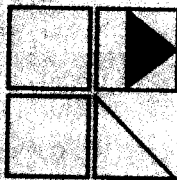


*19th
Annual Report
2002-03*



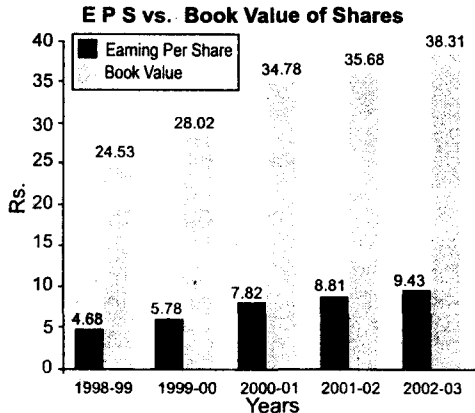
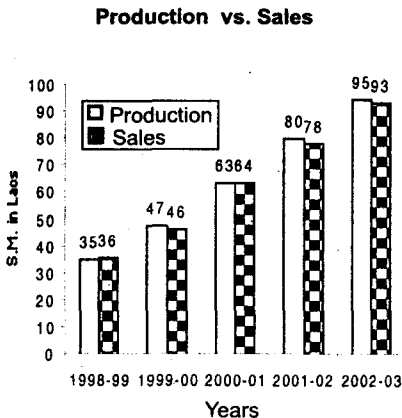
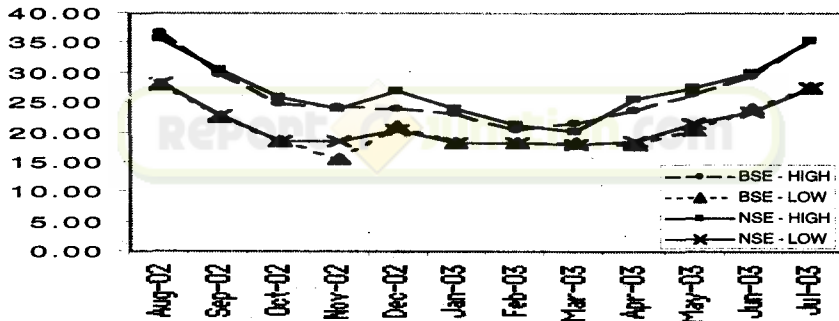
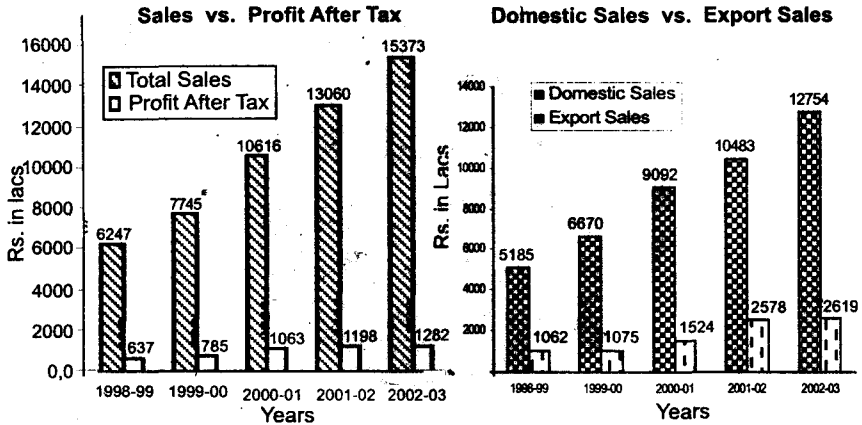
Regency Ceramics Limited

(Recognised **Export House** by Govt. of India)



(An ISO 9002, 14001 & OHSAS 18001 Company)

Performance at a Glance



INDEX

Contents	Page No.s
Notice to the Shareholders	01 – 06
Directors' Report	07 – 11
Management Discussion and Analysis	12 – 14
Report on Corporate Governance	14 – 20
Auditors' Report	21 – 23
Balance Sheet	24
Profit and Loss Account	25
Schedules	26 – 32
Notes to Accounts	33 – 39
Abstracts of Balance Sheet	40
Cash Flow Statement	41



