



24th Annual Report

2007-08

Approved by the Ministry of Finance, Government of India
under the provisions of the Companies Act, 1956 (1956)

Board of Directors

01.	Dr. G. N. Naidu	...	Chairman and Managing Director
02.	Smt. Bindu G. Naidu	...	Director (Marketing & Sales)
03.	Smt. G.Radhika	...	Wholetime Director
04.	Sri. T. V. Chowdary	...	Director
05.	Sri. G.Sreenivasulu Naidu	...	Director
06.	Sri . P. J. V. Sharma	...	Director
07.	Sri. S. V. Jagannath	...	Director
08.	Dr. M. V. G. Rao	...	Director

President (Operations & Marketing) : Mr. K.C. Chandrashekar

President (International Operations) : Dr. S.V. Ramprasad

Vice President (Finance) : Mr. E. Balakrishna Rao

Company Secretary : Mrs. Ritu Tiwary

Audit Committee :

Sri. P. J. V. Sharma

Sri.T.V.Chowdary

Sri. S.V.Jagannath

Dr. M.V.G. Rao

Investors' Grievance

Committee :

Sri. T.V.Chowdary

Dr. G.N.Naidu

Sri. P. J. V. Sharma

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

Auditors :

M/S. Brahmayya & Co.,
Chartered Accountants
Hyderabad

Registered Office :

5-8-356, 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 24th Annual General Meeting of the Company will be held on Saturday, the September 27, 2008 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 on March 31, 2008 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. S V Jagannath, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri. G Sreenivasulu Naidu who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Brahmayya & Co., Chartered Accountants, Hyderabad as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

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 pursuant to the provisions of section 198, 269, 309 and other applicable provisions, if any, 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 and such other approvals that may be necessary, the approval of the Company be and is hereby accorded to the reappointment of Dr. G.N.Naidu, as Chairman and Managing Director, for a period of five years with effect from February 09, 2009 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 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.



Regency Ceramics Limited

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.
- 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."

6 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 agreement and approval of shareholders, Smt. Bindu G. Naidu, Director (Marketing & Sales) be and is hereby re-appointed as a Whole-Time Director of the company for a period of five years, with effect from January 27, 2009 on the existing terms and conditions, which are reproduced below:

1. Salary – Rs.50,000/- p.m.
2. House Rent Allowance not exceeding Rs.10,000/- p.m.
3. Medical Expenses reimbursement not exceeding Rs.5,000/- p.m.
4. Reimbursement 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."

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

Place : Hyderabad
Date : July 30, 2008

Ritu Tiwary
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.**
2. Members/proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in. Members holding shares in Demat form shall write their Client ID and DP ID No. and those holding in Physical form shall 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 17, 2008 to September 27, 2008 (both days inclusive).
5. Members seeking any information with regard to accounts for the financial year ended March 31, 2008, 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, Kofl, Hyderabad-500001.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956 and the amendment thereto, the dividend for the financial year ended March 31, 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. The Company has transferred the unpaid / unclaimed dividend declared as interim dividend for financial year 1999-00, to the 'Investors Education and Protection Fund' in June, 2007. The Company will be transferring the unpaid / unclaimed dividend declared for the financial year 2000 – 01 in October, 2008. Shareholders who have not encashed the dividend warrant(s) so far, with regard to final dividends 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. 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 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**
Ritu Tiwary
Company Secretary

Place : Hyderabad
Date : July 30, 2008



Annexure to notice:

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

Item no.5

The shareholders at the Annual General Meeting held on 30th September, 2004 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.

The Company under Dr. G. N. Naidu's leadership has achieved a key position as one of the leading brands in Ceramic Tiles Industry and also one of the largest tiles manufacturing unit in the country. With his able guidance the Company's brand got Brand recognition in the International market and the Company has been a continuous receipt of "Export House" status from Government of India.

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 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 and Smt. G. Radhika is deemed to be concerned or interested in the said resolution.

