



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 27th Annual General Meeting of the Company will be held on Thursday, the 29th September 2011 at 11.00 a.m. at the Registered Office of the Company at 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500 001, to transact the following business :

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as on 31st March 2011 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 P J V Sarma, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt Bindu G Naidu, who retires by rotation and being eligible, offers herself for reappointment.
4. To appoint M/s Brahmayya & Co., Chartered Accountants, Hyderabad (Registration No. 000513S) 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 Tummula Ramesh Chandra Bose as a Director

To Consider and if thought fit, to pass, with or without modification(s), the following Resolution as an ORDINARY RESOLUTION:

“RESOLVED THAT Sri. Tummula Ramesh Chandra Bose who was inducted as an Additional Director on the Board of the Company pursuant to the 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 their meeting held on 27th July 2011 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received notice in writing, proposing his candidature for the office of Director, pursuant to Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

6. Approve the tenure of Dr. G N Naidu, Chairman and Managing Director of the Company beyond the age limit prescribed under Schedule XIII of the Companies Act, 1956

To consider and if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to the provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII, Part I (c) of the said Act as may be amended from time to time and subject to the 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 for continuation of the tenure of Dr. G N Naidu as Chairman and Managing Director of the Company, after the attainment of age of 70 years, on the existing terms and conditions.”

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

Place: Hyderabad
Date: 27th July 2011

M. Amala
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 22nd September 2011 to 29th September 2011 (both days inclusive).
5. Members seeking any information with regard to accounts for the financial year ended 31st March 2011, 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-500001.
8. The Company has transferred to the 'Investors Education and Protection Fund' the unpaid / unclaimed dividend declared as interim dividend / dividend for the financial year 1999-2000 in June 2007, for the financial year 2000-01 in



October 2008, for the financial year 2001-02 in October 2009 and for financial year 2002-03 in November 2010. ***The Company will be transferring the unpaid/unclaimed dividend declared for the financial year 2003-2004 in October 2011.*** Shareholders who have not encashed the dividend warrant(s) so far, with regard to final dividends for the financial year 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: 27th July 2011

M. Amala
Company Secretary

Annexure to the notice:

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

Item No: 5

Sri Tummula Ramesh Chandra Bose was appointed as an Additional Director on the Board of the Company, vide resolution passed by the Board of Directors in their meeting held on 27th July 2011 under Section 260 of the Companies Act, 1956. In terms of the provisions of the said section, Sri TRC Bose vacates office at this meeting.

Sri TRC Bose, aged about 70 years, holds B.E (Electrical) and FIE qualifications. He has over 47 years of experience in Thermal, Gas and Hydro Power Projects and presently working as Managing Director for Athena Chhattisgarh Power Pvt. Ltd. He is also Professional Director in IVRCL Infrastructure & Projects Limited, Hyderabad, Kakatiya Cement, Sugar & Industries Ltd, Hyderabad, Konaseema Gas Power Limited, Hyderabad, Country Wide Power Transmission Ltd, New Delhi, Vijai Electricals Ltd, Hyderabad, Sew Infrastructure Ltd, Hyderabad and IVRCL Assets & Holding Ltd, Hyderabad. He has vast experience in APSEB. He was the Former Director (Projects) in APTRANSCO.

The Company has received a notice in writing along with a deposit of Rs. 500/- in terms of section 257 of the Companies Act, 1956 proposing Sri T.R.C. Bose as a candidate for being elected as a Director. If elected as a Director, the period of his office will be subject to determination by retirement of directors by rotation.

None of the Directors except, Sri TRC Bose is deemed to be concerned or interested in the said resolution.



Item No: 6

The Members of the Company at the 24th Annual General Meeting held on 27th September 2008 approved the re-appointment of Dr. G N Naidu as the Chairman and Managing Director for a further period of 5 years, w.e.f. 9th February 2009. Dr. G N Naidu attained the age of 70 years on 01-07-2011. As per the provisions of Schedule XIII of the Companies Act, 1956, approval of the members is required by way of Special Resolution in the General Meeting for continuation of tenure of Dr. G N Naidu after attainment of age of 70 years.

