CCCE**”) Versus Nitco Tiles Ltd.	The CCE had 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. This demand was however disposed off vide order dated April 25, 2006. However the said order was reviewed by the CCCE and accordingly the present appeal has been filed before CESTAT	14.13	Pending hearing and final disposal.

Proceedings initiated by our Company:

Sr. No	Forum	Filed Against	Particulars	Quantum (Rs. In Million)	Current Status
1.	Income Tax Appellate Tribunal	Deputy Commissioner of Income Tax, (“**DCIT**”)	The Company has claimed that they are eligible for certain sales tax incentives amounting to Rs. 54.4 Million in connection with the accounting year 1999-2000	18.31	Pending hearing and final disposal
2.	Income Tax Appellate Tribunal	Deputy Commissioner of Income Tax, (“**DCIT**”)	The Company has filed this Appeal in connection with the assessment year 2000- 2001, and as such has appealed the reduction of sales tax incentives of Rs. 87.5 Million and their treatment as capital receipts.	29.45	Pending hearing and final disposal
3	Income Tax Appellate Tribunal	Assistant Commissioner of Income Tax, (“**ACIT**”)	The Company has filed this Appeal in connection with the assessment year 2001-2002, and as such has appealed the reduction of sales tax incentives of Rs. 89.2 Million and their treatment as capital receipts.	30.02	Pending hearing and final disposal
4.	Income Tax Appellate Tribunal	Assistant Commissioner of Income Tax, (“**ACIT**”)	The Company has filed this Appeal in connection with the assessment year 2002-2003, and as such has appealed the reduction of sales tax incentives of Rs. 86.9 Million and their treatment as capital receipts.	29.25	Pending hearing and final disposal
5.	Commissioner of Income Tax	Deputy Commissioner	The Company has filed this Appeal in connection with the assessment year	30.36	Pending hearing and

Sr. No	Forum	Filed Against	Particulars	Quantum (Rs. In Million)	Current Status
	(Appeals)	of Income Tax, ("**DCIT**")	2003-2004, on the grounds that the Assistant Commissioner of Income Tax, ("**ACIT**"): 1. was unjustified in calculating Rs. 19.66 Million as suppressed sales; 2. was not justified in reducing 90% of the labour charges from profits of the business; 3. erred in adding excise duty of Rs.105.5 Million and sales tax of Rs.66.3 Million to the total turnover; 4. erred in reducing 90% receipt on account of DEPB being export incentives from the deduction U/s. 80HHC; 5. erred in disallowing 1/6th of the marble expenses amounting to Rs.1.69 Million; 6. erred in disallowing 1/10th of the welfare expenses amounting to Rs.0.77 million.; 7. erred in not granting sales tax incentives of Rs 67.9 million; and 8. erred in initiating penalty proceedings u/s. 271(1)(c) of the Income Tax Act, 1961.		final disposal

Show Cause Notice as served on Maharashtra Marble Co., (a Group Company, "MMC")

In 1996, a show cause notice was served by the Commissioner of Customs (E.P.), Mumbai, on MMC for an amount of Rs. 22.30 Million. A suitable response and initial defence was sent in writing, after which neither has any response been received, nor has a further demand been raised.

Notice of Arbitration as served against Anand Shree (Bombay) Holdings Pvt. Ltd., (a Group Company, Group Company/"ASBH")

ASBH entered into an agreement dated March 20, 1989, with Unitech Limited, ("**UL**"), for the sale and purchase of 100 acres of contiguous land at Virar in Maharashtra. UL has claimed Rs. 2961.6 Million from ASBH for alleged breaches of the said agreement, and has issued a notice dated October 24, 2005, for the invocation of an arbitration as envisaged by the said agreement.

Materiality threshold

Please note that we have only reported litigation/arbitration that our Company, its subsidiary/ (ies) and Group Company/ (ies) are involved in, where the amount of claim exceeds Rs.10,000,000/-. The summary of pending litigation set out in "*Risk Factors*" on Page [•] however, is not on the basis of this threshold, and includes all litigation irrespective of the amount involved.

ACCOUNTANTS

Our audited Financial Statements for Fiscal Years 2005, 2006 and 2007 were audited by M/s A. Husein Noumanali & Co , our Company's statutory auditors who have agreed to the inclusion of their audit report in this Placement Document. Our Company's unaudited results for six months ended September 30, 2006 and 2007 have been subjected to limited review by the statutory auditors of our Company. M/s A. Husein Noumanali & Co have also given their consent for the conversion of all the figures in the Financial Statements or results from lakhs to million and for such figures to also be stated in U.S. dollars.

INDIAN REGULATORY APPROVALS AND FILINGS

This Placement Document is a private document and it shall be provided to selected QIBs, through serially numbered copies, only.

This Placement Document shall be filed with the SEBI for its records within 30 days from the date of allotment of QIP Shares to the relevant QIBs.

GENERAL INFORMATION

1. Nitco Tiles Limited was incorporated in 1966 under the Companies Act in India and is registered with the Registrar of Companies in Maharashtra. Our Company's registration number is 11-16547. The registered office of the Company is 86-A, 8th Floor, Maker Chambers III, Nariman Point, Mumbai 400 021, Maharashtra, India .

2. The principal objects of the Company are to manufacture, buy, sell, prepare for market manipulation, treat, cure, submit to any purpose, trade in import, export and otherwise deal in and carry on business of tiles in mosaic, stone marble, terra cotta, ceramic and other types for floorings and walls.

3. The issue of the QIP Shares in this Offering was authorized in an Extraordinary General Meeting of the holders of our Company's Equity Shares held on February 21, 2007. Our Company will issue the QIP Shares on or around the Closing Date pursuant to the terms of the Placement Agreement. This Placement Document and the entry by our Company into the Placement Agreement and certain other documents related to the Offering were authorized and approved by the Issue Committee of the Board on October 24, 2007. The issue and allotment of the QIP Shares by our Company is expected to be authorized and approved by the Executive Committee of the Board on or about [●].

4. Our Company has obtained all consents, approvals and authorizations in India required in connection with the Offering. Where necessary, our Company has obtained all consents from its lenders, for the issue of the QIP Shares.

5. Our Company will issue the QIP Shares on or around the Closing Date pursuant to the terms of the Placement Agreement.

6. Applications have been made to the Indian Stock Exchanges for the QIP Shares to be issued on the Closing Date to be admitted to listing and to trading thereon. It is expected that admission of the QIP Shares to listing and to trading on the Indian Stock Exchanges will be granted on or around [●], subject to the issue of the QIP Shares. There is no assurance that such listings will be granted or maintained. Transactions will normally be effected for settlement in Indian rupees and for settlement on the [fifth] business day in Mumbai after the date of the transaction.

7. Copies of our Company's Memorandum and Articles of Association, the Placement Agreement, and the Financial Statements will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our Company's registered office.

