



**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the 27<sup>th</sup> Annual General Meeting of the Company will be held on Thursday, the 29<sup>th</sup> September 2011 at 11.00 a.m. at the Registered Office of the Company at 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500 001, to transact the following business :

**Ordinary Business:**

1. To consider and adopt the Audited Balance Sheet as on 31<sup>st</sup> March 2011 and Profit and Loss account for the year ended on that date along with the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri P J V Sarma, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt Bindu G Naidu, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint M/s Brahmayya & Co., Chartered Accountants, Hyderabad (Registration No. 000513S) as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

**Special Business:**

**5. Appointment of Sri Tummula Ramesh Chandra Bose as a Director**

**To Consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION:**

“**RESOLVED THAT** Sri. Tummula Ramesh Chandra Bose who was inducted as an Additional Director on the Board of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 36(e) of the Articles of Association of the Company, by the Board of Directors in their meeting held on 27<sup>th</sup> July 2011 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, proposing his candidature for the office of Director, pursuant to Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

**6. Approve the tenure of Dr. G N Naidu, Chairman and Managing Director of the Company beyond the age limit prescribed under Schedule XIII of the Companies Act, 1956**

**To consider and if though fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:**

“**RESOLVED THAT** pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Part I (c) of the said Act as may be amended from time to time and subject to the approval of the financial institutions / banks in terms of the loan agreements and such other



approvals that may be necessary, the approval of the Company be and is hereby accorded for continuation of the tenure of Dr. G N Naidu as Chairman and Managing Director of the Company, after the attainment of age of 70 years, on the existing terms and conditions.”

By order of the Board  
For **Regency Ceramics Limited**

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

**M. Amala**  
Company Secretary

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**Notes:**

- 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll, instead of himself. Proxy need not be a member of the company; Proxy form duly completed should be deposited at the company's registered office at least 48 hours before the commencement of the meeting.***
- Members/proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in. Members holding shares in D-mat form shall write their Client ID and DP ID No. and those holding in Physical form to write their Folio No. in the attendance slip for attending the meeting. Copies of Annual Reports will not be provided at the meeting.
- An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to items of Special Business to be transacted at the meeting is annexed hereto.
- The Register of Members and Share Transfer books of the company will remain closed from 22<sup>nd</sup> September 2011 to 29<sup>th</sup> September 2011 (both days inclusive).
- Members seeking any information with regard to accounts for the financial year ended 31<sup>st</sup> March 2011, may send their queries to the company at least 10 days before the meeting, in order to enable the Management to keep the information ready at the Meeting.
- In case there is any correction/change in your address registered with us, we request you to communicate the same to us / Company's R & T Agent, the address given elsewhere in this Annual Report.
- The Company has already transferred the unclaimed dividend declared for the financial year 1991-92 to the general revenue account of the Central Government as required by the Companies Un-paid Dividend (Transfer to the General Revenue account of the Central Government) Rules, 1978. Shareholders who have not claimed or collected the dividend for the aforesaid financial year may claim their dividend by writing to the Registrar of Companies, Andhra Pradesh, Kendriya Sadan, Koti, Hyderabad-500001.
- The Company has transferred to the 'Investors Education and Protection Fund' the unpaid / unclaimed dividend declared as interim dividend / dividend for the financial year 1999-2000 in June 2007, for the financial year 2000-01 in



October 2008, for the financial year 2001-02 in October 2009 and for financial year 2002-03 in November 2010. **The Company will be transferring the unpaid/unclaimed dividend declared for the financial year 2003-2004 in October 2011.** Shareholders who have not encashed the dividend warrant(s) so far, with regard to final dividends for the financial year 2003-04 are requested to write to the Company Secretary, Regency Ceramics Limited, N. N. House, Chirag Ali Lane, Abids, Hyderabad - 500 001 or to the Company's R&T Agent, the address given elsewhere in this Annual Report. Please note that once the unclaimed dividend is transferred to the aforesaid 'Investors Education and Protection Fund' of the Central Government, no claim shall lie in respect thereof.

9. Your company's securities are listed with The Stock Exchange, Mumbai (BSE) and The National Stock Exchange Limited, Mumbai (NSE). The company is regular in paying the annual listing fee to the said Stock Exchanges.
10. Corporate members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

By order of the Board  
For **Regency Ceramics Limited**

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

**M. Amala**  
Company Secretary

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**Annexure to the notice:**

**Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956**

**Item No: 5**

Sri Tummula Ramesh Chandra Bose was appointed as an Additional Director on the Board of the Company, vide resolution passed by the Board of Directors in their meeting held on 27<sup>th</sup> July 2011 under Section 260 of the Companies Act, 1956. In terms of the provisions of the said section, Sri TRC Bose vacates office at this meeting.

Sri TRC Bose, aged about 70 years, holds B.E (Electrical) and FIE qualifications. He has over 47 years of experience in Thermal, Gas and Hydro Power Projects and presently working as Managing Director for Athena Chhattisgarh Power Pvt. Ltd. He is also Professional Director in IVRCL Infrastructure & Projects Limited, Hyderabad, Kakatiya Cement, Sugar & Industries Ltd, Hyderabad, Konaseema Gas Power Limited, Hyderabad, Country Wide Power Transmission Ltd, New Delhi, Vijai Electricals Ltd, Hyderabad, Sew Infrastructure Ltd, Hyderabad and IVRCL Assets & Holding Ltd, Hyderabad. He has vast experience in APSEB. He was the Former Director (Projects) in APTRANSCO.

The Company has received a notice in writing along with a deposit of Rs. 500/- in terms of section 257 of the Companies Act, 1956 proposing Sri T.R.C. Bose as a candidate for being elected as a Director. If elected as a Director, the period of his office will be subject to determination by retirement of directors by rotation.

None of the Directors except, Sri TRC Bose is deemed to be concerned or interested in the said resolution.



**Item No: 6**

The Members of the Company at the 24<sup>th</sup> Annual General Meeting held on 27<sup>th</sup> September 2008 approved the re-appointment of Dr. G N Naidu as the Chairman and Managing Director for a further period of 5 years, w.e.f. 9<sup>th</sup> February 2009. Dr. G N Naidu attained the age of 70 years on 01-07-2011. As per the provisions of Schedule XIII of the Companies Act, 1956, approval of the members is required by way of Special Resolution in the General Meeting for continuation of tenure of Dr. G N Naidu after attainment of age of 70 years.

Considering the notable contribution of the Chairman and Managing Director, your Directors commend the resolution for your approval.

None of the Directors except, Dr. G N Naidu, Smt. Bindu G Naidu, Sri G Sreenivasulu Naidu and Sri N Satyendra Prasad are deemed to be concerned or interested in the said resolution.

**Additional information on the Directors seeking re-election / re-appointment at the ensuing Annual General Meeting:**

**Sri P.J.V. Sarma**, aged about 53 years holds B.Tech in Chemical Engineering, AICWA and PGDFM qualifications. He had worked for ICICI group for over 30 years in Corporate Banking, Project Finance and General Insurance. Presently he is working as Director on whole time basis for Nava Bharat Group (which has operations in ferro alloys, sugar and power generation), looking after the Strategy, Project Finance and Planning functions. His wide experience shall help the Company, in providing valuable inputs for deliberations of the Board and in improving the overall growth of the Company. He is presently a Director in the Andhra Pradesh Paper Mills Ltd and Nava Bharat Projects Limited.

**Smt. Bindu G Naidu**, aged about 36 years is a B.Com Graduate from Osmania University, A.P and acquired a Masters Degree in Business Administration with specialization in Finance from P. S. G. Institute of Management, Bharatiar University, Coimbatore, Tamil Nadu. She worked as Whole-Time Director of the Company from 27<sup>th</sup> January 2001 till 19<sup>th</sup> September 2008 and thereafter as Non-Executive Director. Smt. Bindu G. Naidu holds directorship in Regency Merchant Banking Ltd., Regma Ceramics Ltd, Regma Foods Limited and Cenergy Infra Limited.

By order of the Board  
For **Regency Ceramics Limited**

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

**M. Amala**  
Company Secretary



**DIRECTORS' REPORT TO THE SHAREHOLDERS:**

Your Directors hereby present their 27<sup>th</sup> Annual Report along with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2011.

| <b>Financial Performance:</b> |   | <b>(Rs. in lakhs)</b> |                |
|-------------------------------|---|-----------------------|----------------|
| <b>Sl.No.</b>                 | <b>Particulars</b>                            | <b>2010-11</b>        | <b>2009-10</b> |
| 01.                           | Turnover                                      | <b>20687</b>          | 17522          |
| 02.                           | Gross profit before interest and Depreciation | <b>387</b>            | 936            |
| 03.                           | Finance charges                               | <b>1542</b>           | 1427           |
| 04.                           | Depreciation                                  | <b>1068</b>           | 1070           |
| 05.                           | Net loss before tax                           | <b>(2223)</b>         | (1561)         |
| 06.                           | Income tax                                    | <b>(679)</b>          | (223)          |
| 07.                           | Net Loss after tax                            | <b>(1544)</b>         | (1338)         |
| 08.                           | Balance carried to balance sheet              | <b>(2577)</b>         | (1034)         |

**Review of Operations:**

During the year under review, your Company's operations were affected due to various factors beyond the control of the management such as increase in the price of the raw materials, slower growth of consumer durables, ups and downs in the sectoral commodity markets and increased finance cost. Too many market players, particularly in the un-organized tile sector and cheaper imports became major threat in balancing the price for the product with its quality and cost. The business environment and fluctuating economy made it all the more challenging to optimise the capacity utilisation and to achieve break-even point.

Your Company achieved the production of 93.06 lakh sq.mts during the year under review as against 97.90 lakh sq.mts during the previous year. The sales in physical and financial terms from own operations being 96.83 lakh sq.mts. (previous year 92.64 lakh sq.mts) and Rs.17688 lakhs (previous year Rs.16599 lakhs) respectively.

Your Company made a turnover in the trading activity to boost up the earnings during the year under review. The sales in physical and financial terms being 10.39 lakh sq.mts (previous year 3.61 lakh sq mts) and Rs. 2999 lakhs (previous year Rs. 923 lakhs).

Your Directors express their inability to recommend any dividend for the year under review due to insufficient disposable income.

**Exports:**

Your company continued to export to various parts of the World. Due to decrease in production levels, your company was unable to concentrate much on exports. Your company achieved an export turnover of Rs. 2379 lakhs (previous year Rs.2990 lakhs). There is ample scope of improving the turnover once the production level improves.

**Future outlook:**

The future outlook for the ceramic tile industry is by and large dependant on the development of real estate sector. In India, real estate industry is expanding especially in areas like housing, office space, retail and entertainment, among others. The varied changes in the consumer's perspective towards the decorative use of ceramic tiles and its application in indoor and outdoor areas has brought in new trends and developments in the



market, which your Company has been able to innovate and exploit upon. Your Company has identified important factors such as increase in production, improvement in quality, increase in average realization, reduction of variable cost, constant product innovation and development, full usage of gas supply, aggressive marketing and distribution network to contribute to the success of the Company. Vitrostone and Estilia, the new products launched by the Company has been accepted in the market. The Company has been expanding its foot work by making its presence felt in unrepresented areas. The focus is more on selling high value products. With the quality of product and services by the Company as contributory factors, your company's growth prospects continue to be good for the coming years.

***Transfer of unpaid/unclaimed Dividend to IEPF:***

The unclaimed dividend for the year 2003-04 is due for transfer in October, 2011. The dividend once transferred to Investor Education and Protection Fund cannot be claimed. It is advised to the Shareholders, who have not so far encashed the dividend warrants, to write to the Company or its Registrar and Transfer Agents immediately.

***Customs, Excise, Income tax & other matters:***

Your company preferred an appeal before Income Tax Appellate Tribunal, Hyderabad on demand from Dy. Commissioner of Income Tax, Hyderabad in respect of Assessment year 2004-05 for disallowance of additional depreciation, for which the company is eligible under the Act.

Yanam Municipality has demanded Property Tax of Rs.32.35 lakhs for the years from 1998-99 to 2006-07 and your company disputed the same as the grounds are not just, proper and reasonable.

