



**Notice to the shareholders**

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the Company will be held on Saturday, the September 25, 2010 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, 2010 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 reappointment.
3. To appoint a Director in place of Sri G.Sreenivasulu Naidu, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint M/s Brahmayya & Co., Chartered Accountants, Hyderabad as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

**Special Business :**

**5. Appointment of Sri N. Satyendra Prasad as an Executive Director**

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

“RESOLVED THAT Sri N.Satyendra Prasad, 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 July 31, 2010 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 for the office of Director, be and is hereby appointed as a Director of the Company.”

**6. Remuneration of Sri N. Satyendra Prasad, Executive Director**

**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 appointment of Sri N.Satyendra Prasad, as an Executive Director, for a period of five years with effect from July 31, 2010 on the following terms and conditions, reproduced below.”



- i Salary Rs. 2,00,000/- per month.
- ii Contribution to Provident Fund to the extent exempted under the Income Tax Act, 1961.
- iii Contribution to Superannuation fund to the extent exempted under the Income Tax Act, 1961.
- iv Gratuity payable shall not exceed half a month's salary for each completed year of service,
- v Encashment of leave at the end of tenure
- vi Car and telephone facilities for official use

"RESOLVED FURTHER THAT in the absence of or inadequacy of profits in any financial year during his tenure of office, the above remuneration will be paid to Sri N. Satyendra Prasad subject to the provisions of Section II of Part II of Schedule XIII of the Companies Act, 1956".

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

Place : Hyderabad  
Date : July 31, 2010

**Ritu Tiwary**  
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 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 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, 2010 to September 25, 2010 (both days inclusive).
5. Members seeking any information with regard to accounts for the financial year ended March 31, 2010, 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. In case there is any correction/change in your address registered with us, we request you to communicate the same to us/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. The Company has transferred the unpaid / unclaimed dividend declared as interim dividend for financial year 1999-2000, to the 'Investors Education and Protection Fund' in June, 2007, for the financial year 2000-01 in October 2008 and for the financial year 2001-02 in October 2009. **The Company will be transferring the unpaid/unclaimed dividend declared for the financial year 2002-2003 in October 2010.** Shareholders who have not encashed the dividend warrant(s) so far, with regard to final dividends for the financial years 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 authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

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

Place : Hyderabad  
Date : July 31, 2010

**Ritu Tiwary**  
Company Secretary

***Annexure to the notice:***

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

***Item Nos. 5 & 6***

Sri N.Satyendra Prasad was appointed as an Additional Director of the Company, vide resolution passed by the Board of Directors in its meeting held on July 31, 2010.

Sri N.Satyendra Prasad, aged about 44 years, has overall experience of 21 years with 18 years of managerial experience in senior positions across diverse industries. He completed his Bachelor's Degree in Computer Science & Engineering from College of Engineering, Guindy, Anna University, Chennai and Masters in Computer Science from University of South Carolina, Columbia, USA. He started his career with Tata Consultancy Services, Chennai and has been an entrepreneur since 1991. He was the co-founder of iSpace Global Services (India) Pvt. Ltd., a multinational Company involved in software services to the US healthcare industry. Sri Prasad holds 1,30,550 equity shares in the Company.



In terms of Section 260 of the Companies Act, 1956, Sri Prasad holds office of Additional Director until the conclusion of this Annual General Meeting. Notice has been received pursuant to Section 257 of the Companies Act, 1956 together with requisite deposit signifying his intention to propose his candidature to the office of Director.

In view of absence of profits in the current financial year, the Company shall pay Sri N.Satyendra Prasad, remuneration by way of Salary, allowances, perquisites, commission and other benefits 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 as recommended by the Board and subject to the approval of Shareholders.

Dr.G.N.Naidu, Chairman and Managing Director and Smt Bindu.G.Naidu, Director being relatives of Sri N.Satyendra Prasad are concerned and deemed to be interested in the resolution. No other Director is concerned or interested directly or indirectly in the above resolution.

The Board of Directors recommends the resolution for your approval.

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

**Sri T.V.Chowdary** aged about 67 years, has been associated with the Company since its inception. He is an Engineering Graduate in Mining and holds a Master Degree in Business Administration (MBA). He worked as a Managing Director of A.P Rural Irrigation Corporation and Chaired Non-conventional Energy Development Corporation of A.P. Presently he is a Director in six other Companies namely M/s. Divyasakthi Granites Limited, Hyderabad, M/s. Trimex Industries Pvt Limited, Chennai, M/s.Pokarna Ltd., Hyderabad ,M/s. Trimex Sands Pvt. Ltd, Regma Ceramics Ltd and Trimex Ores Pvt Ltd. His diversified knowledge and noteworthy experience of 38 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.