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, Sri G Sreenivasulu Naidu and Sri N Satyendra Prasad are 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 P.J.V. Sarma, aged about 53 years holds B.Tech in Chemical Engineering, AICWA and PGDFM qualifications. He had worked for ICICI group for over 30 years in Corporate Banking, Project Finance and General Insurance. Presently he is working as Director on whole time basis for Nava Bharat Group (which has operations in ferro alloys, sugar and power generation), looking after the Strategy, Project Finance and Planning functions. His wide experience shall help the Company, in providing valuable inputs for deliberations of the Board and in improving the overall growth of the Company. He is presently a Director in the Andhra Pradesh Paper Mills Ltd and Nava Bharat Projects Limited.

Smt. Bindu G Naidu, aged about 36 years is a B.Com Graduate from Osmania University, A.P and acquired a Masters Degree in Business Administration with specialization in Finance from P. S. G. Institute of Management, Bharatiar University, Coimbatore, Tamil Nadu. She worked as Whole-Time Director of the Company from 27th January 2001 till 19th September 2008 and thereafter as Non-Executive Director. Smt. Bindu G. Naidu holds directorship in Regency Merchant Banking Ltd., Regma Ceramics Ltd, Regma Foods Limited and Cenergy Infra Limited.

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

Place: Hyderabad
Date: 27th July 2011

M. Amala
Company Secretary



DIRECTORS' REPORT TO THE SHAREHOLDERS:

Your Directors hereby present their 27th Annual Report along with the Audited Accounts of the company for the year ended 31st March 2011.

Financial Performance:

(Rs. in lakhs)

Sl.No.	Particulars	2010-11	2009-10
01.	Turnover	20687	17522
02.	Gross profit before interest and Depreciation	387	936
03.	Finance charges	1542	1427
04.	Depreciation	1068	1070
05.	Net loss before tax	(2223)	(1561)
06.	Income tax	(679)	(223)
07.	Net Loss after tax	(1544)	(1338)
08.	Balance carried to balance sheet	(2577)	(1034)

Review of Operations:

During the year under review, your Company's operations were affected due to various factors beyond the control of the management such as increase in the price of the raw materials, slower growth of consumer durables, ups and downs in the sectoral commodity markets and increased finance cost. Too many market players, particularly in the un-organized tile sector and cheaper imports became major threat in balancing the price for the product with its quality and cost. The business environment and fluctuating economy made it all the more challenging to optimise the capacity utilisation and to achieve break-even point.

Your Company achieved the production of 93.06 lakh sq.mts during the year under review as against 97.90 lakh sq.mts during the previous year. The sales in physical and financial terms from own operations being 96.83 lakh sq.mts. (previous year 92.64 lakh sq.mts) and Rs.17688 lakhs (previous year Rs.16599 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 10.39 lakh sq.mts (previous year 3.61 lakh sq mts) and Rs. 2999 lakhs (previous year Rs. 923 lakhs).

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

Exports:

Your company continued to export to various parts of the World. Due to decrease in production levels, your company was unable to concentrate much on exports. Your company achieved an export turnover of Rs. 2379 lakhs (previous year Rs.2990 lakhs). There is ample scope of improving the turnover once the production level improves.

Future outlook:

The future outlook for the ceramic tile industry is by and large dependant on the development of real estate sector. In India, real estate industry is expanding especially in areas like housing, office space, retail and entertainment, among others. The varied changes in the consumer's perspective towards the decorative use of ceramic tiles and its application in indoor and outdoor areas has brought in new trends and developments in the



market, which your Company has been able to innovate and exploit upon. Your Company has identified important factors such as increase in production, improvement in quality, increase in average realization, reduction of variable cost, constant product innovation and development, full usage of gas supply, aggressive marketing and distribution network to contribute to the success of the Company. Vitrostone and Estilia, the new products launched by the Company has been accepted in the market. The Company has been expanding its foot work by making its presence felt in unrepresented areas. The focus is more on selling high value products. With the quality of product and services by the Company as contributory factors, your company's growth prospects continue to be good for the coming years.