***Achievements /Accomplishments:***

During the year under review, your company received "Certificate of Merit" from CAPEXIL sponsored by Ministry of Commerce & Industry, Government of India. Also, the Company continues to enjoy the status of "Export House", recognized by the Ministry of Commerce, Government of India, in view of consistent export performance and the same is valid till 31<sup>st</sup> March 2013.

***Environment and Social concerns:***

Your company continues to enjoy the ISO 9001-2000 certification for quality, the ISO 14001 certification for its Environmental Management Systems and the OHSAS 18001 certification from 'Occupational Health Safety Managing System (OHSMS) for the Health and Safety measures observed in the company. The integrated QESH (Quality, Environment, Safety and Health) policy implemented in all areas of operations is in place.

***Directors:***

Sri P J V Sarma and Smt Bindu G Naidu, Directors retire by rotation and are eligible for re-appointment in this AGM.

Sri T R C Bose was appointed as Additional Director on the Board of the company on 27<sup>th</sup> July 2011 and if elected by the members of the Company, the period of his office will be subject to determination by retirement of directors by rotation.

Dr. G N Naidu, the Chairman and Managing Director of the Company attained the age of 70 years on 01.07.2011. Members approval is sought for continuation of tenure of his office.

***Auditors:***

M/s. Brahmaya & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retires at the conclusion of this Annual General Meeting and are eligible for re-appointment.



**Auditors' Report:**

The Auditors' comments in the Report are self-explanatory.

**Auditor's Remarks:**

- i. Referring to Para 4(vi) of the Auditors report, the Directors would like to refer to Note No.5 of the schedule 19 – 'Notes to Accounts', which is self explanatory.
- ii. Referring to Para ix (b) of the Annexure to the Auditors report, your Directors are of the opinion that the Company is in the process of executing various alternative plans and the improved operating performance would enable the Company to control such delays in future.

**Fixed deposits:**

During the year, the Company has not accepted any fixed deposits.

**Corporate Governance:**

The Corporate Governance Report along with the Management Discussion & Analysis Report is annexed as part of this Annual Report.

Auditors report on Corporate Governance is also attached to this report.

**Directors' Responsibility Statement:**

Your Directors confirm that

- i) in the preparation of annual accounts, applicable accounting standards have been followed;
- ii) the accounting policies adopted are consistent and judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

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

**Particulars of Employees:**

Provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company, since none of the employees of the Company was in receipt of total remuneration in excess of the prescribed limits as amended.

**Industrial Relations:**

Your Company maintained cordial industrial relations with employees through out the year under review. Your Company continues to develop Human Resources at all levels by imparting continuous training, motivation to attain higher productivity, finer quality, cost control, safety and environment protection.



**Acknowledgements:**

The Board gratefully acknowledges the ongoing support and co-operation extended by the Financial Institutions/Banks viz: CDR Cell, State Bank of India, The South Indian Bank Ltd, State Bank of Travancore, State Bank of Bikaner and Jaipur, Corporation Bank, Axis Bank, IFCI Ltd, PIPDIC, Central & State Government Departments, GAIL, ONGC, Dealers, Customers, Suppliers and Shareholders. Your Directors place on record their deep sense of appreciation for the dedicated efforts and contribution made by employees at all levels.

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

For and on behalf of the Board  
**Dr. G. N. Naidu**  
Chairman and Managing Director

**ANNEXURE – I TO DIRECTORS' REPORT :**

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo as per Section 217(1)(e) of the Companies Act, 1956 (as applicable):**

**a. Conservation of Energy:**

Your Company continues to be committed to energy conservation and has already taken up the fuel saving technology for the manufacture of ceramic tiles and is constantly upgrading the same to reduce the consumption of gas and power. Regular maintenance and repairs of all the equipment and machinery are carried out to ensure optimum efficiency and to minimize wastage. Necessary steps were initiated for implementing the energy conservation across the plant.

**b. Technology Absorption:**

Your Company is continuously endeavoring to upgrade its technology from time to time in all aspects through R&D primarily aiming at reduction of cost of production and improving the quality of the product. Your company has developed value added products such as glazed vitrified tiles 60x60 cm and high definition designs in wall tiles with laser printing in 60x30 cm. Special concept tiles have been developed and given to market, for improving the realization. The products developed have been branded in the market as Vitrostone 60x60 cm and Estilia for 30x60 cm wall tiles. Your Company developed and formulated its own designs and frits for floor glossy glaze. New innovative designs in Wood finish branded as "WENGI" in 60x60 cm and 40x40 cm floor tile category, Rustic Series in 30x30 cm VOLCANO & TITAN series were launched. No import of technology was made and your company is constantly striving for higher indigenization of the components and spares.

**c. Foreign Exchange Earnings and Outgo:**

- a) Your Company has earned foreign exchange of Rs. 1991.84 lakhs. (Previous year Rs. 2566.56 lakhs).
- b) The foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses amounted to Rs. 1569.47 lakhs (Previous year Rs.2024.86 lakhs).

For and on behalf of the board

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

**Dr. G.N Naidu**  
Chairman and Managing Director



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**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

***Industry Structure and Development:***

The Indian economy during 2010-11 has been characterized by robust economic growth and steady fiscal consolidation. The Economic Survey of India revealed that India's real Gross Domestic Product (GDP) grew by about 8.6% in 2010-11. Indian manufacturing industry is at an important juncture today. Witnessing a wave of growth, the Indian manufacturing sector is touted to be much more promising in the future. The industrial output registered a growth of 7.8% in 2010-11.

The Indian tile industry continues to grow at a healthy 15% per annum. Ceramic Tiles today have become an integral part of home improvement. India ranks in the top 5 list of countries in terms of tile production in the world. India's ceramic tile industry emerged in the 1950s. Tiles form the most significant part of the Indian ceramics industry and consist of floor tiles (46%), vitrified and porcelain tiles (12%) and wall tiles (42%). The floor tiles segment is growing faster as compared to wall tiles. Vitrified and porcelain tiles with the entry into the ceramic tile industry have increased the size of the market considerably. These tiles are light and have the added advantage of being offered in designer looks as compared to mosaic tiles, which are heavier and more expensive to transport. Both organized and unorganized sectors play a key role in the manufacturing of ceramic tiles in India. The unorganized sector accounts for 55% of the total industry bearing testimony of the attractive returns from this sector.

Your company started its commercial production on 1<sup>st</sup> May, 1986, with an installed capacity of 25,000 MT per annum of ceramic tiles at Yanam, Puducherry. The company since inception has seen a positive growth trend and expanded its capacity in stages to 2,50,000 MT per annum.

Your Company has formulated and focused on higher format 60x60 cm both in floor and vitrified production to have better realization. New series have been added in 60x60 cm under glossy series (LAPATHO), Group-3 Satin finish and Group-5 Rustic Series. During the year, your Company has also outsourced vitrified and wall tiles in a much larger scale.

Wall Concepts introduced in the market have received good response and your company is focusing on development of wall tile concept in 60x30 cm and 30x30 cm Piedra designer tiles. Your Company has added third firing decorative products along with wall tiles to cater to the architectural segments.

***Opportunities and Outlook***

The ceramics industry in India is poised for sustained growth, powered by long term demand for construction. In India, the construction sector is expected to do well mainly due to the fiscal incentives given to infrastructure development. Increase in income levels and availability of a range of financing options for housing is enabling growth in housing construction. At the same time, industry players are gearing up for growth through building capacity and focusing on technology and process improvements. Improving capability of Indian players is getting reflected in increasing exports across ceramics. The industry offers a bright picture for existing players, as well as potential investors.

Apart from their decorative looks, Ceramic Tiles are primarily hygiene products and that is how our broad spectrum of consumers view the product. This is fairly evident from its varied usage from bathrooms and kitchens in average Indian households to medical centers, labs, milk booths, schools, public conveniences, shopping malls and numerous other centers; which dot our day to day life. A ceramic tile is basically a "utility product"



and that remains our promotional slogan. Popular housing projects are increasingly switching over to Ceramic Tiles moving away from the traditional use of mosaic and even granite or marble, owing to several factors viz. ease in laying ability, versatility, low price and hygiene.

*The key success factors for the ceramic industry include:*

- Efficient manufacturing processes
- Technology– especially in growing areas like porcelain and vitrified tiles
- Supply chain management and distribution
- Branding

***Threats, Risks and Concerns***

Imports and the unorganized tile sector are the major threat to the Indian tile market. Freight, power and gas remains the key cost-related issues impacting the industry. Customs duty on import of ceramic tiles to be corrected to prevent dumping of imported tiles. Apart from this, global financial melt down, the rise in inflation during the last year, increase in Credit cost, Builders facing difficulty and projects getting delayed due to fall in real estate market were the major concerns during last year.

*However these effects can be mitigated by:-*

- Large volume of production
- Sustainable reduction in the cost of input material
- Major Change in fuel consumption pattern
- Reduction in import cost of material due to having better substitute from local market
- Constant technology up-gradation and building a brand image

***Internal Control System:***

Your Company has in place proper and adequate systems of internal controls commensurate with its size and the nature of its operations comprising authority levels and powers, supervision, checks and balances, policies, procedures and internal audit. The internal control system provides reasonable assurance that the transactions are properly recorded and are executed in accordance with proper management authorization and that the assets are safeguarded against loss from unauthorized use or disposition and that the accounting records are adequate for preparation of financial statements and other financial information. The system is reviewed and updated on an on-going basis. The Company is continuously upgrading its internal control systems by various measures such as strengthening of Information Technology, infrastructure, use of external management services and adoption of various recommendations of Internal Audit Committee.

***Human Resources and Industrial relations:***

Your Company believes that human resource is the most important asset of the organization and lays importance on competence and commitment of human capital for its growth. Accordingly, the HR interventions are aimed at strengthening the service ethic amongst the staff and helping them to realise their full potential. An enabling environment that fosters continuous learning and innovation remains a key focus area.

During the year under review, your company maintained peaceful industrial relations and continued its efforts to improve HR related processes, practices and systems to align these to the organizational objectives. The employees were appraised of performance of the Company through various communications. Proactive and collaborative approach towards industrial relations supported by a positive mindset amongst all employees ensured cordial employee relations.



**Business Review and Financial Performance**

During the year under review, your company's performance was affected by the adverse factors such as gas supply constraints, steep increase in gas prices, increased cost of almost all inputs, non-availability of skilled workforce, fierce competition, increased finance cost, liquidity crunch, fall in realisations and also the continuous challenging business environment, which dragged the Company's bottom line. Your company is continuously striving hard for optimum utilisation of plant capacities and to achieve break-even point.

The comparative financials, with respect to operational performance are given herein below:

| Sl No | Particulars  |                 | 2009-10    | 2010-11           | Favorable (+)/ Adverse (-) %change |
|-------|--|-----------------|------------|-------------------|------------------------------------|
| 1     | Production (including outsourced goods for trading)                | Lakh sq. mts    | 101.57     | <b>103.58</b>     | 2                                  |
| 2     | Capacity utilization   | %               | 75         | <b>72</b>         | -5                                 |
| 3     | Physical sales   | Lakh sq. mts    | 96.25      | <b>107.22</b>     | 11                                 |
| 4     | Realizations   | Rs. Per sq. mts | 182.05     | <b>192.94</b>     | 6                                  |
| 5     | Net Sales/Income from operations                                   | Rs. in Lakhs    | 16537      | <b>19205</b>      | 16                                 |
| 6     | Other Income   | Rs. in Lakhs    | 513        | <b>462</b>        | -10                                |
| 7     | Increase/(Decrease) in Stock                                       | Rs. in Lakhs    | 461        | <b>(297)</b>      | -164                               |
| 8     | Total Income   | Rs. in Lakhs    | 17511      | <b>19370</b>      | 11                                 |
| 9     | Total Expenditure  | Rs. in Lakhs    | 16576      | <b>18984</b>      | 15                                 |
| 10    | Operating Profit   | Rs. in Lakhs    | 935        | <b>386</b>        | -59                                |
| 11    | Operating Margin   | %               | 5.34       | <b>2.00</b>       | -63                                |
| 12    | Finance Charges  | Rs. in Lakhs    | 1427       | <b>1542</b>       | 8                                  |
| 13    | Gross Profit after finance charges and before depreciation and tax | Rs. in Lakhs    | (492)      | <b>(1155)</b>     | -135                               |
| 14    | -Do-   | %               | (2.81)     | <b>(5.97)</b>     | -112                               |
| 15    | Depreciation   | Rs. in Lakhs    | 1070       | <b>1068</b>       | -                                  |
| 16    | Loss before tax  | Rs. in Lakhs    | (1561)     | <b>(2223)</b>     | -42                                |
| 17    | Tax (including current tax, deferred tax)                          | Rs. in Lakhs    | (223)      | <b>(679)</b>      | -205                               |
| 18    | EPS  | In Rs.          | (6.69)     | <b>(5.84)</b>     | 13                                 |
| 19    | Book Value   | In Rs.          | 13.17      | <b>7.33</b>       | -44                                |
| 20    | Reserves & Surplus (Net)   | Rs. in Lakhs    | 837        | -                 | -100                               |
| 21    | Return on Capital employed   | %               | (12.48)    | <b>(20.29)</b>    | -63                                |
| 22    | Share Market Price range   | In Rs.          | 5.40-12.45 | <b>5.22-11.30</b> |                                    |



**Cautionary Forward-looking Statements:**

This section of the Annual Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the above presents an exhaustive coverage on and of all issues related to the same. The opinions expressed by the management may contain certain forward-looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

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**REPORT ON CORPORATE GOVERNANCE**

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:**

Regency is committed to achieve the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business. The Company's philosophy on Corporate Governance envisages the attainment of the high level of transparency, accountability, disclosure, supervision, internal controls, risk management, high standards of safety, product and service quality in all areas of its operations and interactions with its stakeholders, including employees, shareholders, creditors, customers and institutional and other lenders and places due emphasis on regulatory compliance. Regency continues to recognize the importance of Corporate Governance and acknowledges its responsibilities towards all stakeholders including Central and State Government, Regulatory Authorities, Lending Institutions, Customers, Suppliers, Employees and the Shareholders.

