



Notice to the shareholders

Notice is hereby given that the 28th Annual General Meeting of the Company will be held on Thursday, 27th December, 2012 at 11.00 a.m. at Registered Office of the company at 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 2012 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 Dr. M.V.G. Rao, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri. T. V. Chowdary, 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.

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

Place : Hyderabad
Date : 09-11-2012

T. Deepthi
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 / herself. 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 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. The Register of Members and Share Transfer books of the company will remain closed from December 20, 2012 to December 27, 2012 (both days inclusive).
4. Members seeking any information with regard to accounts for the financial year ended 31st March 2012, 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.
5. 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, whose address is given elsewhere in this Annual Report.
6. 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.
7. The Company has transferred to the 'Investors Education and Protection Fund' the unpaid / unclaimed dividend declared as interim dividend / final 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, for financial year 2002-03 in November 2010 and for financial year 2003-04 in October 2011. 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.

8. 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.
9. 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**

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Company Secretary

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

Sri. T.V.Chowdary aged about 69 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 Managing Director of A.P. Rural Irrigation Corporation, and Chaired Non-conventional Energy Development Corporation of A.P. Presently he is Director in five other Companies namely M/s. Divyasakthi Granites Limited, Hyderabad, M/s. Regma Ceramics Ltd., M/s. Trimex Industries Limited, Chennai, M/s. Pokarna Ltd., Hyderabad and M/s. Trimex Sands Pvt. Ltd. His diversified knowledge and noteworthy experience of 35 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.

Dr. MVG Rao, aged about 71 years is possessing B.Sc(Hons.) degree in Chemical Engineering from the Andhra University and PG degree in Pulp and Paper Technology from the Forest Research Institute, Dehradun. He has received advanced training in Rayon Grade Pulp and has been conferred with 'Honoris Causa' by Rohilkhand University, Bareilly in recognition of his signal services towards promotion of closer Industry – Academic Institute ties.

He had worked in senior management positions at M/s South India Viscose Ltd. in Coimbatore and M/s Andhra Pradesh Rayons Limited in Warangal District of Andhra Pradesh. Dr. Rao spearheaded the successful erection, commissioning and operations of M/s Tamilnadu Newsprint and Papers Limited at Pugalur in Tamilnadu. Dr. Rao's efforts in achieving the spectacular turnaround of M/s. AP Paper Mills Ltd. as its Managing Director in just two years have won him accolades from all over. Dr. Rao was the Chairman of M/s. Vera Laboratories Ltd, Vizianagaram District and is also founder Director of its formulation arm M/s. Vera Pharma Ltd. His rich and wide corporate experience in various fields shall certainly help the company, towards providing various valuable inputs for deliberations of the Board and in improving the overall growth of the company. Presently occupying the position of a "Director" in companies like Nava Bharat Ventures, Nava Bharat Energy India, Nava Bharat Sugar and Bio Fuels and Regma Ceramics Ltd and also chairs the meetings of Vamshadhara Paper Mills Ltd. and he is also member of audit committee of the company.

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

Place : Hyderabad
Date : 09-11-2012

T. Deepthi
Company Secretary



Directors' Report to the Shareholders:

Your Directors hereby present their 28th Annual Report along with the Audited Accounts of the company for the financial year ended 31st March 2012.

Financial Performance:

(Rs. in lakhs)

Sl.No.	Particulars	2011-12	2010-11
1	Turnover	17828	20687
2	Gross profit before interest and Depreciation	(196)	387
3	Finance charges	1558	1542
4	Depreciation	972	1068
5	Net loss before tax	(2726)	(2223)
6	Income tax	(348)	(679)
7	Net Loss after tax	(2378)	(1544)
8	Balance carried to balance sheet	(4955)	(2578)

Review of Operations:

Your company was subjected to a devastating incident on 27th January 2012 that will go down as a black day in the company history. On that day, several factory workers with the help of outside anti-social elements turned violent damaging and setting fire to machinery, vehicles, raw material, finished goods and records of the company. They attacked several nearby ancillary units as well as the residences of the company employees. One mob attacked the house of the President (Operations) of the company and brutally caused him grievous harm that resulted in his death. The company has since declared a lock-out at the factory.

As you are all aware, your company was passing through a very difficult phase for the past several years due to disruption in supply of fuel by GAIL. In spite of continuous losses, the promoters, with infusion of funds and a CDR package extended by the banks, were trying their best to turn around the operations of the company.

During the year under review, your Company achieved the production of 64.17 lakh sq.mts as against 93.06 lakh sq.mts during the previous year. The sales in physical and financial terms from own operations was 68.31 lakh sq.mts. (previous year 96.83 lakhs sq.mts) and Rs.14478 lakhs (previous year Rs. 17688 lakhs) respectively.

