



21st Annual Report

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2004-05



An ISO 9001, 14001 & OHSAS 18001 Company

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Board of Directors

| | | |
|--|-------|--------------------------------|
| 01. Dr. G. N. Naidu | ... | Chairman and Managing Director |
| 02. Smt. Bindu G. Naidu | | Whole -Time Director |
| 03. Smt. G.Radhika | ... | Whole -Time Director |
| 04. Sri. T. V. Chowdary | ... | Director |
| 05. Sri. G.Srinivasulu Naidu | ... | Director |
| 06. Sri.Neelakantan Vedagiri | ... | Director |
| 07. Sri. G. Anantharaman (upto. 30.04.2005) | ... | Director (IDBI Nominee) |
| 08. Sri . P. J. V. Sharma (w. e. f. 30.04.2005) | | Director |
| 09. Sri. S. V. Jagannath | | Director (ICICI Bank Nominee) |

President (Operations)

Sri. K.C. Chandrashekar

Vice President (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

Sri. G. Anantharaman

(upto 30.04.2005)

Sri. P. J. V. Sharma

(w.e.f 30.04.2005)

Bankers

State Bank Of India

The South Indian Bank Limited

Corporation Bank

State Bank of Travancore

State Bank of Indore

State Bank of Bikaner & Jaipur

President (International Operations)

Dr. S.V. Ramprasad

Vice President (Marketing)

Sri. Tapan Jena

Investors' Grievance Committee

Sri. T.V.Chowdary

Sri. Neelakantan Vedagiri

Dr. G.N.Naidu

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)



Notice to the shareholders

Notice is hereby given that the 21st Annual General Meeting of the Company will be held on Tuesday the September 27, 2005 at 9.30 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 on March 31, 2005 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. T.V.Chowdary, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. G.Radhika, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint an Auditor in place of the retiring Auditors, M/s. K.S.Rao & Co., Chartered Accountants, Hyderabad, who are not seeking re-appointment and authorise the Board to fix their remuneration:

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

"RESOLVED THAT M/s. Brahmayya & Co., Chartered Accountants, Hyderabad be and are hereby appointed as Statutory Auditors of the Company, in place of M/s. K.S.Rao & Co., Chartered Accountants, Hyderabad, the retiring Statutory Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

Special Business:

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

"RESOLVED THAT Mr. P.J.V.Sarma, who was inducted as an additional Director on the Board of the Company pursuant to 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 its meeting held on April 30, 2005 and holds office until the conclusion of this Annual General Meeting, and in respect of whom the Company, pursuant to Section 257 of the Companies Act, 1956, has received a notice in writing proposing his candidature to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

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

Place : Hyderabad
Date : 22.08.2005

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 the 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, 2005 to September 28, 2005 (both days inclusive).
5. Members seeking any information with regard to accounts for the financial year ended March 31, 2005, 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 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-500 001.
8. 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' 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, 2001-02, 2002-03 and 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. 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



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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.

10. 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.
11. 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, the address given elsewhere in this Annual Report, in the requisite Form No. : 2B.

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

Place : Hyderabad

Date : 22.08.2005

Satish Kumar Subudhi

Company Secretary

Annexure to notice:

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

Item No.6

Sri.P.J.V.Sarma was inducted on the Board of the Company under the provisions of Section 260 of the Companies Act, 1956 with effect from April 30, 2005.

Sri.P.J.V.Sarma, aged about 47 years is a Bank Executive. He is possessing B.Tech, AICWA and PGDFM qualifications. He had worked for ICICI Bank in various managerial capacities and moved to ICICI Lombard General Insurance Co. Ltd., as Regional Head - GSG in the month of July, 2003. His wide experience shall certainly help the company, in providing valuable inputs for deliberations of the Board and in improving the overall growth of the company.

In terms of Section 260 of the Companies Act, 1956 Sri, Sarma holds office of Director until the conclusion of this Annual General Meeting. The Company has received a notice pursuant to the provisions of Section 257 of the Companies Act, 1956, from a shareholder along with the requisite deposit signifying his intention to propose his candidature to the Office of Director.