Your Company has laid down a Code of Conduct for its Board Members and Senior Management Personnel. All the Directors and the Senior Management Personnel have affirmed compliance with the said Code of Conduct.

Your Board of Directors present the Corporate Governance Report for the year 2010-11 in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges.

**2. BOARD OF DIRECTORS:**

**a) Composition of Board**

The Board of Directors of the Company ("the Board") comprises of Eight Directors, which includes an Executive Chairman and Managing Director, an Executive Director and Six Non-executive Directors. Four of them are Independent.

**b) Attendance of each Director at Board Meetings during the financial year 2010-11, at the last Annual General Meeting and number of other Directorships / Chairmanships / Memberships of Committees of each Director in various companies are given hereunder:**

During the financial year 2010-11, Four Board Meetings were held and the time gap between any two Board Meetings did not exceed four months.



| Sl. No. | Name of the Director                                       | Category                  | Attendance     |             | Number of other Directorships | Membership in Board Committees in other Companies as on 31-03-2011 |        |
|---------|--|---------------------------|----------------|-------------|-------------------------------|--|--------|
|         |  |                           | Board Meetings | At last AGM |                               | Chairman   | Member |
| 1       | Dr. G. N. Naidu (Chairman and Managing Director)           | Promoter & Executive      | 4              | Yes         | 5                             | -  | -      |
| 2*      | G. Radhika (Whole-time Director up to 31.07.2010)          | Promoter & Executive      | -              | No          | 2                             | -  | -      |
| 3**     | N. Satyendra Prasad (Executive Director w.e.f. 31.07.2010) | Promoter & Executive      | 2              | Yes         | 2                             | -  | -      |
| 4       | Bindu G. Naidu   | Promoter & Non- Executive | 3              | Yes         | 4                             | -  | -      |
| 5       | G. Sreenivasulu Naidu                                      | Promoter & Non- Executive | 1              | No          | -                             | -  | -      |
| 6       | T.V.Chowdary   | Non-Executive Independent | 4              | No          | 6                             | -  | 2      |
| 7       | Dr. M. V. G. Rao   | Non-Executive Independent | 4              | Yes         | 8                             | 1  | 2      |
| 8       | P.J.V.Sarma  | Non-Executive Independent | 4              | Yes         | 2                             | 2  | 1      |
| 9#      | S.V.Jagannath (Up to 31.01.2011)                           | Non-Executive Independent | 1              | No          | 1                             | -  | -      |
| 10##    | T. R. C. Bose  | Non-Executive Independent | -              | No          | 8                             | -  | 7      |

\* - Smt G Radhika ceases to be the Whole-Time Director of the Company w.e.f. 31<sup>st</sup> July 2010.

\*\* - Sri N Satyendra Prasad was appointed as Executive Director of the Company w.e.f. 31<sup>st</sup> July 2010.

# - Sri S V Jagannath resigned from the Board of the Company w.e.f. 31<sup>st</sup> January 2011.

## - Sri T R C Bose was appointed as Non-Executive Independent Director of the Company w.e.f. 27<sup>th</sup> July 2011.



**c) Other provisions as to Board and Committees**

(i) Number of Board Meetings held and the dates on which held:

During the financial year, 4 Board Meetings were held. The details of the Board Meetings are as under:

| Date of the Meeting           | Board Strength | No. of Directors present |
|-------------------------------|----------------|--------------------------|
| 30 <sup>th</sup> April 2010   | 8              | 5                        |
| 31 <sup>st</sup> July 2010    | 8              | 6                        |
| 28 <sup>th</sup> October 2010 | 8              | 6                        |
| 31 <sup>st</sup> January 2011 | 8              | 6                        |

(ii) None of the Directors on the Board of the Company is either a member in more than ten Committees or act as Chairman of more than five companies across all the Companies in which they are Directors.

**d) Code of Conduct**

The Code of Conduct was circulated among all the Board Members and Senior Management Personnel and was affirmed on an annual basis. The content of the Code of Conduct is posted on the Company's Website at [www.regencytiles.com](http://www.regencytiles.com). A declaration to this effect by Dr. G N Naidu, Chairman and Managing Director of the Company is given below:

**DECLARATION OF COMPLIANCE OF CODE OF CONDUCT**

Pursuant to Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October 2004, it is hereby declared that the Company has adopted a Code of Conduct for its Board Members and Senior Management Personnel. I hereby confirm that the Company has in respect of the financial year ended 31<sup>st</sup> March 2011, received from the senior management personnel of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

**For REGENCY CERAMICS LIMITED**

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

**Dr. G N Naidu**  
Chairman and Managing Director

**3. AUDIT COMMITTEE:**

**a) Brief description and terms of reference:**

Audit Committee comprises of Non-executive Independent Directors. The terms of reference are comprehensive and cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

**b) Composition, Names of Members and Chairman:**

The constitution of the Audit Committee is given below:

| S. No | Name          | Designation | Category                           |
|-------|---------------|-------------|------------------------------------|
| 1     | P.J.V.Sarma   | Chairman    | Non-Executive Independent Director |
| 2     | T.V.Chowdary  | Member      | Non-Executive Independent Director |
| 3     | Dr.M.V.G.Rao  | Member      | Non-Executive Independent Director |
| 4#    | S.V.Jagannath | Member      | Non-Executive Independent Director |
| 5##   | T. R. C. Bose | Member      | Non-Executive Independent Director |

# - Sri S V Jagannath resigned from the Board of the Company w.e.f. 31<sup>st</sup> January 2011.

## - Sri T R C Bose was appointed as Non-Executive Independent Director of the Company w.e.f. 27<sup>th</sup> July 2011.



The Company continued to derive benefit from the deliberations of the Audit Committee. Sri P J V Sarma, who is the Chairman of the Audit Committee, is having rich experience and professional knowledge in Corporate Finance, Project Finance, Corporate Banking, Marketing & Relationship Management, Leasing and other financial products, M&A, Restructuring and General Insurance, Structured Products, design, Credit enhancement and financial products, Strategy formulation, Corporate Planning and Risk Management. The other members of the Committee with their knowledge and experience contributed to the performance of the Company. The Minutes of each Audit Committee Meeting are placed before the Board and discussed in the meeting.

Ms. M. Amala, Company Secretary is the Secretary of the Audit Committee.

**c) Meetings of the Audit Committee and attendance during the year:**

During the financial year, four Audit Committee meetings were held i.e. on 30<sup>th</sup> April 2010, 31<sup>st</sup> July 2010, 28<sup>th</sup> October 2010 and on 31<sup>st</sup> January 2011.

The attendance of the Members at the above meetings was as follows:

| Name of the Director | No. of Meetings attended |
|----------------------|--------------------------|
| P.J.V.Sarma          | 4                        |
| T.V.Chowdary         | 4                        |
| Dr.M.V.G.Rao         | 4                        |
| S.V.Jagannath        | 1                        |

**4. REMUNERATION COMMITTEE:**

a) Remuneration committee comprises of Non-executive Independent Directors. The terms of reference are comprehensive and cover the matters specified for Remuneration Committee under Clause 49 of the Listing Agreement.

**b) Composition, Name of Members and Chairman:**

| Name           | Designation | Category                           |
|----------------|-------------|------------------------------------|
| P.J.V.Sarma    | Chairman    | Non-Executive Independent Director |
| T.V.Chowdary   | Member      | Non-Executive Independent Director |
| S.V.Jagannath# | Member      | Non-Executive Independent Director |
| T.R.C Bose ##  | Member      | Non-Executive Independent Director |

# - Sri S V Jagannath resigned from the Board of the Company w.e.f. 31<sup>st</sup> January 2011.

## - Sri T R C Bose was appointed as Non-Executive Independent Director of the Company w.e.f. 27<sup>th</sup> July 2011.

Presently, the Non-executive Directors of the company do not receive any remuneration from the Company. Sitting fees was paid to the Non-executive Directors for attending the meetings of the Board and Committees thereof.

**c) Attendance during the year**

During the Year under review, One Meeting was held on 31<sup>st</sup> July 2010. The Chairman and the Members attended the meeting.



**d) Details of remuneration paid during the year 2010 - 11 to the Directors are furnished hereunder.**

The aggregate value of salary, perquisites and commissions for the year ended 31<sup>st</sup> March 2011 paid to Dr. G N Naidu, Chairman and Managing Director and Sri N Satyendra Prasad, Executive Director is as follows:

|                        | Amount (Rs. in lakhs) |
|------------------------|-----------------------|
| Dr. G. N. Naidu        | : 11.40               |
| Sri N Satyendra Prasad | : 18.07               |

**5. SHARE TRANSFER CUM INVESTORS' GRIEVANCE COMMITTEE:**

In terms of the Corporate Governance Code, the Share Transfer cum Investors' Grievance Committee was constituted to specifically look into the matters relating to redressal of shareholders complaints such as transfer / transmission of shares, non-receipt of Annual Report, Dividend Warrants, etc., besides, overseeing and reviewing of all matters connected with the securities transfers, issuing duplicate share certificates, dematerialization of shares.

11 meetings of Share Transfer cum Investor Grievance Committee were held during the year 2010-11. The dates on which the meetings were held are as follows:

30<sup>th</sup> April, 26<sup>th</sup> May, 1<sup>st</sup> July, 28<sup>th</sup> July, 31<sup>st</sup> August, 21<sup>st</sup> September, 28<sup>th</sup> October, 24<sup>th</sup> November, 15<sup>th</sup> December 2010, 1<sup>st</sup> March and 23<sup>rd</sup> March 2011.

The composition of the Share Transfer cum Investors' Grievance Committee and details of the meetings attended by the members are given below:

| Director / Member       | Category                              | No. of meetings attended |
|-------------------------|---------------------------------------|--------------------------|
| T.V.Chowdary (Chairman) | Non-executive Independent             | 9                        |
| P J V Sarma             | Non-executive Independent             | 10                       |
| Dr. G.N.Naidu           | Promoter & Executive, Non-Independent | 9                        |

Ms. M Amala, Company Secretary, is the Compliance Officer of the Company. The total number of complaints received and replied to the satisfaction of shareholders during the year 2010-11 was NIL. There were no outstanding complaints as on 31<sup>st</sup> March, 2011.

**6. GENERAL BODY MEETINGS:**

The details of the previous three Annual General Meetings of the company are as follows:

| Year      | Venue  | Date               | Time       |
|-----------|--|--------------------|------------|
| 2007-2008 | Indira Priyadarshini Auditorium, Nampally, Hyderabad | September 27, 2008 | 11.00 A.M. |
| 2008-2009 | Indira Priyadarshini Auditorium, Nampally, Hyderabad | September 25, 2009 | 10.00 A.M. |
| 2009-2010 | Indira Priyadarshini Auditorium, Nampally, Hyderabad | September 25, 2010 | 11.00A M   |

No Special resolutions were passed through Postal Ballot during the financial year under review.