Board Of Directors

- | | |
|---|---------------------------------------|
| 01. Dr. V. Chandramowli, Retd. I A S
(upto 26.01.2003) | ... Chairman |
| 02. Dr. G. N. Naidu
(Chairman w.e.f 27.01.2003) | ... Chairman and
Managing Director |
| 03. Smt. Bindu G. Naidu | ... Wholetime Director |
| 04. Sri. T V Chowdary | ... Director |
| 05. Sri.G. Srinivasulu Naidu | ... Director |
| 06. Smt.G. Radhika | ... Director |
| 07. Sri. Neelakantan Vedagiri | ... Director |
| 08. Sri. Natarajan.M
(upto 31.07.2003) | ... Director (PIPDIC Nominee) |
| 09. Smt. Usha Srinivasan | ... Director (IDBI Nominee) |
| 10. Sri. S.V. Jagannath | ... Director (ICICI Nominee) |

General Manager (Finance)

Mr. E. Balakrishna Rao

Company Secretary

Mr. Satish Kumar Subudhi

Audit Committee

Sri. Neelakantan Vedagiri
Smt.G. Radhika
Dr. V. Chandramowli
(upto 26.01.2003)
Sri.T.V.Chowdary
Sri. S.V.Jagannath
(w.e.f 26.01.2003)

Auditors

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

Registered Office

N N House
Chirag Ali Lane
Hyderabad - 500001

Investors' Grievance Committee

Dr. V.Chandramowli
(upto 26.01.2003)
Sri. Neelakantan Vedagiri
Dr. G.N.Naidu
Sri.T.V.Chowdary
(w.e.f 26.01.2003)

Bankers

State Bank Of India
The South Indian Bank Ltd

Factory

Yanam – 533464
(Union Territory Of Pondicherry)



Notice to the Shareholders

Notice is hereby given that the 19th Annual General Meeting of the company will be held on Monday, the September 29, 2003 at 11.00 a.m. at Indira Priyadarshini Auditorium, Public Gardens, Nampally, Hyderabad – 500 001, to transact the following business.

Ordinary Business :

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2003 and Profit and Loss Account for the year ended on that date alongwith the reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2002-03.
3. To appoint a Director in place of Smt. Bindu G. Naidu who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Sri. G. Sreenivasulu Naidu who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. K.S.Rao & Co., Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

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

"Resolved that the consent be and is hereby accorded to the Board of Directors of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and / or charging of all or any of the immovable and movable properties (excluding the properties for which exclusive charges were created) of the company wheresoever situate, present and future, and the whole of the undertaking of the company and / or conferring power to enter upon and take possession of the assets of the company in certain events to or in favour of the Financial Institutions / Banks :

- A. To secure the repayment of the term loans and / or redemption of NCDs availed from the following Banks, aggregating to Rs. 4700 lacs (Rupees Four Thousand Seven Hundred lacs only) together with interest at the agreed rate, additional interest, liquidated damages, commitment charges, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the company to the Banks in terms of respective loan agreements / subscription agreements / letters of sanctions.

i. Andhra Bank ii. EXIM Bank Ltd. iii. UTI Bank Ltd.

- B. To authorise the Board of Directors of the company agreeing with the aforesaid Banks in terms of the loan agreements / subscription agreements / letters of sanctions to reserve the right to take over the management of the company in certain events".

"Resolved further that the mortgage / charges created / to be created and / or all agreements / documents executed / to be executed and all acts done in terms of the above resolutions by and with the authority of the Board of Directors are hereby confirmed and ratified."



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

"Resolved that pursuant to the provisions of section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, consent be and is hereby accorded to the Board of Directors to borrow from time to time all such sums of money as they deem require for the purpose of the business of the company, notwithstanding that the money to be borrowed together with moneys already borrowed (apart from Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up-capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which money may be borrowed by the Board of Directors shall not exceed the sum of Rs. 200.00 crores (Rupees Two Hundred crores only) at any one time."

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

"Resolved that in compliance with SEBI circular no. D&CC/FITTC/CIR-15/2002 dated December 27, 2002 and pursuant to Section 163 and other applicable provisions, if any, of the Companies Act, 1956 consent be and is hereby accorded for keeping and maintaining the Register of Members / Debenture-holders together with Index of the Members, Transfer books and such other related books and documents with M/s. Venture Capital and Corporate Investments Limited, 6-2-913/914, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad - 500004, appointed as Registrars and Transfer Agent (R&T Agent) of the company, to enable the Company to maintain both physical and demat segment at a single point".

"Resolved further that all such acts, deeds and things done / to be done in terms of the above resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified."

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

"Resolved that pursuant to the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, the Securities Contracts (Regulation) Act, 1956, the clauses of the individual Listing Agreement with Stock Exchanges, the applicable provisions of the Companies Act, 1956 and all other applicable laws, rules, regulations and guidelines or any amendment or modification thereof and subject to such other approvals permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions, or sanctions, consent be and is hereby accorded to delist the ordinary equity shares of the Company from The Hyderabad Stock Exchange Ltd. and The Madras Stock Exchange Ltd".