8. M/s A. Husein Noumanali & Co., Chartered Accountants, Mumbai, have audited our consolidated financial statements for Fiscal Years 2005, 2006 and 2007. M/s A. Husein Noumanali & Co. have rendered unqualified audit reports in respect of our Financial Statements which they have audited, and they consent to the inclusion in this Placement Document of their name and these audit reports set out on pages [●] to [●], references to them in the form and context in which they are included. M/s A. Husein Noumanali & Co. has also conducted a limited review on our Company's unaudited financial statements for the six months ended September 30, 2006 and 2007 in respect of which they have rendered a limited review report and they consent to the inclusion in this Placement Document of their name and references to their review report in the form and context in which they appear.

9. We prepared our consolidated financial statements as at and for Fiscal Year 2005, 2006 and 2007 and our Company's unaudited financial statements as at and for the six months ended September 30, 2006 and 2007, each as contained herein, in conformity with Indian GAAP which differs in certain material respects from IFRS and U.S. GAAP.

10. Except as disclosed in this Placement Document, there has been no significant change in our consolidated financial or trading position and no material adverse change in our consolidated financial position or prospects since March 31, 2007.

11. Except as disclosed in this Placement Document, we are not involved in any material litigation or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Placement Document, a material adverse effect on our financial position, nor, so far as we are aware, are there any such proceedings pending or threatened.

12. The Placement Agreement and the Lock-up Deed are governed by the laws of India.

13. None of the QIP Shares has been sold or is available in whole or in part to the public in conjunction with the application for the QIP Shares to be admitted to listing and to trading on the Indian Stock Exchanges. Pursuant to the QIP Regulations, for a period of 12 months from the date of the issue of the QIP Shares in the Offering, QIBs purchasing QIP Shares in the Offering may only sell their QIP Shares across the Indian Stock Exchanges and may not enter into any off-market trading in respect of these QIP Shares.

14. The clearance and settlement of trading on the Indian Stock Exchange of our Equity Shares are done with the following security identification codes:

ISIN:	INE858F01012
BSE Code:	532722
NSE Code:	NITCO

The address of our Company's website is www.nitcotiles.com. Information contained on this website does not constitute part of this Placement Document.

FINANCIAL STATEMENTS

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF

NITCO TILES LIMITED

1) We have audited the attached consolidated balance sheet of Nitco Tiles Limited and its subsidiaries as at March 31, 2007, March 31, 2006 and March 31, 2005, the consolidated profit and loss account for the years ended on those dates annexed thereto, and the consolidated cash flow statement for the years ended on those dates, which we have signed under reference to this report. These consolidated financial statements are the responsibility of Company's management and have been prepared for the proposed Qualified Institutional Placement of the Company's shares. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2) We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Nitco Tiles Limited and its subsidiary included in the consolidated financial statements.

4) On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Nitco Tiles Limited and its aforesaid subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the consolidated state of affairs of Nitco Tiles Limited and its subsidiary as at March 31, 2007, March 31, 2006 and March 31, 2005;

   (b) in the case of the consolidated profit and loss account, of the consolidated results of operations of Nitco Tiles Limited and its subsidiary for the years ended on those dates; and

   (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of Nitco Tiles Limited and its subsidiary for the years ended on those dates.

5) Solely for the convenience of the readers, these consolidated financial statements as of and for the year ended March 31, 2007 have been translated into United States dollars at the average Interbank rate on March 31, 2007, of U.S. $1= Rs. 43.48. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other rate on March 31, 2007 or at any other date.

For A. Husein Noumanali & Co.
Chartered Accountants

(A. Husein Noumanali)
Proprietor
M. No. 14757

Place : Mumbai
Date : 24th October 2007

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007, MARCH 31, 2006 AND MARCH 31, 2005

PARTICULARS	Schedule	AS AT			
		31-Mar-07	31-Mar-07	31-Mar-06	31-Mar-05
SOURCES OF FUNDS		US $ in Million	Rs in Million	Rs in Million	Rs in Million
SHAREHOLDERS FUNDS					
Share Capital	I	5.12	222.71	222.71	122.71
Share Capital Suspense (Refer Note 2, Schedule XX)		0.85	37.04	-	-
Reserves & Surplus	II	61.81	2687.27	2,356.32	725.14
		67.78	**2947.02**	**2,579.03**	**847.85**
MINORITY INTEREST		0.03	1.48	-	-
DEFERRED TAX LIABILITIES		2.87	124.61	40.63	33.49
LOAN FUNDS					
Secured Loans	III	18.64	810.66	580.87	1,045.25
Unsecured Loans	IV	10.85	471.63	247.75	154.25
		29.49	**1,282.29**	**828.62**	**1,199.50**
TOTAL		**100.17**	**4355.40**	**3,448.28**	**2,080.84**
APPLICATION OF FUNDS					
FIXED ASSETS	V				
Gross Block		52.73	2,292.49	1,989.77	1,360.55
Less: Depreciation		11.76	511.39	414.18	349.88
Net Block		**40.97**	**1,781.10**	**1,575.59**	**1,010.67**
Capital Work-in-progress		7.59	330.33	134.31	87.76
		48.56	**2,111.43**	**1,709.90**	**1,098.43**
INVESTMENTS	VI	8.60	373.88	748.30	-
CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	VII	49.63	2,157.86	956.66	771.22
Sundry Debtors	VIII	11.00	478.29	321.32	324.91
Cash and Bank Balances	IX	3.89	169.34	158.25	44.65
Loans and Advances	X	10.76	467.76	379.44	248.48
		75.28	**3,273.25**	**1,815.67**	**1,389.26**
Less: CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	XI	27.85	1,210.86	752.77	385.03
Provisions	XII	4.42	192.30	72.82	21.82
		32.27	**1403.16**	**825.59**	**406.85**
NET CURRENT ASSETS		**43.01**	**1870.09**	**990.08**	**982.41**
TOTAL		**100.17**	**4355.40**	**3,448.28**	**2,080.84**

Statement of significant accounting policies and notes to the accounts – **Schedule XX**

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007, MARCH 31, 2006 AND MARCH 31, 2005