**7. DISCLOSURES:**

- ❖ **Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.**

There are no materially significant related party transactions that have potential conflict with the interests of the Company at large. The details of the transactions considered to be related party transactions are given elsewhere in this Annual Report.

- ❖ **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.**

Nil

**8. MEANS OF COMMUNICATION:**

Quarterly / Half yearly / Annual results of the Company are communicated to the Stock Exchanges immediately after the same are approved by the Board and are published in prominent English and Telugu News papers namely Financial Express and Andhra Prabha.

The Company's website [www.regencytiles.com](http://www.regencytiles.com) contains a separate section "Investors Desk" where shareholders information is available.

Annual Report containing inter-alia, Audited Annual accounts, Financial Statements, Director's Report, Auditor's Report, Management Discussion and Analysis Report, Report on Corporate Governance and other important information is circulated to Members and others entitled thereto.

**9. GENERAL SHAREHOLDER INFORMATION:**

Date & Time of AGM : 29<sup>th</sup> September 2011 at 11.00 a.m.

Venue : Registered Office, 5-8-356, N N House,  
Chirag Ali Lane, Abids, Hyderabad - 500001

Financial Calender : Annual General Meeting : 29<sup>th</sup> September 2011  
(tentative) Mailing of Annual Reports : 3<sup>rd</sup> September 2011

1<sup>st</sup> Quarter Un-audited results : second week of August'11

2<sup>nd</sup> Quarter Un-audited results : second week of November'11

3<sup>rd</sup> Quarter Un-audited results : second week of February'12

4<sup>th</sup> Quarter Un-audited results : second week of May'12

Book Closure Date : 22<sup>nd</sup> September 2011 to 29<sup>th</sup> September 2011  
(both days inclusive)

Listing on Stock  
Exchanges

& Stock codes : The Stock Exchange Ltd, Mumbai : 515018  
The National Stock Exchange Ltd. : REGENCERAM



ISIN allotted to  
Company's Scrip : INE277C01012

R & T Agents : Venture Capital & Corporate Investments Private Ltd.  
(For both Demat and (Unit: Regency Ceramics Ltd.)  
Physical segment) 12-10-167, Bharat Nagar, Hyderabad – 500018,

Plant Location : Yanam, Puducherry

**Share Transfer System:**

Shares lodged with the company / R&T Agent in Physical form for transfer are processed and registered within a period of 15 days from the date of receipt provided all documents are proper, clear and valid in all respects. The Share Transfer Cum Investors' Grievances Committee meets every fortnight to approve the transfers, subject to receipt of investors' requests.

**Dematerialization:**

The Company's shares are traded on the Stock Exchanges compulsorily in demat mode. As on 31<sup>st</sup> March 2011, 34.35% of the Company's total shares representing 90,81,244 shares were held in dematerialized form and the balance is in physical form. The shareholders holding the shares in physical form, have been advised to get their shares converted to DEMAT form to avail various advantages such as, quick delivery of transfers, minimizing the risks of loss in transit, bad deliveries along with the exemption from Stamp Duty. To enable the shareholders to convert their shares into electronic form through any of the DPs, your Company has entered into a tripartite agreement with National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL).

**Stock Market Data:**

| Months          | National Stock Exchange |       | Stock Exchange, Mumbai |       |
|-----------------|-------------------------|-------|------------------------|-------|
|                 | High                    | Low   | High                   | Low   |
| April, 2010     | 10.60                   | 08.00 | 10.11                  | 08.20 |
| May, 2010       | 09.25                   | 07.15 | 9.29                   | 07.45 |
| June, 2010      | 09.70                   | 08.60 | 10.00                  | 07.37 |
| July, 2010      | 09.90                   | 08.30 | 10.00                  | 08.26 |
| August, 2010    | 09.65                   | 08.05 | 09.79                  | 08.36 |
| September, 2010 | 11.00                   | 09.00 | 11.30                  | 08.81 |
| October, 2010   | 10.25                   | 08.60 | 09.84                  | 08.70 |
| November, 2010  | 10.40                   | 08.00 | 09.34                  | 07.70 |
| December, 2010  | 08.50                   | 06.70 | 08.33                  | 06.56 |
| January, 2011   | 07.95                   | 06.80 | 07.60                  | 06.44 |
| February, 2011  | 07.25                   | 05.30 | 07.00                  | 05.22 |
| March, 2011     | 06.90                   | 05.75 | 06.65                  | 05.25 |



**Address for Communication:**

| Sl.No. | Shareholders correspondence for  | Addressed to  |
|--------|--|---|
| 1.     | Transfer / Dematerialization / Consolidation / Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company. | M/s Venture Capital and Corporate Investments Private Limited<br>Regd Off: .12-10-167,<br>Bharat Nagar, Hyderabad -500 018.<br>Tel: 040-23818475/76<br>Fax: 040-23868024<br>Email: info@vccilindia.com                    |
| 2.     | Investor Correspondence / Queries on Annual Report, Revaluation of Dividend Warrants, Sub-Division, etc.   | Ms M. Amala<br>Company Secretary<br>Regency Ceramics Limited<br>5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500 001.<br>(A.P) Ph no: +91-40-23204555<br>Fax: 040 - 23201159<br>Email: mamala@regencytiles.com |

Shareholders holding shares in DEMAT mode should address all their correspondence to their respective Depository Participants (DPs).

**Shareholding Pattern as on 31<sup>st</sup> March 2011:**

| Category             | No. of shareholders | % of shareholders | No. of shares   | % of shareholding |
|----------------------|---------------------|-------------------|-----------------|-------------------|
| Resident Individuals | 14692               | 95.79             | 5777854         | 21.86             |
| Bodies Corporate     | 226                 | 1.48              | 5247811         | 19.85             |
| Promoters            | 17                  | 0.11              | 15160032        | 57.33             |
| NRI's                | 397                 | 2.59              | 170289          | 0.64              |
| Others               | 05                  | 0.03              | 85600           | 0.32              |
| <b>Total</b>         | <b>15337</b>        | <b>100.00</b>     | <b>26441586</b> | <b>100.00</b>     |

**Distribution of Shareholding of the Company as on 31<sup>st</sup> March 2011:**

| No. of shares Held | No. of shareholders | % of shareholders | No. of shares   | % of shareholding |
|--------------------|---------------------|-------------------|-----------------|-------------------|
| 1-500              | 13668               | 89.12             | 2071013         | 7.83              |
| 501-1000           | 927                 | 06.04             | 754701          | 02.85             |
| 1001-2000          | 366                 | 02.39             | 554376          | 02.10             |
| 2001-3000          | 130                 | 00.85             | 326777          | 01.24             |
| 3001-4000          | 44                  | 00.29             | 156045          | 0.59              |
| 4001-5000          | 46                  | 00.30             | 212614          | 0.80              |
| 5001-10000         | 75                  | 00.48             | 539404          | 02.04             |
| 10001-50000        | 54                  | 00.38             | 1145251         | 04.33             |
| 50001 and above    | 27                  | 00.18             | 20681405        | 78.22             |
| <b>Total</b>       | <b>15337</b>        | <b>100.00</b>     | <b>26441586</b> | <b>100.00</b>     |



### **WHISTLE BLOWER POLICY**

The company has established a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimization of employees who avail of mechanism and also provide for direct access to the Chairman of the Audit Committee.

### **CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009**

Your Company's policies and practices embrace most of the elements of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs. The company will be reviewing its corporate governance parameters in the context of recommendations under the said guidelines for appropriate adoption in keeping with the Company's unique business model.

### **GREEN INITIATIVE IN THE CORPORATE GOVERNANCE – PAPERLESS COMMUNICATION**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants and in case you desire to have a different e-mail id to be registered, please update the same with your Depository Participant from time to time. Members who hold shares in physical form are requested to register their email address by sending e-mail to mamala@regencytiles.com.

### **Auditor's Certificate on compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreement with the Stock Exchanges:**

To the Members of  
Regency Ceramics Limited, Hyderabad, A.P.

We have examined the compliance of conditions of Corporate Governance by Regency Ceramics Limited, Hyderabad (A.P.) for the year ended 31<sup>st</sup> March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the recognized Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievance received during the year ended 31<sup>st</sup> March 2011, no investor grievances are pending against the Company as on 26<sup>th</sup> July 2011 as per the records maintained by the Company and presented



to the Investors / Shareholders Grievance Committee. We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Brahmayya & CO.,**  
Chartered Accountants  
Firm Registration No. 000513S

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011

**K S Rao**  
Partner  
Membership No. : 15850

***Certification by Chief Executive Officer and Chief Financial Officer of the Company:***

- 1) We have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- 2) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's code of conduct.
- 3) We accept the responsibility of establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operations of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- 4) We have indicated to the Auditors and Audit Committee:
  - i) significant changes in internal controls during the year;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
  - iii) that there have been no instances of significant fraud of which we have become aware, involving the management or an employee having a significant role in the Company's internal control system.

For **Regency Ceramics Ltd.,**

**Dr. G N Naidu**  
Chairman and Managing Director

**E. Balakrishna Rao**  
President (Finance)

Place: Hyderabad  
Date: 27<sup>th</sup> July 2011



**AUDITORS' REPORT**

To the Members of REGENCY CERAMICS LIMITED, HYDERABAD (A.P).

1. We have audited the attached Balance Sheet of REGENCY CERAMICS LIMITED, HYDERABAD (A.P) as at 31st March, 2011, the Profit and Loss Account and also the Cashflow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these 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 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. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in para 3 above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
  - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - v) On the basis of written representations received from the Directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon *subject to Note No.5 of 'Schedule 19 Notes to accounts' regarding confirmation of balances*, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - b) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date, and
    - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For BRAHMAYYA & CO.,**  
Chartered Accountants.  
Firm Registration No. 000513S

Place: Hyderabad  
Date : 27th July 2011

**(K.S.RAO)**  
Partner  
Membership No.15850



**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
- c) During the year the Company has not disposed off any fixed assets and hence, it has not affected the going concern status of the Company.
- ii) a) Physical verification was conducted by the management at reasonable intervals in respect of finished goods, stores & spares and raw materials except clay which is prone to change in quantities.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stock and the book records were not material.
- iii) a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In view of our comment in paragraph 3(a) above III (b),(c) & (d) of the aforesaid order are not applicable to the Company.
- c) During the year, the Company has taken unsecured loans from a party covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was Rs.1 Crore.
- d) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- e) The Company is regular in payment of the principal amount and interest thereon as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. Further, on the basis of our examination of the books and records and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control system.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section; and
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public. Hence, the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) The Central Government has not prescribed under Section 209 (1) (d) of the Companies Act, 1956 the maintenance of cost records for the products of the Company.