"Resolved further that the Board of Directors or any person(s) authorised by the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution."

By order of the Board
for Regency Ceramics Limited

Place : Hyderabad
Date : 31.07.2003

Satish Kumar Subudhi
Company Secretary

**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 commencement of the meeting.***
2. 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.
3. 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.
4. The Register of Members and Share Transfer Books of the company will remain closed from September 16, 2003 to September 27, 2003 (both days inclusive) for the Annual General Meeting.
5. Members seeking any information with regard to accounts for the financial year ended 31st March 2003, 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.
6. Members are requested to notify immediately the details of their bank accounts and any change in their address to the company's registered office at 5-8-356, N.N.House, Chirag Ali Lane, Hyderabad – 500 001 or to Company's R & T Agent, the address given elsewhere in this Annual Report.
7. The dividend declared at the meeting shall be paid in respect of shares held in physical form to those members whose names appear on the register of members of the company after giving effect to all valid transfers lodged with the company on or before the end of business hours of September 15, 2003 and in respect of shares held in electronic form to those "Beneficial Owners" whose names appear in the statement of beneficial ownership furnished by the National Securities Depository Services Limited and the Central Depository Services (India) Limited as at the end of the business hours on September 15, 2003.
8. 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. Those shareholders who have so far 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 - 500 001.
9. Pursuant to the provisions of Section 205A of the Companies Act, 1956 and the amendment thereto, the dividend for the financial year ended 31st March 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the 'Investors Education and Protection Fund' of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far, with regard to the interim dividend declared for the financial year 1999-00, final dividend for the financial years 2000-01 and 2001-02, are requested to write to the Company Secretary, Regency Ceramics Limited, N.N.House, Chirag Ali Lane, Abids, Hyderabad-500 001. 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.



10. Your company's securities are listed at the following stock exchanges and the company is regular in paying the annual listing fee to the stock exchanges:

S.No.	Name of the stock exchange	Address
1.	The Hyderabad Stock Exchange Ltd	6-3-654, Somajiguda, Hyderabad-500 082.
2.	The National Stock Exchange of India Limited	Trade world Senapathi Bapath Marg Lower Parel, Mumbai-400013.
3.	The Stock Exchange of Mumbai	Phiroze Jeejee Bhoy Towers Dalal Street, Mumbai - 01
4.	The Madras Stock Exchange Limited	11 Second line beach Chennai - 600 001.

11. Corporate members intending to send their Authorised Representatives are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the Annual General Meeting.
12. As per Section 109A of the Companies Act, 1956, shareholders desirous of making/ changing nomination in respect of shares held by them in physical form can send their request to the company's R & T Agent, M/s. Venture Capital and Corporate Investments Ltd., in the requisite Form No:2B.

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

Place : Hyderabad
Date : 31.07.2003

Satish Kumar Subudhi
Company Secretary

Annexure to Notice:

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item no.6

The company availed Rupee Term Loan of Rs.1500 lakhs from Andhra Bank at lower rate of interest i.e. 12% p.a and replaced the Rupee Term Loan availed earlier from ICICI at the then prevailing rate of interest of 14.5% p.a. Similarly, the company availed the subscription of NCDs worth of Rs. 700 lakhs from UTI Bank Ltd. at lower rate of interest i.e. 12.75% p.a and replaced the Rupee Term Loan availed earlier from IDBI at the then prevailing rate of interest of 17% p.a.

The company has undertaken an expansion project during the year at a total project cost of Rs. 7000 lakhs. The expansion project envisages capacity addition of 21000 sq.mtrs. per day of glazed tiles. EXIM Bank Ltd. sanctioned a Rupee Term Loan of Rs.2500 lakhs to part finance the said expansion project.

The said Rupee Term Loans and the subscriptions to the NCDs were subject to mortgaging and / or charging of all the immovable properties (excluding the properties for which exclusive charges were created) of the company wheresover situated, present and future, to secure the repayment of the said loans.



The provisions of Section 293(1)(a) of the Companies Act, 1956 require the approval of the members of the company for mortgaging and / or creating charge on its properties. Hence this resolution.

Your Directors commend the resolution for your approval.

None of the Directors of the Company, may be deemed to be concerned or interested in the resolution.