PARTICULARS	**Schedules**	**Year Ended**			
		31-Mar-07	**31-Mar-07**	**31-Mar-06**	**31-Mar-05**
SALES AND OTHER INCOME		US $ in Million	Rs in Million	Rs in Million	Rs in Million
GROSS SALES	XIII	108.20	4,704.33	3,063.62	2,088.12
Less : EXCISE DUTY		2.55	110.59	79.7	64.60
NET SALES		**105.65**	**4,593.74**	**2,983.92**	**2,023.52**
OTHER INCOME	XIV	0.29	12.62	0.23	0.11
TOTAL INCOME		**105.94**	**4,606.36**	**2,984.15**	**2,023.63**
EXPENDITURE					
Materials Consumed	XV	53.23	2,314.33	1,444.28	901.12
Stores Consumed		0.96	41.67	29.51	16.96
Power and Fuel		5.59	243.06	219.35	215.91
Personnel	XVI	4.21	183.18	147.01	116.16
Administrative Expenses	XVII	4.38	190.65	134.90	138.22
Selling & Distribution Expenses	XVIII	21.25	923.73	579.03	395.12
		89.62	**3,896.62**	**2,554.08**	**1,783.49**
PROFIT BEFORE INTEREST, DEPRECIATION & TAX		**16.32**	**709.74**	**430.07**	**240.14**
Interest and Other Financial Charges	XIX	1.86	81.13	132.49	85.55
Depreciation	V	2.31	100.40	64.58	56.41
PROFIT BEFORE TAXATION		**12.15**	**528.21**	**233.00**	**98.18**
Provision for Current Tax		1.35	58.86	19.61	7.70
Provision for Fringe Benefit Tax		0.12	5.09	6.00	-
Provision for Deferred Tax		1.93	83.97	7.14	15.09
PROFIT AFTER TAXATION (Before Adjustment for Minority Interest)		**8.75**	**380.29**	**200.25**	**75.39**
Add : Share of Loss transferred to Minority		**0.001**	**0.003**	**0.00**	**0.00**
PROFIT AFTER TAXATION (After Adjustment for Minority Interest)		**8.75**	**380.29**	**200.25**	**75.39**
Add : Balance brought forward from previous year		11.84	514.65	389.81	206.93
Add : Deferred Tax Liability for the Previous years written back		-	-	-	107.89
(Short) / Excess Provision for Tax in earlier years		-	-	-	(0.40)
AMOUNT AVAILABLE FOR APPROPRIATION		**20.59**	**894.94**	**590.06**	**389.81**
Less : Proposed Dividend		1.19	51.95	22.28	-
Less : Dividend Tax on Proposed Dividend		0.20	8.82	3.12	-
Less : Provision for dividend payable on new shares , to be allotted under Qualified Institutional Placement (QIP)		0.41	18.00	-	-
Less Dividend Tax on above		0.07	3.06	-	-
Less: Transferred to General Reserve		1.16	50.00	50.00	-
BALANCE CARRIED TO BALANCE SHEET		**17.56**	**763.11**	**514.66**	**389.81**
EARNING PER SHARE - BASIC & DILUTED (FACE VALUE PER SHARE RS.10/- EACH)	XX(19)		16.39	15.59	6.14

Statement of significant accounting policies and notes to the accounts **– Schedule XX**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007, MARCH 31, 2006 AND MARCH 31, 2005

Particulars	**Year Ended**			
	31-Mar-07	**31-Mar-07**	**31-Mar-06**	**31-Mar-05**
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
A.*CASH FLOW FROM OPERATING ACTIVITIES*				
Net Profit as restated before Tax and Extraordinary items	**12.15**	**528.21**	**233.00**	**98.18**
Adjusted for:				
Depreciation	2.31	100.40	64.58	56.41
Provision for Bad and Doubtful Debts	0.06	2.54	1.91	1.27
(Profit)/Loss on sale of assets	0.06	2.44	0.38	5.04
(Profit)/Loss on sale of Investments (Net)	(0.16)	(6.81)	-	-
Interest and Financial Charges (Net)	1.86	81.13	132.49	85.55
Operating Profit before Working Capital Changes	**16.28**	**707.91**	**432.36**	**246.45**
Adjusted for changes in Working Capital :				
(Increase)/Decrease in Sundry Debtors	(3.67)	(159.50)	1.67	(39.74)
(Increase)/Decrease in Inventories	(27.63)	(1201.20)	(185.43)	(369.21)
(Increase)/Decrease in Other Receivables	(0.71)	(30.92)	(112.78)	(36.59)
Change in Current Liabilities	10.54	458.09	367.75	189.78
Cash Generated from Operations	**(5.19)**	**(225.62)**	**503.57**	**(9.31)**
Income Taxes Paid	(1.34)	(58.31)	(18.18)	(6.15)
Net Cash from Operating activities	**(6.53)**	**(283.93)**	**485.39**	**(15.46)**
B.*CASH FLOW FROM INVESTING ACTIVITY*				
Purchase of Fixed Assets (Net)	(11.66)	(506.79)	(676.51)	(152.87)
Sale of Fixed Assets	0.06	2.42	0.07	1.20
Sale/(purchase) of Investments	10.37	450.76	(748.30)	-
Net Cash from in Investing Activity	**(1.23)**	**(53.61)**	**(1424.74)**	**(151.67)**
C.*CASH FLOW FROM FINANCING ACTIVITIES*				
Minority Interest	0.03	1.48	-	-
Proceeds from / (Repayment) of Long Term / Short Term Borrowings, net	10.43	453.67	(370.88)	270.17
Issue of shares at par	-	-	100.00	-
Share premium on fresh issue received (net of Issue Expenses)	-	-	1456.33	-
Interest Paid	(1.87)	(81.13)	(132.49)	(85.55)
Payment Of Proposed Dividend & CDT	(0.58)	(25.39)	-	-
Net Cash from / (used in) Financing Activities	**8.01**	**348.63**	**1052.96**	**184.62**
Net Increase / (Decrease) in Cash & Cash Equivalents	**0.25**	**11.09**	**113.61**	**17.49**
Opening Balance of Cash and Cash Equivalents	3.64	158.25	44.64	27.15
Closing Balance of Cash and Cash Equivalents	3.89	169.34	158.25	44.64

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE - I - SHARE CAPITAL	As at			
	31-Mar-07	31-Mar-07	31-Mar-06	31-Mar- 05
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Authorised:				
50,000,000 Equity Shares of Rs. 10 each	11.50	500.00		
27,500,000 Equity Shares of Rs. 10 each			275.00	275.00
	11.50	**500.00**	**275.00**	**275.00**
Issued and Subscribed:				
22,271,330 Equity Shares of Rs.10 each fully paid-up	5.12	222.71	222.71	122.71
	5.12	**222.71**	**222.71**	**122.71**

Notes:

1. In respect of the above Equity Shares, 16 Equity Shares of the face value of Rs.10/- each have been allotted as fully paid up and issued to the shareholders of the erstwhile Mahalakshmi Tiles & Marble Co. Pvt. Ltd. and Cospar Impex Pvt. Ltd. on amalgamation with the Company without payment being received in cash.

2. On 11th March 2006, Company allotted 10,000,000 Equity shares of Rs.10/- each at a premium of Rs.158 per Share through Initial Public Offer

3.

SCHEDULE - II - RESERVES AND SURPLUS	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Capital Reserve	0.00	0.06	0.06	0.06
Capital Reserve on consolidation	0.01	0.32	-	-
Capital Redemption Reserve	2.22	96.50	96.50	96.50
Share Premium Account				
Opening Balance	38.91	1,691.62	235.29	235.29
Add: Additions	-	-	1,580.00	-
Less: Public Issue Expenses	-	-	123.67	-
	38.91	1,691.62	1,691.62	235.29
General Reserve				
Opening Balance	1.23	53.48	3.48	3.48
Add: Additions	1.15	50.00	50.00	-
Add: On account of Merger	0.74	32.18	-	-
	3.12	135.66	53.48	3.48
Profit & Loss Account Balance	17.56	763.11	514.66	389.81
	61.81	**2687.27**	**2,356.32**	**725.14**

Note : Premium on issue of Equity Shares represents premium of Rs.158 per share on issue of 10,000,000 equity shares under an initial public offer.

