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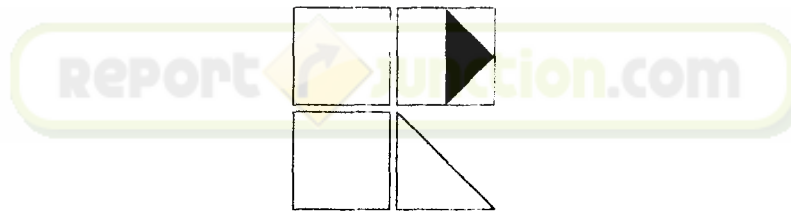
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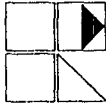
Regency Ceramics Limited

(An ISO 9002 Company)



14th Annual Report
1997-98





Regency Ceramics Limited

BOARD OF DIRECTORS

01. Dr. V. CHANDRA MOWLI, I A S	...	CHAIRMAN
02. MR. G.N. NAIDU	...	VICE CHAIRMAN CUM MANAGING DIRECTOR
03. MR. P.G. NAIDU	...	WHOLE TIME DIRECTOR
04. MR. D.D. GUDSOORKAR	...	DIRECTOR (IDBI NOMINEE)
05. MR. A.S. RISHI	...	DIRECTOR (IFCI NOMINEE)
06. MR. V. RAMAKIRUSHNAN	...	DIRECTOR (PIDIC NOMINEE) (Up to.05.05.1998)
07. MR. T.V. CHOWDARY	...	DIRECTOR
08. MR. G. SRINIVASULU NAIDU	...	DIRECTOR
09. MR. CHRISTIAN LAURENT	...	DIRECTOR (Up to.10.07.1998)
10. MR. SERGIO CAPELLI	...	DIRECTOR (Up to.10.07.1998)
11. MRS. G. RADHIKA	...	DIRECTOR (W.E.F. 29.11.1997)
12. MR. ROBERTO ZELASCHI	...	DIRECTOR (W.E.F. 10.07.1998)
13. MR. RAFFAELE MOZ	...	DIRECTOR (W.E.F. 10.07.1998)

A. G. M. (FINANCE)
Sri D.V.R.PRABHAKAR

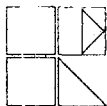
COMPANY SECRETARY
Sri M.S.KHAN

AUDITORS
M/S K S RAO & CO.
CHARTERED ACCOUNTANTS
HYDERABAD

BANKERS
STATE BANK OF INDIA

REGISTERED OFFICE
N.N.HOUSE
CHIRAG ALI LANE
HYDERABAD - 500 001.

FACTORY
YANAM - 533 464



Regency Ceramics Limited

NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held on Thursday, the 27th August, 1998 at 11.00 A.M. at Indira Priyadarshini Auditorium, Nampally, Hyderabad - 500001, to transact the following business:

AS ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 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. G.Srinivasulu Naidu who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri. T.V.Chowdary who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. V.Chandra Mowli who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

AS SPECIAL BUSINESS:

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

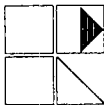
"RESOLVED THAT Mrs. G.Radhika who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing her candidature for the office of Director, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT Mr. Roberto Zelaschi who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT Mr. Raffaele Moz who was appointed as Additional Director of the Company by the Board of Directors and who ceases to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the



Regency Ceramics Limited

Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 309 and other applicable provisions if any, read along with Schedule XIII (as amended) of the Companies Act, 1956 the Company hereby approves the re-appointment of Sri. P.G.Naidu, as Whole Time Director, for a period of three years with effect from 1st July, 1998 on the following terms and conditions."

Salary of Rs.8,000/- per month.

House Rent Allowance Rs.2,000/- per month

Provision of car for use on Company's business.

Telephone at residence.

Company's contribution towards Provident Fund as per Company Rules.

Gratuity payable not exceeding half a month's salary for each completed year of service.

Encashment of leave at the end of tenure.