Item no. 6

Smt. Bindu G. Naidu was appointed as a Whole-Time Director of the Company for a period of 5 years with effect from January 27, 2004 in terms of the Resolution approved by the shareholders in the Annual General Meeting held on September 30, 2004. Since, the term of appointment is coming to an end, the Board of Directors, at its meeting held on July 30, 2008 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, 2009, which is subject to approval of Shareholders and lending Banks /Financial Institutions.

Smt. Bindu G Naidu, aged about 34 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 was appointed as Whole-Time Director on January 27, 2001. She was subsequently reappointed as Whole Time Director on January 27, 2004. Her sharp intellect, dedication and logical analysis of various issues have provided most valuable inputs in improving the Marketing activities and Sales 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.

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

Sri S. V. Jagannath, aged about 40 years has been associated with the Company for the last 6 years. He is a Graduate in Engineering (Mechanical) and also holds a Post Graduate Diploma in Management. Mr. Jagannath has been associated with ICICI Bank for more than a decade working in various managerial capacities till July 2005. He also headed Natural Bio Energy Limited in the capacity of Chief Financial Officer .Presently he is working as a "Senior Principal" in Advaita Capital Private Limited.

Sri G Sreenivasulu Naidu , aged about 66 years has been on the Board for last 14 years. A bachelor in Science and Law , his contribution and guidance in the growth and success of the company has been tremendous . He has been practicing law for the last 39 years. His large clientele includes : United India Insurance Company Ltd, New India Insurance Company Ltd, APMDC and APSRTC, in Kadapa.

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

Place : Hyderabad
Date : July 30, 2008

Ritu Tiwary
Company Secretary



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Directors' Report to the Shareholders:

Your Directors hereby present their 24th Annual Report along with the Audited Accounts of the Company for the year ended March 31, 2008.

Financial Performance:

		(Rs. in lakhs)	
Sl.No.	Particulars	2007-08	2006-07
01.	Turnover	14,440	15,643
02.	Gross profit before interest and Depreciation	712	2,187
03.	Finance charges	1,449	1,426
04.	Depreciation	1,060	1,077
05.	Net Profit (loss) before tax	(1,797)	(316)
06.	Income tax	(327)	51
07.	Provision for Gratuity - Earlier Years	72	-
08.	Net Loss after tax	(1,542)	(367)
09.	Balance carried to balance sheet	1,787	3,329

Review of Operations:

The year under review continued as a challenging and difficult one for the company as the economy witnessed a severe downturn with increase in inflation, slow down of US Market, ups and downs in sectoral and commodity markets. Amidst these challenges the Company strived for achieving production with optimum utilization of resources, with the continuing constraints in the supply of gas, dry powder, increase in cost of production, raw materials, fall in realization, increase in interest rates, etc.

Your Company achieved the production of 87.67 lakh sq mts as against 103.18 lakh sq mts during the previous year. The sales in physical and financial terms being 90.78 lakhs sq mts (previous year 99.69 lakh sq.mts) and Rs. 14440 lakhs (previous year Rs.15643 lakhs) respectively.

Your Directors express their inability to recommend any dividend for the year under review due to insufficient disposable surplus and the liquidity constraints.

Exports:

On account of lower production levels achieved and to retain the domestic market share, your company could not focus on higher export volumes during the year. The Export turnover recorded for the year was Rs. 1856.02 lakhs (previous year Rs. 2961.92 lakhs). Your Company is confident of achieving a sustainable growth in future for its products in the International market, once the production levels improve.

Future Outlook:

The success of a company largely depends on high production level, brand building, cost control measures, producing goods with constant demand, tapping the market and undoubtedly on the price realization. Your company has also initiated steps to improve its future prospects. It has laid emphasis on Constant review of the production plan, increase the levels of production, increase in the realization, reduction in the wastages, prioritize production and sale of high end tiles, improve the manpower skills, upgrade the technology and ensure full usage of available gas supply. The company is hopeful of achieving the desired results with all the above factors contributing to the profitability of the Company. With continued emphasis by Government of India on housing and infrastructure projects, the Company expects a good growth and demand for its products.