Transfer of unpaid/unclaimed Dividend to IEPF:

The unclaimed dividend for the year 2003-04 is due for transfer in October, 2011. 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:

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.

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:

During the year under review, your company received "Certificate of Merit" from CAPEXIL sponsored by Ministry of Commerce & Industry, Government of India. Also, the Company continues to enjoy the status of "Export House", recognized by the Ministry of Commerce, Government of India, in view of consistent export performance and the same is valid till 31st March 2013.

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 P J V Sarma and Smt Bindu G Naidu, Directors retire by rotation and are eligible for re-appointment in this AGM.

Sri T R C Bose was appointed as Additional Director on the Board of the company on 27th July 2011 and if elected by the members of the Company, the period of his office will be subject to determination by retirement of directors by rotation.

Dr. G N Naidu, the Chairman and Managing Director of the Company attained the age of 70 years on 01.07.2011. Members approval is sought for continuation of tenure of his office.

Auditors:

M/s. Brahmayya & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company retires 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 are of the opinion that the Company is in the process of executing various alternative plans and the improved operating performance 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:

Provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company, since none of the employees of the Company was in receipt of total remuneration in excess of the prescribed limits as amended.

Industrial Relations:

Your Company maintained cordial industrial relations with employees through out the year under review. Your Company continues to develop Human Resources at all levels by imparting continuous training, motivation to attain higher productivity, finer quality, cost control, safety and environment protection.



Acknowledgements:

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

Place: Hyderabad
Date: 27th July 2011

For and on behalf of the Board
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:

Your Company continues to be committed to energy conservation and 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. Regular maintenance and repairs of all the equipment and machinery are carried out to ensure optimum efficiency and to minimize wastage. Necessary steps were initiated for implementing the energy conservation across the plant.

b. Technology Absorption:

Your Company is continuously endeavoring to upgrade its technology from time to time in all aspects through R&D primarily aiming at reduction of cost of production and improving the quality of the product. Your company has developed value added products such as glazed vitrified tiles 60x60 cm and high definition designs in wall tiles with laser printing in 60x30 cm. Special concept tiles have been developed and given to market, for improving the realization. The products developed have been branded in the market as Vitrostone 60x60 cm and Estilia for 30x60 cm wall tiles. Your Company developed and formulated its own designs and frits for floor glossy glaze. New innovative designs in Wood finish branded as "WENGI" in 60x60 cm and 40x40 cm floor tile category, Rustic Series in 30x30 cm VOLCANO & TITAN series were launched. No import of technology was made and your company is constantly striving for higher indigenization of the components and spares.

c. Foreign Exchange Earnings and Outgo:

- a) Your Company has earned foreign exchange of Rs. 1991.84 lakhs. (Previous year Rs. 2566.56 lakhs).
- b) The foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses amounted to Rs. 1569.47 lakhs (Previous year Rs. 2024.86 lakhs).

Place: Hyderabad
Date: 27th July 2011

For and on behalf of the board
Dr. G.N Naidu
Chairman and Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development:

The Indian economy during 2010-11 has been characterized by robust economic growth and steady fiscal consolidation. The Economic Survey of India revealed that India's real Gross Domestic Product (GDP) grew by about 8.6% in 2010-11. Indian manufacturing industry is at an important juncture today. Witnessing a wave of growth, the Indian manufacturing sector is touted to be much more promising in the future. The industrial output registered a growth of 7.8% in 2010-11.

The Indian tile industry continues to grow at a healthy 15% per annum. Ceramic Tiles today have become an integral part of home improvement. India ranks in the top 5 list of countries in terms of tile production in the world. India's ceramic tile industry emerged in the 1950s. Tiles form the most significant part of the Indian ceramics industry and consist of floor tiles (46%), vitrified and porcelain tiles (12%) and wall tiles (42%). The floor tiles segment is growing faster as compared to wall tiles. Vitrified and porcelain tiles with the entry into the ceramic tile industry have increased the size of the market considerably. These tiles are light and have the added advantage of being offered in designer looks as compared to mosaic tiles, which are heavier and more expensive to transport. Both organized and unorganized sectors play a key role in the manufacturing of ceramic tiles in India. The unorganized sector accounts for 55% of the total industry bearing testimony of the attractive returns from this sector.