- a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Investor Education and Protection Fund, Wealth Tax, Customs Duty and other material statutory dues applicable to the Company.
- b) According to information and explanations given to us, the Company is not regular in depositing with appropriate authorities undisputed dues in respect of Sales Tax of Rs. 35.89 lakhs and Provident Fund of Rs. 25.07 lakhs, outstanding as at 31st March, 2011 for a period of more than six months from the date it became payable.
- c) According to the records of the Company and the information and explanations given to us, the dues of Service Tax / Income-Tax / Taxes which have not been deposited on account of any dispute are as follows.

| Nature of the dues | Amount (Rs.in lakhs) | Period to which the amount relates | Forum where dispute is pending |
|--------------------|----------------------|------------------------------------|--------------------------------|
| Service Tax        | 35.04                | 2006-2007                          | CESTAT, Bangalore              |
| Income Tax         | 130.97               | 2003-2004                          | Income Tax Appellate Tribunal  |
| Municipal Tax      | 32.35                | 1998-2007                          | Yanam Municipality             |

- x) The Company has accumulated losses at the end of the financial year. It has incurred cash losses in the financial year under report and immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is neither a chit fund nor a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the above referred Order are not applicable to the company.
- xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the above referred Order are not applicable to the company.
- xv) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The Term Loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on all overall examination of the balance sheet of the company funds raised on short-term basis have not been used for long-term investment.
- xviii) During the year the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly the provisions of clause 4(xviii) of the order are not applicable to the Company.
- xix) Since no Debentures were issued during the year, clause No.XIX of the said Order is not applicable.
- xx) During the year the company has not raised money by public issues.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

**For BRAHMAYYA & CO.,**  
Chartered Accountants  
Firm Registration No. 000513S

Place: Hyderabad  
Date: 27th July 2011

**(K.S.RAO)**  
Partner  
Membership No.15850



**BALANCE SHEET AS AT 31st MARCH 2011**

(Rs. in Lakhs)

| PARTICULARS                                      | Schedule No. | As at 31.3.2011 | As at 31.3.2010 |
|--|--------------|-----------------|-----------------|
| <b>A SOURCES OF FUNDS</b>                        |              |                 |                 |
| <b>I. SHAREHOLDERS' FUNDS</b>                    |              |                 |                 |
| Share Capital                                    | 01           | <b>2644.16</b>  | 2644.16         |
| Reserves and Surplus                             | 02           | <b>1870.82</b>  | 1870.82         |
|  |              | <b>4514.98</b>  | 4514.98         |
| <b>II. LOAN FUNDS</b>                            |              |                 |                 |
| Secured Loans                                    | 03           | <b>12522.14</b> | 12396.65        |
| Unsecured Loans                                  | 04           | <b>844.87</b>   | 728.61          |
|  |              | <b>13367.01</b> | 13125.26        |
| <b>III. DEFERRED TAX LIABILITY</b>               |              | <b>347.58</b>   | 1027.04         |
| <b>TOTAL</b>                                     |              | <b>18229.57</b> | 18667.28        |
| <b>B APPLICATION OF FUNDS</b>                    |              |                 |                 |
| <b>I. FIXED ASSETS</b>                           |              |                 |                 |
| Gross Block                                      | 05           | <b>21575.96</b> | 21749.24        |
| Less: Depreciation                               |              | <b>11662.65</b> | 10849.90        |
| Net Block  |              | <b>9913.31</b>  | 10899.34        |
| Capital Works-In-Progress                        |              | <b>1.71</b>     | -               |
|  |              | <b>9915.02</b>  | 10899.34        |
| <b>II. INVESTMENTS</b>                           | 06           | <b>206.42</b>   | 206.42          |
| <b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b> |              |                 |                 |
| Current Assets                                   | 07           | <b>7525.83</b>  | 7668.68         |
| Loans and Advances                               | 08           | <b>2748.26</b>  | 2292.02         |
|  |              | <b>10274.09</b> | 9960.70         |
| Less: Current Liabilities & Provisions           | 09           | <b>4743.48</b>  | 3438.72         |
|  |              | <b>5530.61</b>  | 6521.98         |
| <b>IV. MISC. EXPENDITURE</b>                     | 10           | -               | 5.94            |
| <b>V. PROFIT &amp; LOSS ACCOUNT</b>              |              | <b>2577.52</b>  | 1033.60         |
| <b>TOTAL</b>                                     |              | <b>18229.57</b> | 18667.28        |
| <b>NOTES TO ACCOUNTS</b>                         | 19           |                 |                 |
| <b>SIGNIFICANT ACCOUNTING POLICIES</b>           | 20           |                 |                 |

Signatures to Schedules 1 to 20  
As per our report of even date.

**For M/s. BRAHMAYYA & CO.,**  
Chartered Accountants  
Firm Registration No. 000513S

**Dr. G.N. NAIDU**  
Chairman and  
Managing Director

**E. BALAKRISHNA RAO**  
President (Finance)

**K.S. RAO**  
Partner

**N. SATYENDRA PRASAD**  
Executive Director

**M. AMALA**  
Company Secretary

Place : Hyderabad  
Date : 27.07.2011



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

(Rs. in Lakhs)

| PARTICULARS                                  | Schedule No. | Current Year            | Previous Year           |
|--|--------------|-------------------------|-------------------------|
| <b>A INCOME:</b>                             |              |                         |                         |
| Sales (Gross)                                | 11           | 20687.41                | 17521.96                |
| Less:Excise Duty collected                   |              | 1482.71                 | 984.72                  |
| Sales (Net)                                  |              | 19204.70                | 16537.24                |
| Other Income                                 | 12           | 462.30                  | 512.69                  |
| Increase /(Decrease) in Stocks               | 13           | (297.11)                | 461.12                  |
|  |              | <u>19369.89</u>         | <u>17511.05</u>         |
| <b>B EXPENDITURE</b>                         |              |                         |                         |
| Material Consumed                            | 14           | 6884.58                 | 7168.10                 |
| Purchase of Traded Goods                     |              | 2748.60                 | 900.56                  |
| Power and Fuel                               |              | 3346.03                 | 2760.86                 |
| Salaries, Wages and Allowances               | 15           | 2079.93                 | 1780.89                 |
| Other Manufacturing and                      |              |                         |                         |
| Administration Expenses                      | 16           | 1491.82                 | 1618.63                 |
| Selling Expenses                             | 17           | 2432.60                 | 2345.96                 |
| Finance Charges                              | 18           | 1541.93                 | 1427.15                 |
| Depreciation                                 | 05           | 1067.78                 | 1069.53                 |
|  |              | <u>21593.27</u>         | <u>19071.68</u>         |
| <b>LOSS FOR THE YEAR</b>                     |              | <b>(2223.38)</b>        | <b>(1560.63)</b>        |
| Less : Provisions                            |              |                         |                         |
| Income Tax Earlier year                      |              | -                       | 1.14                    |
| Fringe Benefit Tax - Earlier Year            |              | -                       | 0.34                    |
| Add: Deferred Tax withdrawn                  |              | 679.46                  | 224.29                  |
| <b>LOSS AFTER TAX</b>                        |              | <b>(1543.92)</b>        | <b>(1337.82)</b>        |
| Add: Loss brought forward from previous year |              | <u>(1033.60)</u>        | <u>304.22</u>           |
| <b>LOSS CARRIED TO BALANCE SHEET</b>         |              | <b><u>(2577.52)</u></b> | <b><u>(1033.60)</u></b> |
| <b>NOTES TO ACCOUNTS</b>                     | 19           |                         |                         |
| <b>SIGNIFICANT ACCOUNTING POLICIES</b>       | 20           |                         |                         |

Signatures to Schedules 1 to 20  
As per our report of even date.

**For M/s. BRAHMAYYA & CO.,**  
Chartered Accountants  
Firm Registration No. 000513S

**Dr. G.N.NAIDU**  
Chairman and  
Managing Director

**E. BALAKRISHNA RAO**  
President (Finance)

**K.S. RAO**  
Partner

**N. SATYENDRA PRASAD**  
Executive Director

**M. AMALA**  
Company Secretary

Place : Hyderabad  
Date : 27.07.2011



(Rs. in Lakhs)

| PARTICULARS  | As at<br>31.3.2011 | As at<br>31.3.2010 |
|--|--------------------|--------------------|
| <b>SCHEDULE -01</b>                                    |                    |                    |
| <b>SHARE CAPITAL :</b>                                 |                    |                    |
| AUTHORISED   |                    |                    |
| 3,00,00,000 Equity Shares of Rs.10/-each               | <u>3000.00</u>     | <u>3000.00</u>     |
| ISSUED   |                    |                    |
| 2,65,08,586 Equity Shares of Rs.10/-each               | <u>2650.86</u>     | <u>2650.86</u>     |
| SUBSCRIBED & PAID UP                                   |                    |                    |
| 2,64,41,586 Equity Shares of Rs.10/-each               | <u>2644.16</u>     | <u>2644.16</u>     |
| <b>SCHEDULE-02</b>                                     |                    |                    |
| <b>RESERVES AND SURPLUS:</b>                           |                    |                    |
| Share Premium  | 329.61             | 329.61             |
| Capital Reserve  | 0.86               | 0.86               |
| General Reserve  | <u>1540.35</u>     | <u>1540.35</u>     |
|  | <u>1870.82</u>     | <u>1870.82</u>     |
| <b>SCHEDULE-03</b>                                     |                    |                    |
| <b>SECURED LOANS: *</b>                                |                    |                    |
| <b>A) Term Loans from :</b>                            |                    |                    |
| 1. Corporation Bank                                    | 1841.29            | 1812.39            |
| 2. State Bank of Travancore                            | 1624.28            | 1570.94            |
| 3. State Bank of Indore                                | 2062.13            | 2028.39            |
| 4. State Bank of Bikaner & Jaipur                      | 1597.02            | 1569.89            |
| 5. Corporation Bank -TL 2                              | 100.49             | 159.99             |
| 6. State Bank of Travancore- TL 2                      | 92.69              | 143.09             |
| 7. State Bank of Indore- TL 2                          | 116.68             | 183.73             |
| 8. State Bank of Bikaner & Jaipur -TL 2                | 89.68              | 69.95              |
| <b>B) Funded Interest Term Loans from :</b>            |                    |                    |
| 1. Corporation Bank                                    | 90.80              | 143.98             |
| 2. State Bank of Travancore                            | 80.26              | 125.35             |
| 3. State Bank of Indore                                | 93.69              | 160.96             |
| 4. State Bank of Bikaner & Jaipur                      | 77.42              | 123.34             |
| <b>C) Working Capital Term Loans from:</b>             |                    |                    |
| 1. State Bank of India                                 | 701.97             | 696.06             |
| 2. The South Indian Bank Ltd.                          | 234.99             | 237.31             |
| <b>D) Working Capital Loans from:</b>                  |                    |                    |
| State Bank of India                                    | 2485.59            | 2197.45            |
| - Cash Credit  |                    |                    |
| - Bill Discounting                                     | -                  | 176.32             |
| The South Indian Bank Ltd.                             | 558.30             | 544.03             |
| - Cash Credit  |                    |                    |
| - Bill Discounting                                     | 459.54             | 333.93             |
| <b>E) Under Hypothecation/Hire Purchase Agreements</b> |                    |                    |
|  | <u>215.32</u>      | <u>119.55</u>      |
|  | <u>12522.14</u>    | <u>12396.65</u>    |
| *Refer Note No.1 of Schedule 19                        |                    |                    |
| <b>SCHEDULE -04</b>                                    |                    |                    |
| <b>UNSECURED LOANS :</b>                               |                    |                    |
| 1. Trade Deposits from Dealers                         | 388.37             | 372.11             |
| 2. Loans from Body Corporate & Others                  | 30.00              | 30.00              |
| 3. Loans from Directors                                | 426.50             | 326.50             |
|  | <u>844.87</u>      | <u>728.61</u>      |



**SCHEDULE - 05 :  
FIXED ASSETS**

(Rs. in Lakhs)

| Sl. No. | PARTICULARS                  | GROSS BLOCK           |                           |                                    |                       | DEPRECIATION    |              |                |                 | NET BLOCK        |                  |
|---------|------------------------------|-----------------------|---------------------------|------------------------------------|-----------------------|-----------------|--------------|----------------|-----------------|------------------|------------------|
|         |                              | COST AS AT 01.04.2010 | ADDITIONS DURING THE YEAR | SALES/ ADJUSTMENTS DURING THE YEAR | COST AS AT 31.03.2011 | UPTO 01.04.2010 | FOR THE YEAR | ON SALES/ ADJ. | UPTO 31.03.2011 | AS AT 31.03.2011 | AS AT 31.03.2010 |
| 1       | LAND                         | 156.37                | -                         | -                                  | 156.37                | -               | -            | -              | -               | 156.37           | 156.37           |
| 2       | BUILDINGS                    | 1913.44               | -                         | -                                  | 1913.44               | 603.55          | 55.59        | -              | 659.14          | 1254.30          | 1309.89          |
| 3       | PLANT & MACHINERY            | 18332.76              | 108.30                    | 56.51                              | 18384.55              | 9333.59         | 870.68       | 26.06          | 10178.21        | 8206.34          | 8999.17          |
| 4       | OFFICE EQUIPMENT & COMPUTERS | 460.32                | 18.53                     | -                                  | 478.85                | 374.37          | 51.71        | -              | 426.08          | 52.77            | 85.95            |
| 5       | FURNITURE & FIXTURES         | 76.61                 | 1.59                      | -                                  | 78.20                 | 60.36           | 3.25         | -              | 63.61           | 14.59            | 16.25            |
| 6       | VEHICLES                     | 781.81                | 45.05                     | 290.24                             | 536.62                | 478.03          | 86.55        | 228.97         | 335.61          | 201.01           | 303.78           |
| 7       | LIVE STOCK                   | 27.93                 | -                         | -                                  | 27.93                 | -               | -            | -              | -               | 27.93            | 27.93            |
|         | SUB - TOTAL                  | 21749.24              | 173.47                    | 346.75                             | 21575.96              | 10849.90        | 1067.78      | 255.03         | 11662.65        | 9913.31          | 10899.34         |
| 8       | CAPITAL WORK-IN-PROGRESS     | -                     | 1.71                      | -                                  | 1.71                  | -               | -            | -              | -               | 1.71             | -                |
|         | <b>TOTAL</b>                 | 21749.24              | 175.18                    | 346.75                             | 21577.67              | 10849.90        | 1067.78      | 255.03         | 11662.65        | 9915.02          | 10899.34         |
|         | PREVIOUS YEAR                | 21476.85              | 287.17                    | 14.78                              | 21748.24              | 9786.60         | 1069.53      | 6.23           | 10849.90        | 10899.34         | 11690.25         |



