



20th Annual Report

2003-04



An ISO 9001, 14001 & OHSAS 18001 Company

Board of Directors

01.	Dr. G. N. Naidu	...	Chairman and Managing Director
02.	Smt. Bindu G. Naidu	Whole -Time Director
03.	Smt. G.Radhika (w. e. f. 28.01.2004)	...	Whole -Time Director
04.	Sri. T. V. Chowdary	...	Director
05.	Sri. G.Srinivasulu Naidu	...	Director
06.	Sri.Neelakantan Vedagiri	...	Director
07.	Smt. Usha Srinivasan (upto. 24.02.2004)	...	Director (IDBI Nominee)
08.	Sri . G. Anantharaman (w. e. f. 25.02.2004)	Director (IDBI Nominee)
09.	Sri. S. V. Jagannath	Director (ICICI Bank Nominee)

General Manager (Finance)

Sri. E. Bala Krishna Rao

Company Secretary

Sri. Satish Kumar Subudhi

Audit Committee

Sri.Neelakantan Vedagiri

Sri.T.V.Chowdary

Sri. S.V.Jagannath

Smt. Usha Srinivasan

(upto 24.02.2004)

Sri. G. Anantharaman

(w.e.f 25.02.2004)

Investors' Grievance Committee

Sri. T.V.Chowdary

Sri. Neelakantan Vedagiri

Dr. G.N.Naidu

Bankers

State Bank Of India

The South Indian Bank Limited

Auditors

M/S. K. S. Rao & Co

Chartered Accountants

Hyderabad

Registered Office

N. N. House

Chirag Ali Lane

Hyderabad - 500001

Factory

Yanam - 533464

(U.T. of Pondicherry)

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Notice to the Shareholders

Notice is hereby given that the 20th Annual General Meeting of the Company will be held on Thursday, the September 30, 2004 at 11.00 a.m. at Indira Priyadarshini Auditorium, Public Gardens, Nampally, Hyderabad – 500 001, to transact the following business.

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2004 and Profit and Loss account for the year ended on that date along with the reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2003-04.
3. To appoint a Director in place of Sri. Neelakantan Vedagiri who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri. S.V.Jagannath, 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 of the Company 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 Banks :

- A. To secure the repayment of the term loans availed from the following Banks, aggregating to Rs.8600 lakhs (Rupees Eight thousand six hundred lakhs 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. Corporation Bank
 - iii. State Bank of Travancore
 - ii. Allahabad Bank
 - iv. State Bank of Indore
- 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 the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecation in addition to the existing mortgage(s), charge(s) and hypothecation(s) created by the Company as may be necessary on such of the assets of the Company both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of the Financial Institution(s), Investment Institution(s) and their subsidiaries, Banks, Mutual Funds, Trusts, Multilateral Agencies and other Bodies Corporate (hereinafter referred to as the Lending Agencies) / Trustees for the holders of debentures / bonds / and / or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans / foreign currency loans, non-convertible debentures, bonds and other instrument of an equivalent value not exceeding Rs.20000 lakhs (Rupees twenty thousand lakhs), including the loans already availed from various Lending Agencies together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses, and all other moneys payable by the Company to the Trustees under Trust deed and to the Lending Agencies under their respective Agreement / Loan Agreements / Debenture Trust Deeds to be entered into by the Company in respect of the said borrowings.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to finalise with the Lending Agencies / Trustees the documents for creating the aforesaid mortgages, charges and / or hypothecation and to accept any modification to, or to modify, alter or vary, the terms and conditions of the aforesaid document and to do all such acts, deeds and things and to execute all such documents as may be necessary for giving effect to the above resolution."

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

"RESOLVED THAT pursuant to Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule-XIII of the said Act as may be amended from time to time and subject to approval of the Financial Institutions/ Banks in terms of the Loan Agreements, Smt. G.Radhika, Director be and is hereby appointed as a Whole -Time Director of the Company for a period of three years with effect from January 28, 2004 on the following terms and conditions:

1. Salary: Rs.50,000/- p.m.
2. House Rent Allowance not exceeding Rs.10,000/- p.m.
3. Medical expenses re-imbursement not exceeding Rs.5,000/- p.m.
4. Re-imbursement of books and periodicals not exceeding Rs.2,000/- p.m
5. Provision of car with driver for use on Company's business.
6. Reimbursement of telephone expenses at residence. (All long distance personal calls shall be duly logged and paid for by the Whole-Time Director).
7. Company's contribution towards PF as per Company's rules.
8. Payment of Gratuity as per Company's rules.
9. Encashment of leaves as per Company's rules.
10. Mediclaim insurance and other personal insurance applicable to the employees of the Company as per Company's rules.
11. Other perks as per Company's rules.
12. No sitting fees shall be payable for attending the Board/Committee Meetings.



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"RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, the Company shall pay Smt.G.Radhika, in respect of such financial year, remuneration by way of salary, allowances, perquisites and other benefits as the Board of Directors may deem fit, subject to and within the limits prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956, as existing or as modified or re-enacted from time to time."