**Sri G.Sreenivasulu Naidu**, aged about 68 years, has been on the Board for last 16 years. A bachelor in Science and Law, he has contributed in the growth and success of the Company. He has been practicing law for the last 41 years. His large clientele includes: United India Insurance Company Ltd, Margadarsi Chit Funds Pvt. Ltd., Union Bank of India, Andhra Bank, Indian Bank and Endowments Department, Kadapa.

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

Place : Hyderabad  
Date : July 31, 2010

**Ritu Tiwary**  
Company Secretary



**Directors' Report to the Shareholders:**

Your Directors hereby present their 26<sup>th</sup> Annual Report along with the Audited Accounts of the Company for the year ended March 31, 2010

**Financial Performance:**

(Rs. in lakhs)

Sl.No.	Particulars	2009-10	2008-09
01.	Turnover	<b>17522</b>	16654
02.	Gross profit before interest and Depreciation	<b>936</b>	501
03.	Finance charges	<b>1427</b>	1321
04.	Depreciation	<b>1070</b>	1063
05.	Net loss before tax	<b>(1561)</b>	(1883)
06.	Income tax	<b>(223)</b>	(381)
07.	Provision for Gratuity – Earlier Years	-	(19)
08.	Net Loss after tax	<b>(1338)</b>	(1483)
09.	Balance carried to balance sheet	<b>(1034)</b>	304

**Review of Operations :**

Your Company passed through a critical phase during the year under review because of recession in the international economy and operated under difficult business environment. The year continued to witness a disturbing and fluctuating economy making it all the more challenging for your Company to optimise the capacity utilisation and to achieve the breakeven point. With the continued constraints of shortage in the supply of gas, increase in the price of raw materials, slower growth of consumer durables, delayed realisations, ups and down in the sectoral commodity markets, your Company could not register the upward graph it intended to.

Your Company achieved the production of 97.90 lakh sq.mts during the year under review as against 89.31 lakh sq.mts during the previous year. The sales in physical and financial terms being 92.64 lakh sq.mts. (previous year 91.73 lakh sq.mts) and Rs.16599 lakhs (previous year Rs.16404 lakhs) respectively.

Your Company made a turnover in the trading activity to boost up the earnings during the year under review. The sales in physical and financial terms being 3.61 lakh sq.mts (previous year 1.16 lakh sq mts) and Rs 923.24 lakhs. (previous year Rs.250.38 lakhs)

Your Directors express their inability to recommend any dividend for the year under review due to insufficient disposable income.

**Exports:**

Your Company improved its export activities during the year under review and achieved an Export turnover of Rs 2990 lakhs. (previous year Rs.2443 lakhs). Your Company is confident of further improving its share in international market in future, once the production gets streamlined.

**Equity shares issued pursuant to the Scheme of Arrangement**

1,28,44,786 equity shares of Rs. 10/- each along with a share premium of Rs. 2.37/- per share were allotted on 23rd December, 2009 to the Promoters and their associates by



converting their unsecured loans into equity shares pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Andhra Pradesh on 8th October, 2009. All the necessary listing formalities have been complied with and now these shares are listed on The Stock Exchange Ltd., Mumbai and National Stock Exchange Ltd.

***Future outlook:***

Your Company has laid emphasis on Increase in production, improvement in quality, increase in average realization, reduction in variable cost, constant product innovation and development, full usage of gas supply, aggressive marketing and distribution network during the year under review. The Company has identified the above few factors which would contribute to the success of the Company. Your Company has launched new products in vitrified tiles segment, glazed porcelain, polished tiles, multi charge tiles for catering the high net worth individuals and the expanding upper middle class. Your Company also forayed into the wall tile market and producing the market referred range of high value added products with emphasis on research and development. With the economy now going on an upward graph, your Company is expecting a growth and demand for its products.

***Transfer of unpaid/unclaimed Dividend to IEPF:***

The unclaimed dividend for the year 2002-03 is due for transfer in October, 2010. The dividend once transferred to Investor Education and Protection Fund cannot be claimed. It is advised to the Shareholders, who have not so far encashed the dividend warrants, to write to the Company or its Registrar and Transfer Agents immediately.

***Customs, Excise, Income tax & Other matters:***

- 1) Your Company preferred appeals before the Hon'ble CESTAT, Bangalore against demand by Customs & Central Excise Department (Service Tax cell) for service tax during the year 2005-06 on installation, erection and commissioning of plant & machinery imported and on GTA services during the year 2006-07 though paid by the service provider.
- 2) Your Company preferred an appeal before Income Tax Appellate Tribunal, Hyderabad on demand from Dy. Commissioner of Income Tax, Hyderabad in respect of Assessment Year 2004-05 for disallowance of additional depreciation, for which the Company is eligible under the Act.
- 3) Your Company preferred an appeal before the Employees' Provident Fund Appellate Tribunal, New Delhi against the demand from Regional Provident Fund Commissioner, Rajahmundry for penalty and damages on account of delays in remittances during 2003 to 2009, for which stay has been granted to the Company.
- 4) Yanam Municipality has demanded Property Tax of Rs.32.35 lakhs for the years from 1998 -99 to 2006-07 and your Company disputed the same as the grounds are not just, proper and reasonable.