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

Your Company has formulated and focused on higher format 60x60 cm both in floor and vitrified production to have better realization. New series have been added in 60x60 cm under glossy series (LAPATHO), Group-3 Satin finish and Group-5 Rustic Series. During the year, your Company has also outsourced vitrified and wall tiles in a much larger scale.

Wall Concepts introduced in the market have received good response and your company is focusing on development of wall tile concept in 60x30 cm and 30x30 cm Piedra designer tiles. Your Company has added third firing decorative products along with wall tiles to cater to the architectural segments.

Opportunities and Outlook

The ceramics industry in India is poised for sustained growth, powered by long term demand for construction. In India, the construction sector is expected to do well mainly due to the fiscal incentives given to infrastructure development. Increase in income levels and availability of a range of financing options for housing is enabling growth in housing construction. At the same time, industry players are gearing up for growth through building capacity and focusing on technology and process improvements. Improving capability of Indian players is getting reflected in increasing exports across ceramics. The industry offers a bright picture for existing players, as well as potential investors.

Apart from their decorative looks, Ceramic Tiles are primarily hygiene products and that is how our broad spectrum of consumers view the product. This is fairly evident from its varied usage from bathrooms and kitchens in average Indian households to medical centers, labs, milk booths, schools, public conveniences, shopping malls and numerous other centers; which dot our day to day life. A ceramic tile is basically a "utility product"



and that remains our promotional slogan. Popular housing projects are increasingly switching over to Ceramic Tiles moving away from the traditional use of mosaic and even granite or marble, owing to several factors viz. ease in laying ability, versatility, low price and hygiene.

The key success factors for the ceramic industry include:

- Efficient manufacturing processes
- Technology– especially in growing areas like porcelain and vitrified tiles
- Supply chain management and distribution
- Branding

Threats, Risks and Concerns

Imports and the unorganized tile sector are the major threat to the Indian tile market. Freight, power and gas remains the key cost-related issues impacting the industry. Customs duty on import of ceramic tiles to be corrected to prevent dumping of imported tiles. Apart from this, global financial melt down, the rise in inflation during the last year, increase in Credit cost, Builders facing difficulty and projects getting delayed due to fall in real estate market were the major concerns during last year.

However these effects can be mitigated by:-

- Large volume of production
- Sustainable reduction in the cost of input material
- Major Change in fuel consumption pattern
- Reduction in import cost of material due to having better substitute from local market
- Constant technology up-gradation and building a brand image

Internal Control System:

Your Company has in place proper and adequate systems of internal controls commensurate with its size and the nature of its operations comprising authority levels and powers, supervision, checks and balances, policies, procedures and internal audit. The internal control system provides reasonable assurance that the transactions are properly recorded and are executed in accordance with proper management authorization and that the assets are safeguarded against loss from unauthorized use or disposition and that the accounting records are adequate for preparation of financial statements and other financial information. The system is reviewed and updated on an on-going basis. The Company is continuously upgrading its internal control systems by various measures such as strengthening of Information Technology, infrastructure, use of external management services and adoption of various recommendations of Internal Audit Committee.

Human Resources and Industrial relations:

Your Company believes that human resource is the most important asset of the organization and lays importance on competence and commitment of human capital for its growth. Accordingly, the HR interventions are aimed at strengthening the service ethic amongst the staff and helping them to realise their full potential. An enabling environment that fosters continuous learning and innovation remains a key focus area.

During the year under review, your company maintained peaceful industrial relations and continued its efforts to improve HR related processes, practices and systems to align these to the organizational objectives. The employees were appraised of performance of the Company through various communications. Proactive and collaborative approach towards industrial relations supported by a positive mindset amongst all employees ensured cordial employee relations.