Item no.7

At present, the Board of Directors of the company are authorised to borrow upto Rs.100 crores under section 293(1)(d) of the Companies Act, 1956, as per the resolution passed by the members at the Annual General Meeting of the company held on 29th September 1995.

The company expanded its capacity from 25,000 MT per annum during the year 1994-95 to 1,50,000 MT per annum during the year 2001-02 and also has plans to expand further from time to time. In view of the above, the borrowing powers of the company need to be increased from the present level of Rs.100 crores to Rs. 200 crores.

In terms of Section 293(1)(d) of the Companies Act, 1956 the shareholders approval is required for enabling the company to borrow funds in excess of the aggregate of paid-up capital and its free reserves.

Your Directors commend the resolution for your approval.

None of the Directors of the Company may be deemed to be concerned or interested in the resolution.

Item no.8

Securities Exchange Board of India (SEBI) vide its circular dated December 27, 2002 has mandated the listed companies to maintain all the work related to share registry (both the physical share transfer facility and d-mat segment) at a single place. Accordingly, the Board of Directors in its meeting held on January 26, 2003 has accorded its consent to outsource the existing in-house share transfer facility (i.e. Physical segment) to the existing D-mat registrar M/s. Venture Capital and Corporate Investment Ltd.

Approval of members is sought, in terms of section 163 of the Companies Act, 1956, for shifting of the company's Register of Members from the registered office to M/s. Venture Capital and Corporate Investments Ltd, 6-2-913/914, 3rd Floor, Progressive Towers, Khairatabad, Hyderabad - 500004.

Your Directors commend the resolution for your approval.

None of the Directors of the Company, may be deemed to be concerned or interested in the resolution.

Item no. 9

Presently, the company's equity shares are listed on the following Stock Exchanges:

- (i) National Stock Exchange of India, Mumbai ('NSE')
- (ii) The Stock Exchange, Mumbai ('BSE')
- (iii) The Hyderabad Stock Exchange Ltd., Hyderabad (HSE)
- (iv) The Madras Stock Exchange Ltd., Chennai (MSE)

The availability of extensive networking trading terminals of BSE and NSE in this compulsory demat trading scenario, facilitates the shareholders and other investors across the country to trade and deal in the company's equity shares without availing the trading facility of the



local stock exchanges. Consequently, the trading volumes in the Company's shares on the HSE and MSE have become insignificant. Continued listing on such Stock Exchanges neither serves the interest of the members/ investors nor the company. Further, the de-listing of the company's shares from the aforesaid Stock Exchanges would result in reduction in the administrative compliances and saving of costs on account of annual listing fees.

Accordingly, it is proposed to voluntarily delist the company's equity shares from the Hyderabad Stock Exchange Ltd. and Madras Stock Exchange Ltd. The company's shares will however continue to be listed on the NSE and BSE.

In accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003, consent of the members by way of a special resolution is required for voluntarily delisting of the company's shares from the aforesaid Stock Exchanges.

Your Directors commend the resolution for your approval.

None of the Directors of the Company, may be deemed to be concerned or interested in the resolution.

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

Place : Hyderabad
Date : 31.07.2003

Satish Kumar Subudhi
Company Secretary

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

Smt. Bindu G. Naidu, aged about 29 years is a B.Com Graduate from Osmania University, A.P and acquired a Masters Degree in Business Administration with specialisation in Finance from P. S. G. Institute of Management, Bharatiar University, Coimbatore, Tamilnadu. She started her association with the company as an employee during the year 2000-01. Her sharp intellect, key insight and logical analysis of various issues have provided most valuable inputs in improving the activities of the Company. She has been actively participating in setting up of the expansion projects and southern marketing activities of the company. In recognition of her commitment and valuable inputs, the shareholders in their meeting held on September 27, 2001 appointed her as a Whole Time Director of the company.

Smt. Bindu G. Naidu, also holds directorship in M/s.Regency Merchant Banking Ltd. and M/s. Regma Ceramics Ltd.

Sri.G. Srinivasulu Naidu, aged about 61 years is a Law graduate and a practising Advocate in profession since 1969. He is associated as a Director of your company since 1993-94. His diversified knowledge and experience in both criminal and civil cases, corporate affairs and other various fields has helped the company in its difficult times. He was earlier a member of the panel of advocates for United India Insurance Company Ltd., Cuddapah, New India Insurance Company Ltd. Cuddapah, standing council for A.P Mineral Development Corporation, Cuddapah and as a standing counsel for APSRTC, Cuddapah.

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

Place : Hyderabad
Date : 31.07.2003

Satish Kumar Subudhi
Company Secretary