***Achievements /Accomplishments :***

The Company continues to enjoy "Export House", status in recognition of its export performance by Ministry of Commerce, Government of India till the year 2013. During



the year under review, your Company received a “Certificate of Merit” from CAPEXIL sponsored by Ministry of Commerce & Industry, 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 :**

Smt G.Radhika ceased to hold the office of Whole Time Director of the Company w.e.f. 31-07-2010.

Sri T.V.Chowdary and Sri G.Sreenivasulu Naidu, Directors retire by rotation and are eligible for re-appointment in this AGM.

**Appointments:**

Sri N.Satyendra Prasad was appointed as an Additional Director of the Company with effect from 31-07-2010. The explanatory statement annexed to the notice contains the details regarding appointment of Sri Prasad.

**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 (b) of the Annexure to the Auditors report, your Directors state that the Company is generally regular in payment of statutory dues. Your Directors are of the opinion that the Company is in process of implementing various strategies towards improving the overall performance of the Company and the improved operating conditions would enable the Company to perform better.

**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: CDR Cell, 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 31, 2010

**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 high quality printed new design tiles in Marble glazed polished tiles with high precision were developed with Rotocolor printed technology. The new products introduced during the year were NW series and Chic series in 60X60 cm floor tiles category, Earth tone series in 45X45 cm category, piedra and palemaro series in 33X33 cm category. New colours in Rustic, Gloria and Glossy marble series were developed in the existing series of 60X60 cm category, Verona, Arena, Palemaro, satinfin, glossy granite, rustia, glossy marble and stona series in 40X40 cm category, Reactiva, woodgloss, Alexandria, classic floor, restone and screen print series in 30X30cm category and wall classic series in 30X40 cms category. 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.2566.56 lakhs. (Previous year Rs. 1980.93 lakhs).
- b) The foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses amounted to Rs.2024.86 lakhs (Previous year Rs.1109.36 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 31.03.2010.**

Name	Age (years)	Designation	Qualifi- cation	Total expe- rience	Date of comme- ncement of employment	Remune- ration(Rs. in lakhs)	Particulars of last employment	No. of Equity Shares held
Dr. G.N. Naidu	69	Chairman and Managing Director	B.E., AMIE	46 years	09-02-1984	11.40	Architect	70,14,798 (26.52%)

**Notes:**

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

For and on behalf of the Board

Place : Hyderabad

Date : July 31, 2010

**Dr.G.N.Naidu**

Chairman and Managing Director



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**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

***Industry Structure and Development :***

Industry, especially manufacturing, was one of the key drivers of the transformation in the growth trajectory of the Indian economy witnessed during the post-2000 period. However, a cyclical slowdown began in the industrial sector in 2007-08 and was compounded by the twin global shocks in 2008-09. The effects lingered on briefly in the current fiscal, but growth rebound is now amply evident. Gross domestic product (GDP) growth has clearly revived in the second quarter of the current year and the industrial sector has emerged as one of the prime movers of the process.

In terms of global ceramic tiles market, Asia recorded a healthy growth of over 7% during the year. In terms of consumption, India is the third largest consumer of ceramic tiles in the world and fifth-largest manufacturer in the world's total production. Vitrified Tiles constitutes around 20 % of the ceramic tile industry and the wall tiles segment is also growing in India. It is expected to grow at 15% of CAGR. The unorganised sector accounts for almost 55 per cent of the industry, which stands as a hurdle for smooth functioning.

Your Company started commercial production on 1<sup>st</sup> May, 1986, with an installed capacity of 25,000 MT per annum of ceramic tiles at Yanam, Pondicherry. The Company since inception has seen a positive growth trend and expanded its capacity in stages to reach 2,50,000 MTPA.

Your Company's main focus is on product innovation, Early this year the Company has launched wall tiles, three series of vitrified tiles in the range of glazed porcelain, multi charged and polished tiles in sizes of 800X800mm, 600 x 600 mm and Peidra heavy duty exterior tiles. Your Company formulated strategy to expand the outsourcing of vitrified and wall tiles in a larger scale during the year.

The volumes for the year have also improved with introduction of new designs, products, advent of wall tiles which are custom made to suit the individual requirement. New varieties introduced by the Company in both ceramic and vitrified tiles are getting good response in the market. Started as a manufacturer of Ceramic Tile Company, now it specializes and forays in Glazed, Vitrified, Industrial and Heavy duty, Pavement Tiles, Floor and Wall Concepts, Exterior elevation Tiles, range that encompasses easily the very best the industry can provide.

***Opportunities and Outlook :***

According to a research report "Indian Housing Sector Analysis", the housing industry in India has experienced upward movement even in the tough global economic conditions. The main reason for growth is the rising number of low and mid-income group in the country's Tier I, II and III cities. These households have the potential to make investments