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

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and other applicable provisions, if any, of Companies Act, 1956 read with Schedule-XIII of the said Act as may be amended from time to time, and subject to approval of the Financial Institutions / Banks in terms of the Loan Agreements and such other approval that may be necessary, the approval of the Company be and is hereby accorded to the re-appointment of Dr. G.N.Naidu, as Chairman and Managing Director, for a period of five years with effect from February 09, 2004 on the existing terms and conditions, which are reproduced below:

i. Salary Rs. 85,000/- per month.

ii. Perquisites:

Perquisites as under shall be restricted to an amount equal to the annual salary. Contribution to Provident Fund and Superannuation fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

Category A :

i. The expenditure incurred for gas, electricity, water and furnishings, shall be reimbursed subject to a ceiling of 10% of the Salary.

ii. Medical benefits for self and family:

For self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.

iii. Leave Travel Concession:

For self and family once in a year in accordance with any rules specified by the Company.

iv. Fees of clubs:

Club Fees subject to a maximum of two clubs. This will not include admission and life membership fees.

v. Personal Accident Insurance:

Category B:

i. Company's contribution towards Provident fund subject to a ceiling of 10% of salary.

ii. Gratuity payable in accordance with an approved scheme, subject to provisions of applicable rules and regulations.

Category C:

i. Free use of Company's car with driver.

ii. Free telephone facility at residence.

All long distance personal calls shall be duly logged and paid for by the Chairman and Managing Director.



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- iii. The Chairman and Managing Director shall not be entitled to any sitting fees for attending the Board/Committee Meetings".

Category D:

Commission out of profits of the Company upto a maximum ceiling as defined under Section 198, 309, 310 and other applicable provisions if any, read with Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT the payment of remuneration including the commission, Salary, Perks etc. aforesaid shall not exceed 5% of the net profits, calculated in terms of Section 349 and 350 of the Companies Act, 1956."

"RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, the Company shall pay Dr.G.N.Naidu, in respect of such financial year, remuneration by way of salary, allowances, perquisites, commission and other benefits as the Board of Directors may deem fit, subject to and within the limits prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956, as existing or as modified or re-enacted from time to time."

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

"RESOLVED THAT subject to approval of the Financial Institutions/Banks and such other approval as may be necessary, Smt. Bindu G. Naidu, be and is hereby re-appointed as a Whole-Time Director of the Company pursuant to Sections 198, 309, 267, 269 read with Schedule XIII, as amended from time to time and other applicable provisions of the Companies Act.1956, for a period of five years, with effect from January 27, 2004 on the following terms and conditions:

1. Salary: Rs.50,000/- p.m.
2. House Rent Allowance not exceeding Rs.10,000/- p.m.
3. Medical expenses re-imburement not exceeding Rs.5,000/- p.m.
4. Re-imburement of books and periodicals not exceeding Rs.2,000/- p.m.
5. Provision of car with driver for use on Company's business.
6. Reimbursement of telephone expenses at residence. (All long distance personal calls shall be duly logged and paid for by the Whole-Time Director).
7. Company's contribution towards PF as per Company's rules.
8. Payment of Gratuity as per Company's rules.
9. Encashment of leaves as per Company's rules.
10. Mediclaim insurance and other personal insurance applicable to the employees of the Company as per Company's rules.
11. Other perks as per Company's rules.
12. No sitting fees shall be payable for attending the Board/Committee Meetings.

RESOLVED FURTHER THAT in the event of inadequacy or absence of profits in any financial year, the Company shall pay Smt. Bindu G. Naidu, in respect of such financial year, remuneration by way of salary, allowances, perquisites and other benefits as the Board of Directors may deem fit, subject to and within the limits prescribed in Section II of Part II of Schedule XIII of the Companies Act, 1956, as existing or as modified or re-enacted from time to time."



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

"RESOLVED THAT pursuant to applicable provisions of Companies Act, 1956 and in terms of clause 23 of Standard Listing Agreement with Stock Exchanges, consent be and is hereby accorded to re-issue 3821 equity shares forfeited by the Company.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to dispose off the said shares to any person / person(s) at such price and in such manner as it may deem fit and to do all such acts, deeds and things as may be necessary to dispose off the said shares.

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

Place : Hyderabad
Date : 31.07.2004

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 21, 2004 to September 30, 2004 (both days inclusive) for the Annual General Meeting.
5. Members seeking any information with regard to accounts for the financial year ended March 31, 2004, 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.