SCHEDULE - III - SECURED LOANS	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Term Loans				
From Banks	11.86	515.63	480.48	628.29
From Financial Institutions	-	-	12.13	33.33
Cash Credit from Banks	6.49	282.40	76.27	370.08
Hire Purchase Arrangements	0.29	12.63	11.99	13.55
	18.64	**810.66**	**580.87**	**1,045.25**

SCHEDULE - IV - UNSECURED LOANS	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Short Term Loans :				
From Banks	10.58	460.00	237.71	80.00
Inter Corporate Deposits	0.27	11.63	10.04	74.25
	10.85	**471.63**	**247.75**	**154.25**

SCHEDULE - V - CONSOLIDATED SCHEDULE OF FIXED ASSETS **Rs in Mn**

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Description of Assets	As at 1.4.2006	Additions	Deductions	As at 31.03.2007	As at 1.4.2006	For the Period	Deductions	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Goodwill	-	42.29	-	42.29	-	-	-	-	42.29	-
Freehold Land	143.54	-	-	143.54	-	-	-	-	143.54	143.54
Leasehold Land	16.56	-	-	16.56	-		-	-	16.56	14.59
Buildings	459.07	7.07	-	466.14	77.29	15.43	-	92.73	373.41	381.77
Office Equipment	59.22	14.15	-	73.37	15.69	6.93	-	22.62	50.74	43.52
Plant & Machinery	830.95	213.41	-	1044.36	282.78	50.34	-	333.12	711.24	548.18
Electrical Installations	45.23	0.71	-	45.94	14.93	2.15	-	17.08	28.87	30.31
Furniture & Fixtures	27.09	17.59	-	44.68	7.91	2.13	-	10.04	34.64	19.17
Motor Vehicles	42.03	13.59	8.05	47.57	12.35	3.99	3.19	13.14	34.43	29.68
Windmill	368.05	-	-	368.05	3.23	19.43	-	22.67	345.39	364.82
Total	**1,991.74**	**308.81**	**8.05**	**2,292.49**	**414.18**	**100.40**	**3.19**	**511.39**	**1,781.10**	**1,575.59**

Note : Balances as on 1.4.2006 includes opening balance of Nitco Tiles Ltd, Nitco Realties Pvt.Ltd., which became subsidiary during the year

SCHEDULE V - FIXED ASSETS									(Rs. In Mns)	
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Description of Assets	**As at 1st Apr 05**	**Additions**	**Deductions**	**As at 31-Mar-06**	**As at 1st Apr 05**	**For the Period**	**Deductions**	**As at 31-Mar-06**	**As at 31-Mar-06**	**As at 31st Mar 05**
Freehold Land	**125.23**	**18.31**	**0.00**	**143.54**	**0.00**	**0.00**	**0.00**	**0.00**	**143.54**	**125.23**
Leasehold Land	**14.59**	**0.00**	**0.00**	**14.59**	**0.00**	**0.00**	**0.00**	**0.00**	**14.59**	**14.59**
Buildings	**326.12**	**132.95**	**0.00**	**459.07**	**66.15**	**11.14**	**0.00**	**77.29**	**381.78**	**259.97**
Office Equipment	**32.48**	**26.73**	**0.00**	**59.21**	**12.98**	**2.71**	**0.00**	**15.69**	**43.52**	**19.51**
Plant & Machinery	**764.02**	**69.72**	**0.00**	**833.74**	**242.10**	**40.68**	**0.00**	**282.78**	**550.96**	**521.92**
Electrical Installations	**38.90**	**3.55**	**0.00**	**42.45**	**13.05**	**1.87**	**0.00**	**14.92**	**27.53**	**25.85**
Furniture & Fixture	**21.71**	**5.38**	**0.00**	**27.09**	**6.48**	**1.43**	**0.00**	**7.91**	**19.18**	**15.22**
Motor Vehicles	**37.50**	**5.26**	**0.73**	**42.03**	**9.12**	**3.51**	**0.28**	**12.35**	**29.68**	**28.38**
Windmill	**0.00**	**368.05**	**0.00**	**368.05**	**0.00**	**3.24**	**0.00**	**3.24**	**364.81**	**0.00**
Total	**1,360.55**	**629.95**	**0.73**	**1,989.77**	**349.88**	**64.58**	**0.28**	**414.18**	**1,575.59**	**1,010.67**
Previous Year	**1,232.14**	**135.87**	**7.46**	**1,360.55**	**294.67**	**56.41**	**1.20**	**349.88**	**1,010.67**	

SCHEDULE V - FIXED ASSETS									(Rs. In Mns)	
	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Description of Assets	As at 01/04/2004	Additions	Deductions	As at 31/03/2005	As at 01/04/2004	For the period	Deductions	As at 31/03/2005	As at 31/03/2005	As at 31/03/2004
Freehold Land	123.66	1.57	0.00	125.23	0.00	0.00	0.00	0.00	125.23	123.66
Leasehold Land	14.59	0.00	0.00	14.59	0.00	0.00	0.00	0.00	14.59	14.59
Buildings	298.93	27.19	0.00	326.12	55.75	10.40	0.00	66.15	259.97	243.19
Office Equipment	27.67	4.91	0.10	32.48	9.94	3.06	0.03	12.97	19.51	17.73
Plant & Machinery	678.42	90.79	5.19	764.02	205.77	36.66	0.33	242.09	521.92	472.65
Electrical Installations	37.09	1.81	0.00	38.90	11.24	1.81	0.00	13.05	25.85	25.84
Furniture & Fixtures	19.35	2.36	0.00	21.71	5.19	1.30	0.00	6.49	15.22	14.16
Motor Vehicles	32.43	7.24	2.17	37.50	6.78	3.18	0.84	9.13	28.38	25.64
Total	1232.14	135.87	7.46	1360.55	294.67	56.41	1.20	349.88	1010.67	937.47
Previous Year	1149.55	87.70	5.11	1232.14	243.99	52.49	1.81	294.67	937.47	

SCHEDULE - VI – INVESTMENTS	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
(At Cost, Non-Trade, Current)				
Fixed Deposit with Scheduled Bank (Refer Note No. 22)	8.29	360.60	550.30	-
Investments in National Defence Certificates	-	0.01	-	-
Units of Liquidity Fund of Reliance Mutual Fund	-	-	198.00	-
Investment Property	0.31	13.23	-	-
4200 Equity Shares of Rs.10/- each fully paid up in Saumya Buildcon	-	0.04	-	-
	8.60	**373.88**	**748.30**	**-**

SCHEDULE - VII - INVENTORIES	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Raw Materials	5.07	220.51	106.02	105.29
Process Stock	8.48	368.58	23.70	15.84
Finished Products	34.68	1,507.96	777.88	578.26
Stores, Spares and Consumables	1.39	60.36	44.26	49.93
Goods in Transit	0.01	0.45	4.80	21.90
	49.63	**2,157.86**	**956.66**	**771.22**