Your Directors commend the resolution for your approval.

Except Sri. P.J.V.Sarma, none of the Directors is deemed to be interested in the above said resolution.

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

Place : Hyderabad

Date : 22.08.2005

Satish Kumar Subudhi

Company Secretary



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

G. Radhika aged about 37 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 Regency Ceramics Limited in the year 1992 for a period of one year and has been associated with the Company since 1997 as a Director. She has been appointed as a Whole time Director of the Company with effect from January 28, 2005. Her expertise in the field of Marketing and key insight has proved instrumental to the growth of the Company. At present she is also Director in three companies namely M/s. Regency Merchant Banking Limited, M/s. Regency Rare Minerals and Chemicals Ltd and M/s. I Space software Technologies Limited.

T.V.Chowdary aged about 62 years, who has been associated with the Company since its inception, is an Engineering Graduate in Mining and holds a Master Degree in Business Administration (MBA). He worked as Managing Director of A.P. Rural Irrigation Corporation, and Chaired Non-conventional Energy Development Corporation of A.P and presently he is Director in four other Companies namely M/s. Divyasakthi Granites Limited, Hyderabad, M/s. Trimex Industries Limited, Chennai, M/s. Pokarna Ltd., Hyderabad and M/s. East West Mineral Sands Pvt. Ltd. His diversified knowledge and noteworthy experience of 33 years in various fields has proved handy to the Company in its difficult times. He is one of the key persons who took part in nurturing the Company from its childhood to this adult stage. In addition to above Directorships he is also a member of Audit Committee and Share Transfer cum Investor Grievance Committee of the Company.

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

Place : Hyderabad
Date : 22.08.2005

Satish Kumar Subudhi
Company Secretary



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Directors' Report to The Shareholders:

Your Directors have pleasure in presenting the 21st Annual Report along with the Audited Accounts of the company for the year ended March 31, 2005.

Financial Highlights:

(Rs. in lakhs)

| Sl.No. | Particulars | 2004-05 | 2003-04 |
|--------|---|---------|---------|
| 01. | Turnover | 15738 | 17703 |
| 02. | Gross profit before interest and depreciation | 2393 | 4080 |
| 03. | Finance charges | 1333 | 1114 |
| 04. | Depreciation | 1007 | 846 |
| 05. | Net Profit before tax | 53 | 2120 |
| 06. | Income tax | 171 | 404 |
| 07. | Net profit (Loss) after tax | (118) | 1716 |
| 08. | Dividend | — | 204 |
| 09. | Tax on Corporate Dividend | — | 27 |
| 10. | Transfer to General Reserve | — | 640 |
| 11. | Balance carried to Balance Sheet | 3692 | 3810 |

Dividend:

In the absence of adequate profits for the year under review, your Directors do not recommend any dividend on the equity capital of the company.

Review of Operations:

The year under review has witnessed a difficult period. The company could not fully utilise its expanded capacity as it is under the pressure of severe shortage in gas supply resulting in increased cost of production. During the year, the company produced 103.46 lakhs sq.mts. (previous year 104.80 lakhs sq.mts) utilising 65% of total expanded production capacity as against 100% capacity utilisation in the previous year. Under such difficult circumstances, it could achieve a turnover of Rs.15738 lakhs (previous year Rs.17703 lakhs) incurring a net loss after tax of Rs. 118 lakhs.

The economic environment in ceramic industry, where severe competition has emerged due to creation of additional capacities coupled with dumping of cheap tiles from China and the un-organised sector, have also affected the company's performance. Vigorous efforts to control cost have resulted in moderate success. Your company has initiated steps to cut fixed costs and also rationalised its manpower towards improving productivity and strengthening its long-term competitive position in the market.

Exports:

Your company has been consistent in enlarging its export volume and enhancing its global presence. Despite challenging economic environment prevailing in the international market, it has achieved an export turnover of Rs.3858 lakhs during the year under review representing 8% growth (previous year Rs.3589 lakhs). Your company continues to explore new avenues for export to sustain the growth in future.