Merger:

The Board of Directors of your company have accorded its consent for merger of M/s Regma Ceramics Ltd, a Company under the same management, with your company and approved the exchange ratio. Your company approached the stock exchanges and the lenders for their approval to implement the merger scheme. The approvals are awaited.

Transfer of unpaid/unclaimed Dividend to IEPF:

The unclaimed dividend for the year 2000–01 is due for transfer in October, 2008 to The Investor Education and Protection Fund (IEPF). The dividend once transferred to IEPF cannot be claimed as per section 205C of Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. Hence all the shareholders who have so far not encashed their dividend warrants are advised to write to the Company or its Registrar and Transfer Agents immediately.

Customs, Excise & Income Tax Matters:

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 contested the order of the tax authorities before the tribunal based on favorable advice of the expert consultant on the issue of claim under Section 80 (IA) / (IB) of the Income Tax Act, 1961. The Tribunal has heard the merits of the case and remanded the case to the assessing officer for re-examining the claim based on the additional grounds made by the company.

Achievements/ Accomplishments:

The Company continues to enjoy 'Export House', status in recognition of its export performance by Government of India since preceding four years. During the year under review, your Company received the 'Star Export House' status from the Government of India.

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 S V Jagannath and Sri G Sreenivasulu Naidu retire by rotation and are eligible for reappointment in this AGM.

Auditors:

M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retire 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 (a) of the Annexure to the Auditors report, your Directors state that the delays were occurred due to mismatch of fund flows. Your Directors are of the opinion that the Company is in process of implementing various strategies towards



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improving the overall performance of the Company and the improved operating conditions 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:

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given at Annexure-II to this report.

Industrial Relations:

The industrial relations continue to be cordial. Development of Human Resources at all levels is given utmost importance and continuous training is imparted to improve the productivity, quality, cost control, safety & environment protection.

Acknowledgements:

The Board gratefully acknowledges the ongoing support and co-operation provided by the Financial Institutions/Banks viz: State Bank of India, The South Indian Bank Ltd, State Bank of Travancore, State Bank of Indore, 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.

For and on behalf of the Board

Place : Hyderabad
Date : July 30, 2008

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:

Energy conservation continues to be accorded high priority by your company. The company 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. Necessary steps are in place for implementing Energy Conservation measures.

b. Technology Absorption:

Your Company continues to test and work with emerging and converging technologies in its R & D activities. During the year, with roto printing machine, high quality print tiles of GL series in 60x60 cm size are made. It has redefined the print quality standards with high precision. The new tiles are developed with satinfinish in 60x60 cm size, Natural Series with Rustic punches in 30x30 cm and 33x33 cm size, Natural Marble Series with Natural Marble effect in 40x40 cm and 45x45 cm size. In case of wall tile segment the new tiles developed are Wall Wonders in 30 X 40 cm with co-ordinate floor tiles 30x30 cm and satinfinish in 25x25 cm and 30x40 cm size. 3rd firing product with borders and motifs made to increase value added products for floor and wall concepts. No import of technology was made and your Company is constantly striving for higher indigenization of components and spares.

c. Foreign Exchange Earnings and Outgo:

- a) Your Company has earned foreign exchange of Rs. 1499.99 lakhs. (Previous year Rs. 2396.25 lakhs).
- b) The foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses amounted to Rs.811.84 lakhs (Previous year Rs.1230.80 lakhs).

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 31.03.2008.

Name	Age	Designation	Qualification	Total experience	Date of commencement of employment	Remuneration (Rs. in lakhs)	Particulars of last employment
Dr. G.N. Naidu	67 years	Chairman and Managing Director	B.E., P.G. (Dip) MIE	44 years	9-2-1984	11.32	Architect

Notes:

1. Remuneration includes salary, allowance and monetary value of perquisites.
2. The appointment is of non-contractual basis.

For and on behalf of the Board

Place : Hyderabad
Date : July 30, 2008

Dr.G.N.Naidu
Chairman and Managing Director