SCHEDULE - VIII - SUNDRY DEBTORS (UNSECURED)	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Outstanding over six months				
Considered good	0.64	28.03	21.31	26.05
Considered doubtful	0.30	12.86	10.33	8.41
	0.94	**40.89**	**31.64**	**34.46**
Less: Provision for Doubtful Debts	0.30	12.86	10.33	8.41
	0.64	**28.03**	**21.31**	**26.06**
Other debts considered good	10.36	450.26	300.01	298.85
	11.00	**478.29**	**321.32**	**324.91**

SCHEDULE - IX - CASH AND BANK BALANCES	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Cash on Hand	0.22	9.35	7.49	4.44
Balance with Scheduled Bank				
Current Account	3.02	131.12	102.64	0.80
Margin Money Account	0.66	28.87	48.12	39.41
	3.89	**169.34**	**158.25**	**44.65**

SCHEDULE - X - LOANS AND ADVANCES	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
(Unsecured, Considered Good)	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Advances recoverable in cash or in kind or for value to be received	6.02	261.96	297.95	216.03
Advance to Subsidiary Company	-	-	-	-
Balances with Customs & Excise	2.46	106.62	39.72	8.85
Income-tax payments	2.28	99.18	41.77	23.60
	10.76	**467.76**	**379.44**	**248.48**

SCHEDULE - XI - CURRENT LIABILITIES	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Sundry Creditors	22.92	996.26	640.11	241.51
Dealer Deposit	0.55	23.97	21.34	20.27
Other Liabilities	3.97	172.65	76.20	109.65
Interest accrued but not due on Loans	-	0.06	0.19	0.46
For Excise Duty	0.41	17.92	14.93	13.14
	27.85	**1,210.86**	**752.77**	**385.03**

SCHEDULE - XII - PROVISIONS	As at			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
For Taxation	2.54	110.46	47.42	21.82
For Proposed Dividend	1.88	81.84	25.40	-
	4.42	**192.30**	**72.82**	**21.82**

SCHEDULE - XIII - SALES	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Sales	108.19	4,703.80	3,063.52	2,078.15
Labour Charges	0.01	0.53	0.10	9.97
	108.20	**4,704.33**	**3,063.62**	**2,088.12**

SCHEDULE - XIV - OTHER INCOME	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Rent received	0.03	1.26	-	0.11
Dividend received etc.	0.26	11.36	0.23	-
	0.29	**12.62**	**0.23**	**0.11**

SCHEDULE - XV - MATERIAL CONSUMED	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
INCREASE/DECREASE IN STOCK	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Opening Stock				
Finished Stock	17.89	777.88	578.27	254.80
Process Stock	0.54	23.69	15.84	23.28
	18.44	801.57	594.11	278.08
Less: Closing Stock				
Finished Stock	34.68	1,507.96	777.88	578.27
Process Stock	0.84	36.36	23.69	15.84
	35.52	1,544.32	801.57	594.11
(Increase)/Decrease in Stock (A)	**(17.08)**	**(742.75)**	**(207.46)**	**(316.03)**
Consumption of Raw Materials				
Opening Stock	2.44	106.02	105.29	80.05
Add :Purchases	23.01	1,000.57	457.77	530.99
	25.45	1,106.59	563.06	611.04
Less: Closing Stock	5.07	220.52	106.02	105.29
Total Raw Material Consumed (B)	**20.38**	**886.07**	**457.04**	**505.75**
Purchase of Finished Goods for Sale (C)	**49.93**	**2,171.00**	**1,194.70**	**711.41**
TOTAL MATERIALS CONSUMED (A+B+C)	**53.23**	**2,314.33**	**1,444.28**	**901.12**

SCHEDULE - XVI - PERSONNEL COST	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Salaries, Wages, Bonus etc	3.71	161.23	124.11	96.08
Contribution to Provident & Other Funds	0.24	10.50	11.10	8.80
Welfare Expenses	0.26	11.45	11.80	11.28
	4.21	**183.18**	**147.01**	**116.16**

SCHEDULE - XVII - ADMINISTRATIVE EXPENSES	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Rent Rates and Taxes	0.68	29.66	20.13	9.02
Processing Charges	0.27	11.90	10.23	14.80
Water Charges	0.11	4.61	3.41	3.73
Postage and Telephone	0.33	14.43	11.37	10.72
Printing and Stationery	0.10	4.50	3.18	3.09
Insurance	0.24	10.43	4.56	14.97
Legal and Professional Fees	0.29	12.60	9.68	12.11
Travelling & Conveyance Expenses	0.78	34.02	32.84	31.35
Audit Fees	0.04	1.58	1.20	1.00
Hire Charges	0.75	32.76	17.05	11.70
Security Charges	0.06	2.42	1.92	1.73
Donations	0.01	0.35	0.07	0.26
Repairs and Maintenance				
Buildings	0.09	3.89	4.07	1.83
Machinery	0.09	3.87	3.76	4.72
Others	0.13	5.83	5.76	5.39
Miscellaneous Expenses	0.41	17.80	5.67	11.81
	4.38	**190.65**	**134.90**	**138.22**

SCHEDULE - XVIII - SELLING & DISTRIBUTION EXPENSES	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Advertisement & Sales Promotion	3.48	150.65	128.98	133.30
Sales Tax	10.64	462.65	279.12	147.01
Freight Forwarding & Distribution & Other Exp	7.07	307.24	168.43	113.54
Bad Debts	0.01	0.64	0.58	-
Provision for Doubtful Debts	0.06	2.55	1.92	1.27
	21.25	**923.73**	**579.03**	**395.12**

SCHEDULE - XIX - INTEREST AND OTHER FINANCIAL CHARGES	Year Ended			
	31- Mar-2007	31- Mar-2007	31- Mar-2006	31- Mar-2005
	US $ in Million	Rs in Million	Rs in Million	Rs in Million
Term Loans	0.74	32.39	49.42	41.33
Cash Credit	1.03	44.99	26.60	31.10
Others	0.09	3.75	56.47	13.12
	1.86	**81.13**	**132.49**	**85.55**

SCHEDULE XX

1. **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT**

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 on straight line method in accordance with and at the rates prescribed in the Companies Act, 1956.

iii) Modvat Credit availed on capital goods is accounted for by credit to respective assets, and no depreciation is availed thereon.

C) Inventories

i) Stores and spare parts are stated at or below cost.

ii) Inventories other than stores and spare parts are valued "At cost or Net Realizable Value, whichever is lower". Cost is generally determined on weighted average cost basis and whenever required, appropriate overheads are taken into account. Net Realizable Value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

iii) Cost of raw materials, stores, spare parts and consumables is net of applicable Modvat credit wherever applicable.

D) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An impairment loss will be recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value using the weighted average cost of capital. Previously recognized impairment loss is further provided or reversed depending on change in circumstances.

E) Expenditure during construction period

In case of new projects and substantial expansion of existing factories, expenditure incurred, including trial production expenses net of revenue earned and attributable interest and financing costs, prior to commencement of commercial production are capitalized.