By Order of the Board

Place : Hyderabad

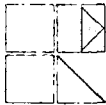
M.S.KHAN

Date : 10.07.1998

Company Secretary

NOTES:

1. EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956 FOR ITEM NO.6 TO 9 IS ENCLOSED.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES 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 COMMENCEMENT OF THE MEETING.
3. MEMBERS/PROXIES ARE REQUESTED TO BRING THEIR COPIES OF ANNUAL REPORT TO THE MEETING AND THE ATTENDANCE SLIP DULY FILLED IN FOR ATTENDING THE MEETING. COPIES OF ANNUAL REPORTS WILL NOT BE PROVIDED AT THE MEETING.
4. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 18.08.98 TO 27.08.98 (BOTH DAYS INCLUSIVE).
5. MEMBERS ARE REQUESTED TO NOTIFY IMMEDIATELY ANY CHANGE IN THEIR ADDRESS TO THE COMPANY'S REGISTERED OFFICE AT 5-8-356, N.N.HOUSE, CHIRAG ALI LANE, HYDERABAD - 500 001.
6. THE DIVIDEND DECLARED BY THE COMPANY FOR THE YEAR 1991-92 AND NOT CLAIMED BY THE SHAREHOLDERS HAS BEEN TRANSFERRED TO THE GENERAL REVENUE ACCOUNT OF CENTRAL GOVERNMENT. ALL FUTURE CLAIMS OF THE SHAREHOLDERS SHALL BE MADE TO THE REGISTRAR OF COMPANIES, ANDHRA PRADESH.



Regency Ceramics Limited

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No.6:

Smt. G.Radhika was co-opted as Additional Director on the Board at its meeting held on 29.11.1997. She is a Gold Medalist in M.B.A., and is specialised in the field of Marketing. Hence in order to professionalise and broad base the Board, it is proposed to appoint Smt. G.Radhika as Director on the Board. The Notice was received by the Company in writing from a member pursuant to Section 257 of the Companies Act, 1956 proposing Smt. G.Radhika's candidature as Director of the Company.

Excepting Smt. G.Radhika and Sri. G.N.Naidu, none of the other Directors are interested in the above said resolution.

Item No.7 & 8:

The foreign Collaborators of the Company M/s. Welko Industriale, S.p.a., Italy have withdrawn their nominees Mr. Christian Laurent and Mr. Sergio Capelli and appointed Mr. Roberto Zelaschi and Mr. Raffaele Moz as their representatives on the Board of the Company at the meeting held on 10.07.1998. The Company has received the notices from the members pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Roberto Zelaschi and Mr. Raffaele Moz candidatures as Directors of the Company.

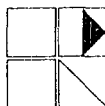
Mr. Roberto Zelaschi and Mr. Raffaele Moz are interested to the extent of their appointment as Directors.

None of the other Directors are interested in the above said resolutions.

Item No.9:

Sri. P.G.Naidu was appointed as Whole Time Director for a period of three years w.e.f. 1st July, 1995 and his tenure ended on 30th June, 1998. The Board of Directors at their meeting held on 10.07.1998 has re-appointed Sri. P.G.Naidu as Whole Time Director for a further period of three years. The Salary, terms and conditions of his appointment remain unaltered.

Sri. P.G.Naidu is interested in the resolution to the extent of his appointment as Whole Time Director. None of the other Directors are interested in the above said resolution.



Regency Ceramics Limited

DIRECTORS' REPORT

To The Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report for the Year Ended 31st March, 1998 together with audited accounts. The financial results for the year 1997-98 are briefly given hereunder:

FINANCIAL RESULTS :

(Rs. in lacs)

S.No.Particulars	1997-98	1996-97
01. Turnover	5802	4363
02. Gross Profit before interest and depreciation	1831	992
03. Less: Financing Charges	816	781
04. Cash Profit	1015	211
05. Depreciation and Miscellaneous expenses written off	438	242
06. Net Profit/(Loss) for the year	577	(31)

01. ISO 9002:

Your Directors are happy to inform you that your Company in certification of its standards of quality was awarded ISO 9002 Certificate from M/s. DNV of Netherlands.

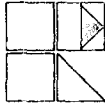
02. PRODUCTION AND CAPACITY UTILISATION:

The unit has been consistently operating above its full rated capacity. The average capacity utilisation during the year is 113%.

Your Company has produced 33.25 lacs sqmts of Ceramic Tiles during the year 1997-98 as against 24.71 lacs sqmts in the previous year recording an increase of 35% over previous year. The production is now oriented towards more value added products which will result in high margins. The Company is also introducing new series of Ceramic Tiles to meet the requirement of International market.

03. TURNOVER:

During the year 1997-98 your Company has achieved sales in physical terms to a tune of 31.91 lacs sqmts as against 25.91 lacs sqmts in 1996-97 recording a growth of 23%. In financial terms, the turnover which was Rs.43.63 crores in 1996-97 is increased to Rs.58.02 crores in 1997-98 recording a growth of 33%.



Regency Ceramics Limited

04. EXPORTS:

The Company has exported 3.30 lacs Sqmts of Ceramic Tiles to different countries mainly to Middle East and South East countries. During the year your Company achieved an export turnover of Rs.429.37 lacs compared to Rs.361.48 lacs during the previous year recording a growth of 19%.