(Rs. in Lakhs)

| PARTICULARS  | As at<br>31.3.2011 | As at<br>31.3.2010 |
|--|--------------------|--------------------|
| <b>SCHEDULE - 06</b>   |                    |                    |
| <b>INVESTMENTS :</b>   |                    |                    |
| <b>Non-Trade, at Cost, Unquoted</b>  |                    |                    |
| 1. National Savings Certificates and Indira Vikas Patras (Deposited with Sales Tax Department)   | 0.42               | 0.42               |
| 2. 20,00,000 Equity Shares Rs.10 each fully paid up in Regma Ceramics Limited  | 200.00             | 200.00             |
| 3. 10,000 Equity Shares Rs.10 each fully paid up in Sai Regency Power Corporation Ltd.   | 1.00               | 1.00               |
| 4. Traded, at cost, quoted<br>50,000 Equity shares Rs.10 each fully paid up in IFCI LTD. Market value Rs.26.32 lakhs<br>(previous year Rs.24.92 lakhs) | 5.00               | 5.00               |
|  | <u>206.42</u>      | <u>206.42</u>      |
| <b>SCHEDULE - 07</b>   |                    |                    |
| <b>CURRENT ASSETS :</b>  |                    |                    |
| <b>A INVENTORIES (As valued and Certified by the Chairman and Managing Director)</b>   |                    |                    |
| 1. Raw Material  | 1283.53            | 1027.59            |
| 2. Packing Material  | 35.81              | 52.27              |
| 3. Work in Process   | 88.03              | 62.86              |
| 4. Finished Goods  | 1362.01            | 1684.29            |
| 5. Stores, Spares & Consumables  | 762.61             | 734.06             |
| 6. Materials in Transit  | 18.08              | 28.65              |
| <b>Total (A)</b>   | <u>3550.07</u>     | <u>3589.72</u>     |
| <b>B SUNDRY DEBTORS :</b>  |                    |                    |
| (Unsecured and Considered good)  |                    |                    |
| 1. Debts due over six months   | 910.70             | 843.21             |
| Considered Doubtful  | 129.24             | 142.85             |
| Less: Provision for doubtful debts   | <u>129.24</u>      | <u>142.85</u>      |
| 2. Other Debts   | 2388.73            | 2305.60            |
| <b>Total (B)</b>   | <u>3299.43</u>     | <u>3148.81</u>     |
| <b>C CASH AND BANK BALANCES :</b>  |                    |                    |
| 1. Cash in hand  | 8.80               | 7.03               |
| 2. Money in transit  | 253.85             | 432.80             |
| 3. Balance with Scheduled Banks:   |                    |                    |
| In Current Accounts  | 46.71              | 86.25              |
| In Collection Accounts   | 166.46             | 186.95             |
| In fixed deposits  | 159.29             | 184.94             |
| (Pledged with banks towards LC's, BG's and others)   |                    |                    |
| <b>Total (C)</b>   | <u>635.11</u>      | <u>897.97</u>      |
| <b>D INTEREST ACCURED ON DEPOSITS AND INVESTMENTS</b>  | <u>41.22</u>       | <u>32.18</u>       |
| <b>Total (A to D)</b>  | <u>7525.83</u>     | <u>7668.68</u>     |



(Rs. in Lakhs)

| PARTICULARS | As at<br>31.3.2011 | As at<br>31.3.2010 |
|-------------|--------------------|--------------------|
|-------------|--------------------|--------------------|

**SCHEDULE - 08**

**LOANS AND ADVANCES :**

(Unsecured, considered good, recoverable  
in cash or in kind or for value to be received)

|   |                |                |
|---|----------------|----------------|
| 1. Advance for purchases, other advances and deposits | 2233.05        | 1690.04        |
| 2. Claims Receivable                                  | 272.26         | 369.34         |
| 3. Balance with Central Excise                        | 0.70           | 0.71           |
| 4. Prepaid Expenses                                   | 27.65          | 30.30          |
| 5. Cenvat Credit                                      | 139.67         | 131.44         |
| 6. Advance Tax & TDS                                  | 74.93          | 70.19          |
|   | <u>2748.26</u> | <u>2292.02</u> |

**SCHEDULE - 09**

**CURRENT LIABILITIES & PROVISIONS :**

**A. CURRENT LIABILITIES**

|  |                |                |
|--|----------------|----------------|
| 1. Sundry Creditors - Small Scale Industries | 231.07         | 262.71         |
| - Others                                     | 3823.94        | 2519.48        |
| 2. Creditors for other Finance               | 386.40         | 296.89         |
| 3. Due to Directors                          | 2.42           | 1.91           |
| 4. Advance from Customers                    | 213.79         | 253.39         |
| 5. Un-Claimed Dividend *                     | 7.67           | 16.15          |
|  | <u>4665.29</u> | <u>3350.53</u> |

\*There is no amount due/outstanding to be credited to Investor Education and Protection Fund

**B. PROVISION FOR INCOME TAX**

|  |                |                |
|--|----------------|----------------|
|  | 78.19          | 88.19          |
|  | <u>4743.48</u> | <u>3438.72</u> |

**SCHEDULE - 10**

**MISCELLANEOUS EXPENDITURE :**

|  |          |             |
|--|----------|-------------|
| Deferred Revenue Expenditure as per last Balance sheet | 5.94     | 29.71       |
| Less: Written off for the year                         | 5.94     | 23.77       |
|  | <u>-</u> | <u>5.94</u> |



(Rs. in Lakhs)

| PARTICULARS   | Current Year    | Previous Year   |
|---|-----------------|-----------------|
| <b>SCHEDULE - 11</b>                                |                 |                 |
| <b>SALES :</b>                                      |                 |                 |
| 1. Domestic Sales                                   | 18308.79        | 14531.97        |
| 2. Export Sales                                     | 2378.62         | 2989.99         |
|   | <u>20687.41</u> | <u>17521.96</u> |
| <b>SCHEDULE - 12</b>                                |                 |                 |
| <b>OTHER INCOME :</b>                               |                 |                 |
| 1. Interest   | 15.03           | 19.55           |
| 2. Insurance Claims                                 | 2.11            | 1.27            |
| 3. Profit on sale of assets                         | 74.66           | 0.25            |
| 4. Brand usage charges                              | 27.16           | 25.74           |
| 5. Miscellaneous Income                             | 88.47           | 80.52           |
| 6. Lease Rental Charges                             | 104.91          | 132.26          |
| 7. Export Incentives                                | 145.79          | 217.68          |
| 8. Excess Provisions / Credit Balances Written back | 1.15            | 34.68           |
| 9. Prior period income                              | -               | 0.34            |
| 10. Dividend Received                               | 0.50            | 0.40            |
| 11. Rent received                                   | 1.21            | -               |
| 12. Bad debts written off recovered                 | 1.31            | -               |
|   | <u>462.30</u>   | <u>512.69</u>   |
| <b>SCHEDULE -13</b>                                 |                 |                 |
| <b>INCREASE/(DECREASE) IN STOCKS :</b>              |                 |                 |
| <b>A. Closing Stock of</b>                          |                 |                 |
| 1. Finished Goods                                   | 1243.73         | 1566.28         |
| 2. Trading  | 118.28          | 118.01          |
| 3. Work in Process                                  | 88.03           | 62.85           |
|   | <u>1450.04</u>  | <u>1747.14</u>  |
| <b>B. Opening Stock of</b>                          |                 |                 |
| 1. Finished Goods                                   | 1566.28         | 1158.08         |
| 2. Trading  | 118.01          | 77.28           |
| 3. Work in Process                                  | 62.86           | 50.66           |
|   | <u>1747.15</u>  | <u>1286.02</u>  |
| Increase / (Decrease) in Stocks                     | <u>(297.11)</u> | <u>461.12</u>   |
| <b>SCHEDULE - 14</b>                                |                 |                 |
| <b>MATERIALS CONSUMED :</b>                         |                 |                 |
| 1. Raw Materials                                    | 4942.86         | 4926.86         |
| 2. Packing Materials                                | 765.00          | 818.85          |
| 3. Stores, Spares and consumables                   | 1176.72         | 1422.39         |
|   | <u>6884.58</u>  | <u>7168.10</u>  |
| <b>SCHEDULE - 15</b>                                |                 |                 |
| <b>SALARIES, WAGES AND ALLOWANCES :</b>             |                 |                 |
| 1. Salaries, Wages, bonus and Other benefits        | 1648.16         | 1506.40         |
| 2. Gratuity   | 156.19          | 28.14           |
| 3. Contribution to Provident Fund                   | 112.67          | 103.04          |
| 4. Contribution to ESI                              | 42.07           | 31.91           |
| 5. Workmen and Staff Welfare Expenses               | 120.84          | 111.40          |
|   | <u>2079.93</u>  | <u>1780.89</u>  |





**SCHEDULE 19 :  
NOTES TO ACCOUNTS**

**01. Secured Loans:**

- i. The Term Loans ( including fresh loans, Funded Interest Term Loans and Working Capital Term Loans) availed from Banks are secured by first paripassu charge by way of mortgage and hypothecation over all the fixed assets of the company, both existing and future; further secured by second paripassu hypothecation charge over current assets of the company both present and future ( except on the assets on which exclusive charge is created against the loans sanctioned by hypothecation/ hire purchase vendors).
- ii. The working capital limits availed from banks are secured by first charge on current assets of the company, ranking paripassu with other member banks and further secured by second charge on the company's fixed assets ranking paripassu with other member banks of the consortium.
- iii. The loans availed under (i) and (ii) above are further secured by (a) pledge of 10% Equity shares of the company held by the promoters, (b) Tangible collateral security provided by the promoters equivalent to 15% of the share capital of the company and (c) personal guarantees of three promoter Directors of the company on paripassu basis to all the lenders.

|   | <b>As at 31.03.2011<br/>(Rs. in lakhs)</b> | <b>As at 31.03.2010<br/>(Rs. in lakhs)</b> |
|---|--|--|
| 02. Estimated Amount of contracts remaining to be executed on Capital Accounts and not provided for   | ---  | ---  |
| 03. Contingent Liabilities not provided for:  |  |  |
| i) On account of Letters of Credit and Bank Guarantees given by Bankers.  | <b>511.29</b>                              | 861.92                                     |
| ii) Demand from Directorate of Enforcement, disputed by the Company pending in Appellate Tribunal for Foreign Exchange.   | <b>5.50</b>                                | 5.50                                       |
| iii) Demand from Customs & Central Excise Dept. (Service Tax cell), disputed by the company, pending in appeals, amounting to Rs.62.36 lakhs. Against these demands, the company paid an amount of Rs.9.97 lakhs. Appeal allowed and case closed.   | ---  | 62.36                                      |
| iv) Demand from Customs & Central Excise (Service Tax Cell), disputed by the company, Pending in appeal before CESTAT, Bangalore amounting to Rs. 35.04 Lakhs   | <b>35.04</b>                               | 35.04                                      |
| v) Demand from Commissioner, Central Excise, Visakhapatnam – II disputed by the company, appeal before CESTAT, Bangalore amounting to Rs.1.22 Lakhs. Appeal allowed and case closed   | ---  | 1.22                                       |
| vi) Demand from Yanam Municipality (Property Tax-With retrospective effect) disputed by the company-pending with commissioner, Yanam Municipality.  | <b>32.35</b>                               | 32.35                                      |
| vii) Demand from Regional Provident Fund Commissioner, Rajahmundry, disputed by the company pending in appeal, amounting to Rs.46.26 Lakhs. Against this demand, the company paid an amount of Rs. 11.57 Lakhs during Financial Year 2009-10. Tribunal issued orders restricting the liability to Rs. 10.18 Lakhs | ---  | 46.26                                      |