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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 20, 2004 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 20, 2004.
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 there-after, which remain unpaid or unclaimed for a period of 7 years will be transferred to the 'Investors Education and Protection Fund'. 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, 2001-02 and 2002-03, 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.
10. The equity shares of the Company were de-listed from The Hyderabad Stock Exchange Ltd., Hyderabad and The Madras Stock Exchange Limited, Chennai with effect from March 04, 2004 and March 12, 2004 respectively. Your Company's securities however, are continued to be listed with The Stock Exchange, Mumbai and The National Stock Exchange Limited, Mumbai. The Company is regular in paying the annual listing fee to the said Stock Exchanges.
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**

Satish Kumar Subudhi
Company Secretary

Place : Hyderabad
Date : 31.07.2004

**Annexure to notice:****Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.****Item No. 6 & 7**

Corporation Bank sanctioned the Rupee Term Loan of Rs.2500 lakhs during the year under review to part finance the Company's expansion project, envisaging capacity addition of 21000 sq.mtrs. per day of glazed tiles.

Towards reducing the finance cost, the Company availed Rupee Term Loan of Rs.1600 lakhs from Allahabad Bank at a lower rate of interest i.e. 10% p.a and repaid the outstanding Rupee Term Loan availed earlier from IBI at the then prevailing rate of interest of 15% p.a. and also redeemed the 12.75% - NCDs worth of Rs. 700 lakhs subscribed by UTI Bank Ltd. Further, the Company has also availed the Rupee Term Loans amounting to Rs.2000 lakhs and Rs.2500 lakhs sanctioned by State Bank of Travancore and State Bank of Indore respectively at a rate of interest of 8%, towards swapping the existing high cost loans of EXIM Bank, IDBI and Allahabad Bank.

The said Rupee Term Loans 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 Company, in its usual course of business, will be availing funds for swapping the existing high cost loans and also for meeting its capital expenditure/working capital requirements from time to time from Financial Institutions/Banks within the borrowing limits of Rs. 20000 lakhs, approved by shareholders in the AGM held on September 29, 2003. The Financial Institutions/Banks sanction the loans subject to mortgaging and /or charging of all the immovable and movable properties. Hence the resolution No. 7.

The provisions of Section 293(1)(a) of the Companies Act, 1956 require the approval of Members of the Company for mortgaging and / or creating charge on its properties. Accordingly, your Directors recommend the adoption of the aforesaid resolutions.

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

Item No. 8

Considering the sizeable growth of the Company after the expansion and the necessity to broad base the top level management to cope up with the increased activities in all departments and to maintain the balanced attention on day to day affairs of the Company, the Board of Directors in its meeting held on January 28, 2004 accorded its consent to appoint Smt. G.Radhika as a Whole-Time Director of the Company.

G. Radhika aged about 36 years is a B.Com graduate from Osmania University and has the distinction of bagging the gold medal in MBA (Finance & Marketing) from T.A.Pai Management Institute, Manipal.

She worked as Marketing Analyst in your Company in the year 1992 for a period of one year and has been associated with the Company since 1997 as a Director. Her expertise in the field of Marketing and key insight has proved instrumental to the growth of the business of the Company. She holds the directorship in 3 other Companies namely Regency Merchant Banking Limited, Regency Rare Minerals and Chemicals Ltd and iSpace Software Technologies Limited.



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The Board commends the resolution for your approval.

None of the Directors except Dr.G.N.Naidu, Smt. G.Radhika and Smt. Bindu G.Naidu deemed to be concerned or interested in the said resolutions.

Item No. 9

The shareholders at the Annual General Meeting held on 30th September, 1999 approved the re-appointment of Dr. G.N.Naidu, Chairman and Managing Director for a further period of 5 years on the payment of remuneration set out therein and subsequently approved the revision in payment of remuneration in the Annual General Meeting held on September 27, 2002.

The Company has achieved a prime position in the Ceramic Industry, which may be depicted from the financial performance of the Company, under Dr. Naidu's able leadership, dedication and sincere efforts. It has been able to sustain in the depressed economic scenario and challenging / competitive market conditions and consistently achieving new heights in terms of turnover and profitability year by year with his continued excellence and dedication.

As a Chairman and Managing Director, he is responsible for the day-to-day management of the Company and assisted by Senior Executives. He is working under the superintendence and control of the Board of Directors.

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

None of the Directors except, Dr.G.N.Naidu, Smt. Bindu G Naidu and Smt. G. Radhika is deemed to be concerned or interested in the said resolution.

Item No. 10

Smt. Bindu G. Naidu was appointed as a Whole-Time Director of the Company for a period of 3 years with effect from January 27, 2001 in terms of the Resolution approved by the shareholders in the Annual General Meeting held on September 27, 2001. Since, the term of appointment has come to an end, the Board of Directors, at its meeting held on April 05, 2004 approved the re-appointment of Smt.Bindu G.Naidu as a Whole-Time Director of the Company for a further period of 5 years with effect from January 27, 2004, subject to approval of Shareholders and lending Banks /Financial Institutions.

Smt. Bindu G Naidu, aged about 30 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 and subsequently appointed as Whole-Time Director with effect from January 27, 2001. Her sharp intellect, dedication 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.

Your Directors commend the resolution for your approval.

None of the Directors except Dr.G.N.Naidu, Smt. Bindu G Naidu and Smt. G. Radhika is deemed to be concerned or interested in the said resolution.