F) Investments

Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline, other than temporary. Current investments are stated at cost or fair value whichever is lower. Cost is determined on a weighted average basis.

G) 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.

H) Sales

Sales are inclusive of excise duty and sales tax as applicable.

I) Foreign Currency Transactions

i) All loans repayable in foreign currency and outstanding at the close of the period 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.

ii) Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the period, 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 period.

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.

J) Employment / Retirement Benefits

i) Company's contribution to Provident Fund, Superannuation Fund and other Funds for the period is accounted for on accrual basis and charged to the Profit & Loss Account of the period.

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.

K) Taxation

Current Tax

Current tax is provided on the basis of tax payable on estimated taxable income computed in accordance with the applicable provisions of Income tax Act, 1961 after considering the benefits available under the said Act.

Deferred Taxes

In accordance with Accounting Standard 22 – Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing difference between the book and tax profits for the period is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the balance sheet date.

Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

L) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the company.

M) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's Shareholders.

2. **Merger (The Composite Scheme of Arrangement)**

I) A Composite Scheme of Arrangement under Section 391 to 394 read with Sections 78 and 100 to 103 of the Companies Act, 1956 (the Scheme) between Nitco Tiles Limited ('NTL"), Nitco Realties Private Limited ("NRPL"), Shark Properties Private Limited ("SPPL") and Motivation Properties Private Limited ("MPPL") and their respective shareholders and creditors has been sanctioned by Hon'ble High Courts of at Mumbai. Upon necessary filings with the Registrar of Companies, the scheme has become effective on October 2,2007. Consequently, in terms of the Scheme:

a) The entire business and undertaking of SPPL including all assets and liabilities, as a going concern, will stand transferred to and vested in NTL with effect from January 1, 2007 being the Appointed Date.

b) SPPL stand dissolved without being wound up. Consequently,

II) In consideration of the merger, NTL will issue 10 (Ten) Equity Shares of Rs. 10 each/- fully paid up for every 27 (Twenty Seven) Equity Shares of Re 1 each held in the SPPL on October 2,2007. Hence, NTL has issued 37,03,703 equity shares.

Pursuant to merger of SPPL into NTL, both NRPL and MPPL will be wholly owned subsidiaries of NTL. MPPL shall, without any further application or deed, issue and allot to NTL or its heirs, executors, administrators or the successors-in-title, as the case may be 10,000 fully paid up Preference Shares of Rs. 10 each for 10,000 equity shares of Rs. 10 each held by NTL in NRPL.

III) Accounting for Amalgamation

a) With effect from the Appointed Date, all the assets including investments and liabilities appearing in the books of accounts of SPPL and NRPL stands transferred to and vested in NTL or MPPL, as the case may be pursuant to the Scheme and have been recorded by NTL and MPPL at their book values.

b) 37,03,703 Equity Shares of Rs.10/- each to be issued as fully paid up to the Equity Shareholders of Shark Properties Pvt. Ltd. pursuant to the scheme of Amalgamation for consideration other than cash. Pending allotment, the face value of such shares has been shown as "Equity Share Suspense".

c) Rs. 32.18 mn being difference between the value of the net assets of SPPL transferred to NTL pursuant to High Court Order at their book values and the value of shares allotted by NTL, under this Scheme, is credited to General Reserve Account of NTL.

IV) All costs, charges, taxes including duties, levies and all other expenses, if any (save as expressly otherwise agreed), incurred in carrying out and implementing this Scheme and matters incidentals thereto, is being borne by NTL.

3. **Principles of Consolidation**

These accounts represent consolidated accounts of the Group and its majority owned subsidiaries and as follows :

Entity	Country of Incorporation	Nature of Business	Relationship	Shareholding as at March 31, 2007
Nitco Realities Private Limited *	India	Real Estate Development	Subsidiary	100%
Particle Boards India Ltd	India	Real Estate Development & Service provider	Subsidiary	95.49%
Glamorous Properties Pvt Ltd	India	Real Estate Development	Subsidiary	100%
Opera Properties Pvt Ltd	India	Real Estate Development	Subsidiary	100%

Note* Pursuant to the merger of Nitco Realties Pvt. Ltd. with Motivation Properties Pvt. Ltd., the name of Motivation Properties Pvt. Ltd. has been changed to Nitco Realties Private Limited. The company is in the process of filing necessary forms with the ROC.

For the purpose of this consolidation, jointly owned entities, where Nitco Tiles Ltd. or its subsidiaries own directly or indirectly more than 50 percent of voting right of a company's share capital, have been accounted for as subsidiaries.

The equity and net income attributable to minority shareholders' interest are shown separately in the Balance Sheets and Profit and Loss Account, respectively.

4. **Secured Loans**

   a. Term Loans from Banks / Financial Institutions have been secured by a first charge on *pari passu* basis on all movable and immovable fixed assets of the Ceramics Tiles factory at Alibaug. It has been additionally secured by an irrevocable and unconditional personal guarantee from Mr. Vivek Talwar, Managing Director of the Company.

   b. Cash Credit from banks have been secured by hypothecation of the whole of the current assets of the Company including inventories, book debts, consumable stores & spares (not relating to Plant & Machinery), bills receivable and all other movables, both present and future wheresoever situated. It is further secured by a first charge on the Fixed Assets of the company's mosaic tiles division at Thane and Second charge on the Fixed Assets of the ceramic tiles division at Alibaug and is also guaranteed by Mr. Vivek Talwar, Managing Director of the Company.

   c. Hire Purchases have been secured by hypothecation of specific assets

5. **Unsecured Loans**

   Unsecured Loans from Banks are secured by personal guarantee of Mr. Vivek Talwar, Managing Director.

6. The Company had imported certain equipments at concessional duty under various licenses pursuant to the Export Promotion Capital Goods Scheme. The export obligation under individual licenses have to be fulfilled within a period of 8 years from the date of the licence or such extended period as may be allowed from time to time.

7. Excise Duty of Rs.17.92 Millions (Previous year Rs.14.93 Millions) has been provided on goods held in bond and consequently included in the valuation of inventories.

8. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, and Deposits are subject to confirmation. In the opinion of the Board, the Current Assets, Loans and Advances are of the value stated as realisable in the ordinary course of the business. Accounts receivable is net of advances. The provisions for depreciation and all the known liabilities are not in excess of the amount reasonably necessary.

9. Interest and other financial charges include loss / gain on exchange fluctuations on revenue account.

10. **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 year, the Company has debited the Profit and Loss Account with Deferred Tax Liability of Rs. 83.97 Millions (Previous year Rs.7.14 Millions). The position of Deferred Tax Assets and Liabilities during the year is as follows:

Rs. In Millions

	Up to 31-Mar-2006	**During the FY0607**	**Carried as at 31-Mar-2007**
Deferred Tax Liabilities			
1) Difference between accounting and Tax Depreciation (Cumulative)			
	157.40	3.24	160.64
Deferred Tax Assets			
1 Unabsorbed Losses and Depreciation	105.05	-80.73	24.32
2. Others	11.71	NIL	11.71
Net Deferred Tax Liabilities	**40.64**	**83.97**	**124.61**

Tax effect of timing difference on account of depreciation of windmills has been ignored as the same is reversed during the tax holiday period available under Section 80IA of the Income Tax Act.