05. PROFITABILITY:

During the year under review, your Company made a gross profit of Rs.1831 lacs as against Rs.992 lacs in the previous year. The percentage of gross profit to value of production for the year 1997-98 is 31% as against 24% in the previous year. The Company made a net profit of Rs.577 lacs for the year 1997-98.

06. CUSTOMS AND EXCISE MATTER:

As informed to you in the last Directors' Report regarding the payment of customs duty on capital equipment, the matter is still not resolved as the appeal of the Company is still pending as mentioned in point No.5 of Notes to Accounts - Schedule 18.

07. CAPITAL EXPENDITURE:

During the year under review, the Company has incurred a sum of Rs.390.37 lacs towards capital expenditure bringing the total fixed assets to Rs.5636.84 lacs from Rs.5306.71 lacs at the end of the previous year.

08. FIXED DEPOSITS:

During the year 1997-98, the Company has not accepted any fixed deposits.

09. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information pursuant to Sec.217(1)(e) of the Companies Act, 1956 is given in Annexure.I forming part of the report.

10. PARTICULARS OF EMPLOYEES AND INDUSTRIAL RELATIONS:

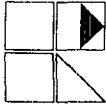
Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees) Rules 1975 is given at Annexure.II forming part of the report.

Your Directors are happy to inform that the industrial relations are warm and cordial during the year 1997-98.

11. DIRECTORS:

Dr. V.Chandra Mowli, Sri. T.V.Chowdary and Sri. G.S.Naidu Directors retire by rotation and being eligible offer themselves for re-appointment.

During the year Smt. G.Radhika, Mr. Roberto Zelaschi and Mr. Raffaele Moz were co-opted as Directors by the Board, in pursuance of Article 36(e) of the Articles of Association of the Company read with Section 250 of the



Regency Ceramics Limited

Companies Act, 1956. The said Directors vacate the office at the forthcoming Annual General Meeting and are eligible for re-appointment.

Sri. P.G.Naidu whose term of office as Whole Time Director expires on 30th June, 1998 was re-appointed by the Board for a further period of three years w.e.f. 1st July, 1998.

12. AUDITORS:

M/s.K.S.Rao & Co., Chartered Accountants, Hyderabad, the Auditors of the company retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

13. AUDITORS' REPORT:

The Auditors comments in the Report are self explanatory.

14. ACKNOWLEDGEMENTS:

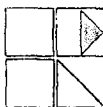
Your Directors wish to express their sincere gratitude for the continued co-operation and assistance extended by various departments viz. Government of India, Pondicherry and Government of Andhra Pradesh, Financial Institutions viz. IFCI Ltd., IDBI, ICICI Ltd, Foreign Collaborators, State Bank of India, PIPDIC, Gas Authority of India Ltd. and Shareholders of the Company.

Your Directors also appreciate the dedicated and sincere services of the employees.

For and on behalf of the Board

Place : Hyderabad
Date : 10.07.1998

DR. V.CHANDRA MOWLI
Chairman



Regency Ceramics Limited

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:

The Company has introduced fuel saving technology for the manufacture of ceramic tiles. Effective steps have been taken to conserve the energy by reducing the consumption of gas and power and also by streamlining production wherever possible. Necessary steps are being taken for implementing Energy Conservation measures.

B. TECHNOLOGY ABSORPTION:

The Research and Development Dept. of the Company is continuously engaged in development of new products and improving the productivity. During the year the new tiles developed are Angelo, Marvel, Ristika & Vintage series, Spanish Marbles. Steps are being taken for indigenisation of components and spares and for development of alternative raw material.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

1. The Company has earned foreign exchange to the extent of Rs.429.37 lacs (Invoice Value) during 1997-98.
2. The total foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses, is Rs.236.15 lacs during 1997-98.

ANNEXURE - II TO THE DIRECTORS' REPORT:

STATEMENT OF PARTICULARS OF THE EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.98.

Name	Age	Designation & nature duties	Qualifi- cation	Total Expe- rience years	Date of Commenc- ement of employ- ment	Remune- ration (Rs.)	Particulars of last employ- ment
Sri G.N.Naidu	57 Years	Vice Chairman Managing Director	B.E. A.M.I.E	34 years	9-2-1984	11,32,000/-	Architect

NOTES:

1. Remuneration includes salary, allowances, Company's contribution to PF and monetary value of perquisites.
2. The appointment is of Non-contractual basis.