# Regency Ceramics Limited

|  | As at 31.03.2011<br>(Rs. in lakhs)     | As at 31.03.2010<br>(Rs. in lakhs) |
|--|--|------------------------------------|
| viii) Demand from Dy. Commissioner of Income Tax Hyderabad disputed by the company, pending in appeal before Income Tax Appellate Tribunal, Hyderabad amounting to Rs. 130.97 Lakhs  | <b>130.97</b>                          | 130.97                             |
| 04. The company incurred Rs.118.85 Lakhs in the earlier years on installation of 132KV electric line for getting uninterrupted power supply from Pondicherry Electricity Board. The line is the property of the Electricity board on energigation in the month of July'05 and thus the expenditure is being written off in five equal annual installments from the year of energigation. Accordingly, Rs.5.94 Lakhs is charged to Revenue in the current year. |  |                                    |
| 05. The Company has obtained confirmation of balances from few parties from Sundry Debtors and Sundry Creditors and is in the process of obtaining confirmation of balances from the balance parties included under Sundry Debtors, Sundry Creditors, other liabilities and advances.  |  |                                    |
| 06. In the opinion of the Board, the Current Assets and Loans & Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.   |  |                                    |
| 07. The company extended "Letter of Comfort" to the Banks aggregating to Rs.52 Lakhs with an undertaking to convert the same into Corporate Guarantee in line with terms and conditions of the sanction to M/s. Regma Ceramics Ltd., a Body Corporate under the same management.   |  |                                    |
| 08. Details of Managerial Remuneration:  |  |                                    |
|  | <b>Current Year<br/>(Rs. In lakhs)</b> | Previous Year<br>(Rs. In lakhs)    |
| i) Chairman and Managing Director: *   |  |                                    |
| Salary and Allowances  | <b>10.20</b>                           | 10.20                              |
| Other Perquisites  | <b>1.20</b>                            | 1.20                               |
|  | <b>11.40</b>                           | 11.40                              |
| *In view of inadequacy of profits, the minimum remuneration is paid for the year.  |  |                                    |
| ii) Executive Director:  |  |                                    |
| Salary and Allowances  | <b>15.36</b>                           | --                                 |
| Contribution to Provident Fund and Superannuation  | <b>2.71</b>                            | --                                 |
|  | <b>18.07</b>                           | --                                 |
| 09. Additional information required under Part-II of Schedule - VI to the Companies Act, 1956.   |  |                                    |
|  | <b>As at<br/>31.03.2011</b>            | As at<br>31.03.2010                |
| <b>A. Details of Registered/Licensed,<br/>Installed capacities and production of<br/>Ceramic Glazed and Unglazed Tiles:</b>  |  |                                    |
| i) Regd./Licensed Capacity : MT / Annum  | <b>3,60,000</b>                        | 3,60,000                           |
| ii) Installed Capacity * : MT / Annum  | <b>2,50,000</b>                        | 2,50,000                           |

\*As certified by the Management and not verified by the auditors being a technical matter.



|  | Qty.<br>(Sq.Mtrs.)      | Value<br>(Rs. in Lakhs)                | Qty.<br>(Sq.Mtrs.)                      | Value<br>(Rs. in Lakhs) |
|--|-------------------------|--|---|-------------------------|
| <b>B. Own Production</b>   |                         |  |   |                         |
| Opening Stock  | 12,99,341               | 1,566.28                               | 8,45,943                                | 1,158.08                |
| Production   | 93,05,649               | ---                                    | 97,90,420                               | ---                     |
| Sales  | 96,83,049               | 17,687.87                              | 92,64,030                               | 16,598.72               |
| Free samples,<br>Replacements and damages  | 82,835                  | ---                                    | 72,992                                  | ---                     |
| Closing Stock  | 8,39,106                | 1,243.73                               | 12,99,341                               | 1,566.28                |
| <b>C. Traded Goods</b>   |                         |  |   |                         |
| Opening stock  | 36,774                  | 118.01                                 | 31,115                                  | 77.28                   |
| Purchases  | 10,52,154               | 2,748.60                               | 3,67,473                                | 900.56                  |
| Sales  | 10,39,455               | 2,999.54                               | 3,60,677                                | 923.24                  |
| Free samples,<br>Replacements and damages  | 8,627                   | ---                                    | 1,137                                   | ---                     |
| Closing Stock  | 40,846                  | 118.28                                 | 36,774                                  | 118.01                  |
| <b>D. Details of Raw Materials Consumed</b>  |                         |  |   |                         |
|  | (M.T.)                  | (Rs. in Lakhs)                         | (M.T.)                                  | (Rs. in Lakhs)          |
| Ball Clay  | 95,084                  | 437.77                                 | 99,425                                  | 389.21                  |
| White Clay   | 58,372                  | 402.49                                 | 52,697                                  | 360.37                  |
| Pilsperser   | 290                     | 146.68                                 | 308                                     | 148.24                  |
| Feldspar   | 22,974                  | 208.24                                 | 22,791                                  | 164.25                  |
| Glazes & Colourants  | 11,120                  | 3112.53                                | 10,747                                  | 3,215.64                |
| Others   | ---                     | 635.15                                 | ---                                     | 649.15                  |
| <b>Total</b>   |                         | <b>4,942.86</b>                        |   | <b>4,926.86</b>         |
| <b>E. Value of imported and indigenous Raw Material, Packing Material and Stores &amp; Spares consumed and their percentage of total consumption :</b> |                         |  |   |                         |
|  | Value<br>(Rs. in Lakhs) | %                                      | Value<br>(Rs.in lakhs)                  | %                       |
| <b>i) Raw Material</b>   |                         |  |   |                         |
| Imported   | 446.08                  | 9.02                                   | 265.13                                  | 5.38                    |
| Indigenous   | 4,496.78                | 90.98                                  | 4,661.73                                | 94.62                   |
|  | <u>4,942.86</u>         | <u>100.00</u>                          | <u>4,926.86</u>                         | <u>100.00</u>           |
| <b>ii) Packing Material</b>  |                         |  |   |                         |
| Imported   | 17.87                   | 2.34                                   | 7.19                                    | 0.88                    |
| Indigenous   | 747.13                  | 97.66                                  | 811.66                                  | 99.12                   |
|  | <u>765.00</u>           | <u>100.00</u>                          | <u>818.85</u>                           | <u>100.00</u>           |
| <b>iii) Stores &amp; Spares</b>  |                         |  |   |                         |
| Imported   | 963.05                  | 81.84                                  | 1,265.80                                | 88.99                   |
| Indigenous   | 213.67                  | 18.16                                  | 156.59                                  | 11.01                   |
|  | <u>1,176.72</u>         | <u>100.00</u>                          | <u>1,422.39</u>                         | <u>100.00</u>           |
| <b>F. CIF Value of Imports</b>   |                         |  |   |                         |
|  |                         | <b>Current Year<br/>(Rs. In Lakhs)</b> | <b>Previous Year<br/>(Rs. In Lakhs)</b> |                         |
| i) Raw material  |                         | 504.69                                 | 435.64                                  |                         |
| ii) Packing Material, Stores & Spares  |                         | 982.15                                 | 1,506.38                                |                         |
| iii) Capital Goods   |                         | 39.34                                  | 30.20                                   |                         |
|  |                         | <u>1,526.18</u>                        | <u>1,972.22</u>                         |                         |



## Regency Ceramics Limited

|   | Current Year<br>(Rs. In Lakhs) | Previous Year<br>(Rs. In Lakhs) |
|---|--------------------------------|---------------------------------|
| <b>G. Expenditure in Foreign Currency</b>                       |                                |                                 |
| i) Travelling Expenses  | 9.04                           | 5.27                            |
| ii) Sales Commission  | 34.25                          | 47.37                           |
| <b>H. Earnings in Foreign Exchange</b>                          |                                |                                 |
| F.O.B. Value of Exports   | 1,991.84                       | 2,566.56                        |
| <b>10. Payments to Auditors</b>                                 |                                |                                 |
| i) Audit Fees   | 1.00                           | 0.75                            |
| ii) Tax Audit Fees  | 0.40                           | 0.40                            |
| iii) Other Services   | --                             | --                              |
| iv) Service Tax   | 0.14                           | 0.12                            |
|   | 1.54                           | 1.27                            |
| <b>11. The details of prior period adjustments are as under</b> |                                |                                 |
| i) Service Tax  | --                             | (0.34)                          |
| ii) Other Mfg. & Admn. Expenses                                 | 1.08                           | 0.69                            |
|   | 1.08                           | 0.35                            |

12. Remittance in foreign currency on account of Dividend:

There is no remittance in foreign currency on account of Dividend during the year 2010-11.

13. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

14. Segment Reporting: The entire operations of the Company relate only to one segment.

**15. Related Party Disclosure :**

**Name of the party**

**Nature of relationship**

|                                |   |   |
|--------------------------------|---|---|
| 1. Regma Ceramics Limited      | : | Company under the same management                             |
| 2. Regency Educational Society | : | Other entities where Directors/their relatives are interested |
| 3. Dr. G.N. Naidu              | } | Key Management Personnel                                      |
| 4. Smt. G. Radhika             |   |   |
| 5. Smt. Bindu G Naidu          |   |   |
| 6. Sri. N. Satyendra Prasad    |   |   |
| 7. Sri. K.C. Chandrasekhar     |   |   |

(Rs. in lakhs)

| Particulars   | Business     |               | Outstanding as on |            |
|---|--------------|---------------|-------------------|------------|
|   | Current Year | Previous Year | 31.03.2011        | 31.03.2010 |
| i) Company under the same management                                |              |               |                   |            |
| - Subscription to Equity Shares                                     | ---          | --            | 200.00            | 200.00     |
| - Brand usage charges earned  | 27.16        | 25.74         | (234.37)          | (20.52)    |
| ii) Unsecured loans from Directors                                  | ---          | ---           | (426.50)          | (326.50)   |
| iii) Other entities where Directors/their relatives are interested. |              |               |                   |            |
| - Advances given  | ---          | ---           | 133.93            | 53.75      |
| (Figures in bracket represent amount payable to them)               |              |               |                   |            |
| iv) Payment to Key Management personnel                             |              |               |                   |            |
| - Rent  | 64.13        | 51.30         |                   |            |
| - Remuneration (other than directors)                               | 27.10        | 26.37         |                   |            |



16. Deferred tax liability withdrawn during the year aggregating to Rs.679.46 lakhs (Previous Year Rs. 224.29 lakhs) has been recognized in Profit and Loss Account. As at the year end, the Deferred tax liability aggregates to Rs. 347.58 lakhs (Previous Year Rs. 1,027.04 lakhs) as detailed below:

|  | <b>Current Year<br/>(Rs. In lakhs)</b> | Previous Year<br>(Rs. In lakhs) |
|--|--|---------------------------------|
| Deferred Tax Liabilities:                |  |                                 |
| Depreciation                             | <b>1976.46</b>                         | 2373.43                         |
| Deferred Revenue Expenses                | <b>--</b>                              | 2.02                            |
|  | <b>1976.46</b>                         | <b>2375.45</b>                  |
| Deferred Tax Assets:                     |  |                                 |
| Provision for Doubtful Debts             | <b>39.93</b>                           | 48.56                           |
| Dis-allowances u/s 43B of Income Tax Act | <b>38.63</b>                           | 17.40                           |
| Loss as per Income Tax Act               | <b>1550.32</b>                         | 1282.45                         |
|  | <b>1628.88</b>                         | <b>1348.41</b>                  |
| Net Deferred Tax Liability               | <b>347.58</b>                          | <b>1027.04</b>                  |

17. Earning per Share:

|  |                    |             |
|--|--------------------|-------------|
| i) Net Loss after tax (Rs. in lakhs)     | <b>(1,543.92)</b>  | (1,337.82)  |
| ii) No. of equity shares of Rs.10/- each | <b>2,64,41,586</b> | 2,64,41,586 |
| iii) Weighted average no. of shares      | <b>2,64,41,586</b> | 2,00,19,193 |
| iv) Earning per share (in Rs.)           | <b>(5.84)</b>      | (6.68)      |

18. Disclosures required by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as under:

|  |               |        |
|--|---------------|--------|
| (a) (i) The principal amount remaining Unpaid at the end of the year                                       | <b>231.07</b> | 262.71 |
| (ii) Interest due on principal remaining unpaid at the end of the year                                     | -             | -      |
| (b) (i) The delayed payments of principal amount paid beyond the appointed date during the year            | -             | -      |
| (ii) Interest actually paid under Section 16 of the MSMED Act  | -             | -      |
| (c) Normal Interest due and payable during the year, for all the delayed payments as per the agreed terms. | -             | -      |
| (d) Total Interest accrued during the year and remaining unpaid.   | -             | -      |

The above information regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company.