11. Sundry Creditors in Schedule VI to the accounts includes:
    a) Rs.1.71 Millions (previous year Rs.1.04 Millions) due to Small Scale Industrial Undertakings.
    b) Rs.994.55 Millions(previous year Rs.639.07 Millions) due to other creditors.

    The disclosure is based on the information available with the Company regarding the status of suppliers under the Industries Development & Regulation Act, 1951. Name of small scale industrial undertaking to whom an amount of Rs.0.01 mn. or more was payable and outstanding for more than 30 days is as follows:-
    i. Praveen Pulverizers. Rs.1.71 Millions

12. Previous year's figures have been regrouped wherever necessary to make them comparable with those of the current year

13. **Capacity, Production, Purchases, Turnover and Stock**

    A. Licenced, Installed Capacity and Actual Production:
    (Units in Millions)

Particulars	**Year ended**		
	31- Mar- 2007	**31- Mar-2006**	**31- Mar- 2005**
Mosaic Tiles			
Licenced Capacity	**N.A.**	**N.A.**	**N.A**
Installed Capacity (Sq.ft.)	9.09	9.09	8.49
Actual Production (Sq.ft.)	4.83	4.98	5.61
Ceramic Tiles			
Licenced Capacity	**N.A.**	**N.A.**	**N.A**
Installed Capacity (Sq.mts.)	6.31	4.03	4.03
Actual Production (Sq.mts.)	4.22	3.29	3.51

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

B. Purchases

Particulars	Year ended					
	31- Mar- 2007		31- Mar-2006		31- Mar- 2005	
	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million
Ceramic Floor Tiles (Sq.mts.)	0.00	0.00	0.00		0.17	28.39
Vitrified / Wall Tiles (Sq.mts.)	7.14	2093.28	3.84	1,194.51	2.23	683.01
Mosaic Tiles	0.04	0.70	0.008	0.19		
Others	0.00	77.02				
Total		**2,171.00**		**1,194.70**		**711.40**

C. Turnover

Particulars	Year ended					
	31- Mar- 2007		31- Mar-2006		31- Mar- 2005	
	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million
Ceramic Floor Tiles (Sq.mts.)	4.02	1,171.74	3.21	937.24	3.51	960.10
Vitrified / Wall Tiles (Sq.mts.)	5.19	2,528.81	3.29	1,688.32	1.41	724.24
Marble (Sq.ft.)	3.34	763.08	1.43	324.99	1.27	325.82
Mosaic Tiles (Sq.ft.)	5.09	162.17	4.71	113.07	5.46	76.69
Others		78.53				1.27
Total		**4704.33**		**3,063.62**		**2,088.12**

D. Opening Stock

Particulars	Year ended					
	31- Mar- 2007		31- Mar-2006		31- Mar- 2005	
	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million
Ceramic Floor Tiles (Sq.mts.)	1.12	197.25	1.05	187.35	0.88	140.17
Vitrified / Wall Tiles (Sq.mts.)	1.49	499.92	0.94	288.73	0.12	46.51
Marble (Sq.ft.)	0.51	70.04	0.68	96.82	0.39	65.39
Mosaic Tiles (Sq.ft.)	0.79	10.67	0.52	5.37	0.36	2.73
Total		**777.88**		**578.27**		**254.80**

E. Closing Stock

Particulars	Year ended					
	31- Mar- 2007		31- Mar-2006		31- Mar- 2005	
	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million
Ceramic Floor Tiles (Sq.mts.)	1.32	254.62	1.12	197.25	1.05	187.35
Vitrified / Wall Tiles (Sq.mts.)	3.43	1,118.66	1.49	499.92	0.94	288.73
Marble (Sq.ft.)	0.87	120.46	0.51	70.04	0.68	96.82
Mosaic Tiles (Sq.ft.)	0.57	14.22	0.79	10.67	0.52	5.37
Total		**1507.96**		**777.88**		**578.27**

F. **Raw Material Consumed**

Particulars	Year ended					
	31- Mar- 2007		31- Mar-2006		31- Mar- 2005	
	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million	Qty. Millions	Rs in Million
Body Material (MT)	0.08	174.01	0.06	114.52	0.06	101.34
Glaze Material (MT)	0.005	146.74	0.004	110.47	0.003	126.58
Rough marble Blocks / Slabs (Sq ft)	3.69	437.54	1.26	157.17	1.56	161.80
Packing Material		48.36		32.68		31.13
Others		79.42		42.20		84.90
Total		**886.07**		**457.04**		**505.75**

G. **Value of Raw Materials, Spares Components consumed during the year**

Particulars	Year ended					
	31- Mar- 2007		31- Mar-2006		31- Mar- 2005	
	Qty. Millions	%	Qty. Millions	%	Qty. Millions	%
Raw Materials						
Imported	436.10	49.22%	193.33	42.30%	241.29	47.71%
Indigenous	449.97	50.78%	263.71	57.70%	264.46	52.29%
Total	**886.07**	**100.00%**	**457.04**	**100.00%**	**505.75**	**100.00%**
Spares & Components						
Imported	6.83	16.40%	4.58	15.53%	3.70	21.81%
Indigenous	34.84	83.60%	24.94	84.47%	13.25	78.19%
Total	**41.67**	**100.00%**	**29.52**	**100.00%**	**16.95**	**100.00%**

14. **Earnings in Foreign Exchange**

FOB Value (Rs. In Million)

Particulars	Year ended		
	31- Mar- 2007	31- Mar-2006	31- Mar- 2005
FOB value of Exports	83.71	7.24	33.74

15. **Value of imports calculated on CIF basis**

(Rs in Millions)

Particulars	Year ended		
	31- Mar- 2007	31- Mar-2006	31- Mar- 2005
Goods for Resale	1,436.62	860.30	601.84
Raw Material	314.20	103.89	92.73
Capital Goods	55.42	80.33	27.85
Spare Parts & Components	11.60	2.83	5.89
Total	**1817.84**	**1047.35**	**728.31**

16. **Expenditure in Foreign Currency**

(Rs in Millions)

Particulars	Year ended		
	31- Mar- 2007	31- Mar-2006	31- Mar- 2005
Interest	0.16	27.35	18.94
Foreign Travel etc.	12.67	17.81	7.91
Total	**12.83**	**45.16**	**26.85**

17. **Auditors Remuneration**

(Rs in Millions)

Particulars	Year ended		
	31- Mar- 2007	**31- Mar-2006**	**31- Mar- 2005**
Audit Fees	1.57	1.20	1.00
Certification Fess – IPO	0.00	0.40	0.00
Out of Pocket expenses	0.02	0.00	0.00
	1.59	1.60	1.00

18. **Directors Remuneration**

(Rs in Millions)