Future outlook:

Adding to the problems faced during the year 2004-05, GAIL, have now revised the cost of gas prices by 80% with effect from July 01, 2005. The additional burden by way of



service tax for transportation of gas through pipelines, as per the provisions of the Service Tax Act may further affect the future profitability of the Company's operations. Your company is striving its nerves to implement various cost cutting measures towards countering the potential impact of these bottlenecks.

Customs, Excise & Income tax matters:

Your company preferred an appeal before CESTAT against the order passed by the Commissioner (Appeals) with regard to the dispute for the payment of interest of Rs. 225.36 lakhs on custom duty on capital equipment imported during 1985-86 and the appeal is disposed off in favour of the Company. The matter was remanded to the original authority to recalculate the interest in accordance with the direction of the CESTAT, by applying natural justice.

Your company paid the entire tax demanded by the Income Tax Authorities for the financial years 1998-99, 1999-00, 2000-01, 2001-02 and 2002-03. At the same time, the Company is contesting the order of the tax authorities before the tribunal based on favorable advice of the expert consultant on the issue.

Achievements /Accomplishments:

The Company continues to enjoy 'Export House', status in recognition of its export performance by Government of India, in addition to the following awards received during the year under review:

- **The Fastest Growing Tiles and Sanitaryware Company – 1st Rank at CONSTRUCTION WORLD - NICMAR AWARDS 2004, Mumbai** - from Construction World, India's first and only construction business magazine having wide circulation in India and Gulf countries.
- **The ACTUALIDAD – 21st CENTURY – GOLD STAR INTERNATIONAL AWARD FOR QUALITY – in recognition of company's management performance, by ACTUALIDAD**, a magazine of Tourism, Industry and Commerce, Madrid, Spain.
- Only company in India bestowed with **BUSINESS INITIATIVE DIRECTIONS (B.I.D) – INTERNATIONAL QUALITY CROWN AWARD IN THE GOLD CATEGORY – LONDON** – for commitment to Quality, Leadership, Technology and Innovation from Business Initiative Directions (B.I.D) - a leading independent company in the area of corporate communications renowned for its expertise in analysis of corporate image and quality programs.
- **'Special Export Award'** for the third successive year by CAPEXIL in recognition of its outstanding export performance.
- The **'Best Exporter'** award from M/s. Container Corporation of India Ltd., Hyderabad.

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 received from 'Occupational Health Safety Managing System' (OHSMS) for the Health and Safety measures observed in the company. The introduction of the integrated QESH (Quality, Environment, Safety and Health) policy in all areas of operations during the previous year is in place.



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Directors:

Sri. T.V.Chowdary and Smt. G.Radhika retire by rotation and being eligible, offer themselves for re-appointment in this AGM.

Sri. P.J.V.Sarma was co-opted as Director by the Board pursuant to Article 36(e) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956. He is liable to vacate the office at the ensuing Annual General Meeting and is eligible for re-appointment.

Consequent upon the withdrawal of nomination by IDBI vide its letter dated February 07, 2005, Sri.G.Anantharaman ceased to be a Director on the Board of your Company. The Board took note of the same and recorded its appreciation of the valuable services rendered by Sri.Anantharaman during his tenure, as a Director.

Auditors:

M/s. K.S Rao & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting and are not seeking re-appointment. It is recommended that M/s Brahmayya & Co., Chartered Accountants, Hyderabad, be appointed as Auditors of the Company in place of M/s K.S.Rao & Co., to hold the office from the conclusion of this Annual General Meeting to the conclusion of 22nd Annual General Meeting.

Auditors' Report:

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

Fixed Deposits:

During the year the Company have not accepted any fixed deposits.

Corporate Governance:

As per Clause 49 of the Listing Agreement with the Stock Exchanges, the Corporate Governance Report along with the Management Discussion & Analysis Report is annexed as a part of this Annual Report.

A certificate from the Auditors of the Company, regarding compliance of the conditions of 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.