19. Previous year's figures have been regrouped / re-arranged wherever necessary to make them comparable with the current year's figures.

#### **SCHEDULE 20**

#### **SIGNIFICANT ACCOUNTING POLICIES :**

##### **1. SYSTEM OF ACCOUNTING:**

The company generally follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

##### **2. FIXED ASSETS:**

Fixed Assets are stated at cost of acquisition inclusive of foreign exchange fluctuation, inland freight, duties and taxes and incidental expenses related to acquisition.



**3. DEPRECIATION:**

Depreciation on the Assets of the company is provided on Straight Line Method as per Schedule XIV to the Companies Act, 1956.

**4. SALES:**

Gross sales are stated net of Sales Tax and inclusive of Excise duty.

**5. EMPLOYEE BENEFITS:**

Contribution to provident fund is remitted to the Provident Fund Commissioner and such paid/payable amounts are charged against revenue.

Group Gratuity Scheme is administrated through Trustees for which policies are taken from LIC of India. The above payments/ provisions are charged to revenue. The liabilities towards such schemes are determined by an independent actuarial valuation as per the requirements of Accounting Standard-15.(Revised 2005) on "Employee Benefits". Encashment of leave is accounted for on accrual basis.

**6. INVENTORIES:**

Inventories are valued at lower of cost or net realizable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity.

**7. INVESTMENTS:**

Long term investments are stated at cost. Any decline in the value of long term investment is recognized by providing for such diminution in the value of investments, unless the reduction is of temporary in nature.

**8. RECOGNITION OF INCOME:**

Advance Licenses and Import Entitlements received against exports made by the company are accounted in the books on accrual basis.

**9. FOREIGN EXCHANGE TRANSACTIONS:**

Foreign currency transactions are accounted at the exchange rates ruling on the date of transactions. The net gain/loss arising on revenue account during the year in respect of foreign exchange transaction is reckoned in the Profit and Loss Account.

**10. BORROWING COSTS:**

Borrowing costs that are attributable to the acquisition or construction of long lead time capital assets are capitalized as a part of cost of the asset. All other borrowing costs are charged to revenue.

**11. DEFERRED TAXATION:**

Deferred tax, being tax on timing difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years, has been recognized. Deferred tax assets, arising from temporary timing differences and out of unabsorbed loss or depreciation are recognized to the extent that there is reasonable certainty that the assets can be realized in future.

**12. RESEARCH AND DEVELOPMENT:**

- i. Revenue expenditure is charged to Profit & Loss Account.
- ii. Capital expenditure is shown as addition to fixed assets under natural heads.

**13. CONTINGENT LIABILITIES:**

Contingent liabilities not provided for are indicated by way of a Note and will be provided/paid on crystallization.

Signatures to Schedules 1 to 20

As per our report of even date.

For M/s. BRAHMAYYA & CO.,

Chartered Accountants

Firm Registration No. 000513S

K.S. RAO

Partner

Place : Hyderabad

Date : 27.07.2011

Dr. G.N.NAIDU

Chairman and

Managing Director

N. SATYENDRA PRASAD

Executive Director

E. BALAKRISHNA RAO

President (Finance)

M. AMALA

Company Secretary



**Balance Sheet Abstract and Company's General Business Profile**

**I. Registration Details**

Registration No. (CIN) : L26914AP1983PLC004249  
Balance Sheet : 31.03.2011 State Code : 01

**II. Capital raised during the year (Rs. in Thousands)**

Public Issue : - Right Issue : -  
Bonus Issue : - Private Placement : -

**III. Position of Mobilization and Deployment of funds (Rs. In thousands)**

Total Liabilities : 1822957 Total Assets : 1822957

**SOURCES OF FUNDS:**

Paid-Up Capital : 264416 Reserves & Surplus : 187082  
Secured Loans : 1252214 Unsecured Loans : 84487  
Deferred Tax Liability(Net) : 34758

**APPLICATION OF FUNDS:**

Net Fixed Assets : 991502 Investments : 20642  
Net Current Assets : 553061 Misc. Expenditure : -  
Accumulated Losses : 257752

**IV. Performance of Company (Rs. in Thousands)**

Turnover : 2068741 Total Expenditure : 2159327  
Loss Before Tax : (222338) Loss After Tax : (154392)  
Earning Per Share (in Rs) : (5.84) Dividend rate (%) : -

**V. Generic Names of Three Principal Products / Services of Company (as per monetary terms)**

Item Code No. : 690710  
Product Description : Ceramic Tiles

**Dr. G. N. Naidu**  
Chairman and  
Managing Director

**N. Satyendra Prasad**  
Executive Director

**E. Balakrishna Rao**  
President (Finance)

**M. Amala**  
Company Secretary

Place : Hyderabad  
Date : 27.07.2011



**CASH FLOW STATEMENT FOR THE YEAR ENDING 31.03.2011**

(Rs.in Lakhs)

|   | 2010-11         | 2009-10         |
|---|-----------------|-----------------|
| <b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>                   |                 |                 |
| Net Profit/(Loss) before Tax                                    | (2223.38)       | (1560.63)       |
| Adjustments for:  |                 |                 |
| Depreciation  | 1067.78         | 1069.53         |
| Interest(net)   | 1396.06         | 1269.94         |
| Loss on sale of Fixed Assets(Net)                               | (54.93)         | 0.60            |
| Preliminary/deferred revenue expenses written off               | 5.94            | 23.77           |
| Operating profit before working capital changes                 | 191.47          | 803.21          |
| Adjustments for:  |                 |                 |
| Trade and other receivables                                     | (632.10)        | (1249.95)       |
| Inventories   | 39.65           | (356.60)        |
| Trade payables  | 1374.51         | 778.81          |
| Cash generated from operations                                  | 973.53          | (24.53)         |
| Income Tax & Fringe Benefit Tax paid                            | (10.00)         | (28.20)         |
| Net Cash Flow from Operating Activities                         | 963.53          | (52.73)         |
| <b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>                   |                 |                 |
| Purchase of Fixed Assets  | (174.00)        | (286.88)        |
| Sale of Fixed Assets  | 146.65          | 7.66            |
| Interest received   | 5.99            | 235.75          |
| Net Cash Used in investing activities                           | (21.36)         | (43.47)         |
| <b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>                   |                 |                 |
| Loans from Directors  | 100.00          | 200.00          |
| Loans from Banks and institutions                               | 228.52          | 569.04          |
| Repayment of loans from Institutions and others                 | (540.35)        | (400.68)        |
| Increase/(Decrease) in Working Capital Loan                     | 251.69          | 667.76          |
| Interest paid   | (1244.89)       | (1289.49)       |
| Net Cash used in Financing Activites                            | (1205.03)       | (253.37)        |
| <b>Net decrease in cash and cash equivalents(A+B+C)</b>         | <b>(262.86)</b> | <b>(349.57)</b> |
| Cash and Cash equivalents as at 01.04.2010<br>(Opening Balance) | 897.97          | 1247.54         |
| Cash and Cash equivalents as at 31.03.2011<br>(Closing Balance) | 635.11          | 897.97          |

As per our report of even date.

**For M/s. BRAHMAYYA & CO.,**  
Chartered Accountants  
Firm Registration No. 000513S

**Dr. G.N.NAIDU**  
Chairman and  
Managing Director

**E. BALAKRISHNA RAO**  
President (Finance)

**K.S. RAO**  
Partner

**N. SATYENDRA PRASAD**  
Executive Director

**M. AMALA**  
Company Secretary

Place : Hyderabad  
Date : 27.07.2011



*Regency Ceramics Limited*  
 Registered Office: N.N.House, Chirag Ali Lane,  
 Hyderabad – 500 001 (A.P)

Reg.Folio No./Client Id. No\* \_\_\_\_\_

DP ID\* \_\_\_\_\_

No. of Shares Held : \_\_\_\_\_

**PROXY**

I/We \_\_\_\_\_ of \_\_\_\_\_ in the District of \_\_\_\_\_ being a member / members of Regency Ceramics Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ in the District of \_\_\_\_\_ as my/our Proxy to vote for me/us on my/our behalf at the 27th Annual General Meeting of the Company to be held on Thursday the 29th September 2011 at 11.00 A.M. and at any adjournment thereof, at the Registered Office of the Company at 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad – 500 001.

Signed this \_\_\_\_\_ day of September 2011.

Signature \_\_\_\_\_



Note: The Proxy Form duly completed must be deposited at the Registered Office of the Company not less than 48 Hours before the time for holding the meeting.

A Proxy need not be a member.

\*Applicable for investors holding shares in electronic form.



*Regency Ceramics Limited*  
 Registered Office: N.N.House, Chirag Ali Lane,  
 Hyderabad – 500 001 (A.P)

**ATTENDANCE SLIP**

Shareholders attending the meeting in person or by the Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the 27th Annual General Meeting of the Company at the Registered office of the Company at 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500001 on Thursday the 29th September 2011 at 11.00 A.M.

Full Name of the Shareholder (in block letters)

Signature

Regd. Folio No. :

Client ID\* :

DP ID\* :

Full Name of the Proxy (in block letters)

Signature



\*Applicable for investors holding shares in electronic form.

## BOARD OF DIRECTORS

|     |                           |   |   |
|-----|---------------------------|---|---|
| 01. | Dr G N Naidu              | - | Chairman and Managing Director          |
| 02. | Sri T V Chowdary          | - | Director                                |
| 03. | Dr M V G Rao              | - | Director                                |
| 04. | Sri P J V Sarma           | - | Director                                |
| 05. | Sri S V Jagannath         | - | Director (upto 31.01.2011)              |
| 06. | Sri G Sreenivasulu Naidu  | - | Director                                |
| 07. | Smt Bindu G Naidu         | - | Director                                |
| 08. | Sri N Satyendra Prasad    | - | Executive Director                      |
| 09. | Sri T Ramesh Chandra Bose | - | Additional Director (w.e.f. 27.07.2011) |

|   |   |                       |
|---|---|-----------------------|
| <b>President (Operations)</b>               | : | Sri K C Chandrashekar |
| <b>President (International Operations)</b> | : | Dr S V Ramprasad      |
| <b>President (Finance)</b>                  | : | Sri E Balakrishna Rao |
| <b>Vice President (Sales)</b>               | : | Sri B Srinivasa Rao   |
| <b>Company Secretary</b>                    | : | Ms M Amala            |

### **Audit Committee**

Sri T V Chowdary  
Sri P J V Sarma  
Dr M V G Rao  
Sri T Ramesh Chandra Bose

### **Investors' Grievance Committee**

Sri T V Chowdary  
Sri P J V Sarma  
Dr G N Naidu

### **Bankers**

State Bank of India  
The South Indian Bank Ltd.  
Corporation Bank  
State Bank of Travancore  
State Bank of Bikaner & Jaipur

### **Remuneration Committee**

Sri T V Chowdary  
Sri P J V Sarma  
Sri T Ramesh Chandra Bose

### **Statutory Auditors**

M/s Brahmayya & Co.,  
Chartered Accountants  
Hyderabad

### **Registered Office**

5-8-356, N N House  
Chirag Ali Lane, Abids  
Hyderabad - 500001  
Ph: +91-40-23204555  
Fax: +91-40-23201159

### **Internal Auditors**

M/s K S Rao & Co.,  
Chartered Accountants, Hyderabad

### **Factory**

Yanam – 533464  
(Union Territory of Puducherry)

**Company's Website: [www.regencytiles.com](http://www.regencytiles.com)**

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