Particulars	Year ended		
	31- Mar- 2007	**31- Mar-2006**	**31- Mar- 2005**
Salary	4.68	4.27	3.72
Contribution to PF and other Funds	0.95	0.76	0.78
Perquisites	0.32	0.23	0.00
Commission	5.37	2.40	0.00
Directors sitting fees	0.55	0.13	0.00
	11.87	**7.79**	**4.50**

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 for calculation of commission payable to Managing Director

(Rs in Millions)

	31- Mar- 2007	**31- Mar-2006**
Profit before tax as per profit & loss Account	528.10	233.00
Add :- Provision for depreciation as per profit & loss Account	100.40	64.58
Assets written off as per profit & loss account	0.00	0.38
Remuneration to Directors	6.50	5.40
Provision for Doubtful Debts	2.54	1.92
	637.54	305.27
Less :- Depreciation under Section 350 of the Companies Act, 1956	(100.40)	(64.58)
Profit as per section 349 of the companies Act , 1956	537.14	240.69
1% commission payable to Managing Director	5.37	2.40

Note : As no commission is payable to directors of subsidiaries , the aforesaid computation of commission to MD is related to Nitco Tiles Limited.

19. **Earnings per share - (EPS)**

	31- Mar- 2007	**31- Mar-2006**	**31- Mar- 2005**
i. Profit computation for Basic Earnings Per Share of Rs. 10 each (Rs in Million)	380.29	200.25	75.39
ii. Weighted average number of equity shares for Earnings Per Share computation	23,197,256	12,846,672	12,271,330
iii.Earnings Per Share (Weighted Average)			
Basic & Diluted EPS (Rs.)	16.39	15.59	6.14
iv. Face Value per Share (Rs.)	10.00	10.00	10.00

20. **Contingent Liabilities**

(Rs in Millions)

	31- Mar- 2007	31- Mar-2006	31- Mar- 2005
Guarantees / Counter Guarantees given by the company / by banks on behalf of company	21.59	38.31	19.45
Letter of credits opened for which the company is contingently liable	551.52	148.82	55.33
Export Bills discounted / purchased with the banks	9.95	16.10	0.00
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	39.20	23.20	0.00
Demands against the company not acknowledged as debts and not provided for against which the company is in appeal			
- Excise Duty	9.88	24.90	1.08
- Custom Duty	39.83	90.80	90.80

21. **Information on related party transactions as required by Accounting Standard – 18 for the year ended 31.03.2007**

The related parties with whom there were transactions during the year are listed below :

1. **Directors** :

Mr. P.N. Talwar	Chairman
Mr. Vivek Talwar	Managing Director
Ms. Poonam Talwar	W/T Director
Mr. Dinesh Kanabar	Independent Director
Mr. S.K. Bhardwaj	Independent Director
Mr. Atul Sud	Independent Director

2. **Relatives of Directors :**

Ms. Anjali Talwar
Mr. Lovraj Talwar
Ms. Dolly Talwar
Mr. Rohan Talwar
Ms. Savitri Talwar
Ms. Sanjana Talwar
Mrs. Rajeshwari Talwar

3. **List of related parties over which the Directors have significant influence or control :**

Anandshree (Bombay) Holding Pvt.Ltd.
Cosmos Realtors Pvt.Ltd.
Delicious properties Pvt.Ltd.
Eden Garden Builders Pvt.Ltd.
Enjoy Builders Pvt.Ltd.
Ferocity Properties Pvt.Ltd.
Lavender Properties Pvt.Ltd.
Merino Realtors Pvt Ltd.
Nitco Construction Materials Pvt.Ltd.
Nitco Consultants & Exports Pvt.Ltd.
Nitco Paints Pvt.Ltd
Nitco Terrazzo Tiles Pvt.Ltd
Mahalakshmi Tiles Corporation
Maharashtra Marble Co.
Nitco Exports
Nitco Sales Corporation (Delhi)
Nitco Tiles & Marble Industries (A) Pvt.Ltd.
Norita Investments Pvt.Ltd.
Orchid Realtors Pvt Ltd.
Prakalp Properties Pvt. Ltd.
Rangmandir Builders Pvt. Ltd.
Rhythm Real Estates Pvt. Ltd.
Strength Properies Pvt. Ltd.
Ushakiran Builders Pvt.Ltd.
Watco Engineering Co.Pvt.Ltd
Watco Properties Pvt. Ltd
Watco Real Estate Pvt Ltd
Watco Trading Pvt Ltd
Nitco Tiles
Nitco Tiles Sales Corporation (Bombay)
Northern India Tiles (Sales) Corporation
The Northern India Tiles Corporation (Delhi)

Related Party Transaction of FY 2007 *(Rs in Millions)*

	Directors	**Company controlled by Directors / Relatives**
Purchase Goods & services	0.00	0.05
Rent Paid	0.30	3.80
Remuneration / Sitting Fees	0.55	0.00
Interest on loans paid	0.37	0.55
Rent Deposit	20.00	70.00
Loans taken outstanding as on 31.03.2007	0.00	4.47

22. **Details of utilization of IPO proceeds are stated below:** *(Rs in Millions)*

	Utilisation as projected in the prospectus	Actuals as on 31.03.2007
Expansion of Ceramic Tiles capacity	209.10	214.10
Setting up of Wall Tile Unit	369.10	0.80
Installation of wind Mills	378.60	380.80
Public Issue Expenses	117.40	123.70
General Corporate Purposes	605.80	605.80
	1680.00	1325.20

Note: Pending utilization, as on 31.03.2007 balance funds have been invested in Fixed Deposits with Banks.

23. **Segment Reporting for the year ended 31st March 2007**

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.

DECLARATION

Our Company certifies that all relevant provisions of Chapter XIII-A of the SEBI (DIP) Guidelines have been complied with and no statement made in this Preliminary Placement Document is contrary to the provisions of Chapter XIII-A of the SEBI (DIP) Guidelines and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Preliminary Placement Document are true and correct.

CHIEF FINANCIAL OFFICER

THE COMPANY

Nitco Tiles Limited
86-A, 8th Floor, Maker Chambers III,
Nariman Point, Mumbai, 400 021,
India

LEAD MANAGER

Avendus Advisors Private Limited
IL&FS Financial Center,
B Quadrant, 5th Floor,
Bandra Kurla Complex,
Bandra (East)
Mumbai-400 051
India

Motilal Oswal Investment Advisors Private Limited
Palm Spring Centre, 2nd Floor, Palm Court Complex,
New Link Road,
Malad (West),
Mumbai - 400 064
India

INDIAN LEGAL ADVISORS TO THE OFFERING

J. Sagar Associates
Vakils House, 18, Sprott Road,
Ballard Estate,
Mumbai-400 001
India

INTERNATIONAL LEGAL ADVISORS TO THE LEAD MANAGER

Jones Day
29/F Edinburgh Tower,
The Landmark,
15, Queen's Road Central,
Hong Kong

AUDITORS

M/s A. Husein Noumanali & Co
610, Mount Mary Apartment
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Mumbai – 400 050
India