Your Company continued to increase its turnover from trading activity to boost up the earnings during the year under review. But with the lock out of the plant, the trading activity has been curtailed. The sales in physical and financial terms from trading during the year was 11.79 lakh sq.mts (previous year 10.39 lakh sq mts) and Rs. 3350 lakhs (previous year Rs.2999 lakhs).

Exports:

Your Company achieved an export turnover of Rs. 1359 lakhs (previous year Rs.2379 lakhs).

Dividend:

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



Labor Unrest:

Your Company has firmly established itself in the town of Yanam for the past 28 years, since its inception. It has always exhibited social responsibility and has been prioritizing the welfare of its workforce in their best interests. The establishment of educational institutions, provision of decent housing and amenities to its workers and their families have all proven this over a period of time and the Chairman of the Company, Dr. G N Naidu is quite a prominent and well respected figure all over and the beneficiaries of the organization have been spanning into thousands.

However, with a view to tarnish the image of the management and the Company, a handful of anti social elements have started working in the Company instigating the others, disturbing the peaceful and harmonious relations and have formed a trade union, which was not eligible for registration in the first place. The tension has been building up with the trouble makers raising unreasonable demands, in spite of conciliatory meetings at various levels until the agitation reached its peak on 27.01.2012.

Lock out of the Factory:

Your company was totally helpless to take up the repairs and put back the plant into operation as the same was damaged beyond repair. The Stock and other movable assets were damaged/looted to a large extent. Your company had no other option but to declare LOCK OUT from 01.02.2012.

Insurance Claim:

Your Company insured its assets with M/s National Insurance Company Limited, Yanam for a total sum insured value of Rs. 33612 lakhs. The Policy was taken for Industrial All Risks with reinstatement clause, and hence the company is eligible to claim reinstatement/ replacement value of the plant. The company submitted the required information to the Insurance Company and is awaiting settlement of the claim .

One Time Settlement of Bank Loans:

The lenders after the incident of 27-01-2012 opined that the revival of operations shall take few years, the Company will continue to incur higher cash losses in view of the total stoppage of plant operations and servicing of debts shall not be possible. As such, the only viable option would be settlement of dues to banks under an OTS as a compromise. In line with the above, SBI conveyed its OTS sanction @60% of the out standing dues as on the cut off date. Similar sanctions from other Banks are awaited. The Banks informed that there will not be prejudice as the situation was beyond the control of the management.

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.

Your company is progressing towards revival of operations. The detailed survey by the insurance company, settlement of claims by way of reinstating the plant, settlement with banks and creditors, is in process. The company approached state and central governments to provide concessions and reliefs for revival and the response is positive.

Action against the workers involved in violence is initiated and is now with labor tribunal. Arrangements are made for settlement of dues to workers leaving the company. Most of the employees and workers who are leaving the company now have committed themselves to join as soon as the plant operations re-commence. Major customers of Regency brand who are with the company over decades are also committed for continuous support. The Company is ready to face the challenge in handling the local work force and confident of mobilizing their support for revival of the operations. The promoters are also committed to infuse required funds for revival of operations at the same location or at a changed location as the case may be.



Transfer of unpaid/unclaimed Dividend to IEPF:

The unclaimed dividend for the year 2003-04 due for transfer in October, 2011 was transferred to Investor Education and Protection Fund. It is advised to the Shareholders, who have not so far encashed the dividend warrants to claim directly.

Customs, Excise, Income tax & other matters:

The Income Tax Appellate Tribunal, Hyderabad disposed off the appeal preferred by the company partly in its favour on the 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:

Your 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:

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

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

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 Item No.3,4 and 9 of Note No.23 – 'Other notes forming part of Accounts', which is self explanatory.
- ii. Referring to Para i (b), ii and viii of the Annexure to the Auditors report, the Directors would like to refer to Item No.3 of Note No.23 – 'Other notes forming part of Accounts', which is self explanatory.
- iii. 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 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 has always been known to maintain cordial industrial relations with its employees. Your Company believed in developing Human Resources at all levels by imparting continuous training, motivation to attain higher productivity, finer quality, cost control, safety and environment protection. However, in spite of the same, your Company faced labor unrest at the factory which suddenly turned violent causing severe damage to the plant and machinery on 27.01.2012.

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 and being made by employees at all levels during the year as well as after 27.1.2012

For and on behalf of the Board

Place : Hyderabad

Date : 09-11-2012

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 had 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 several value added products and high definition designs with laser printing. Special concept tiles have been developed for improving the realization. Your Company developed and formulated its own designs and frits for floor glossy glaze and new innovative designs in Wood finish tiles.

c. Foreign Exchange Earnings and Outgo:

- a) Your Company has earned foreign exchange of Rs. 1135.84 lakhs. (Previous year Rs. 1991.84 lakhs).
- b) The foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses amounted to Rs. 955.12 lakhs (Previous year Rs. 1569.47 lakhs).

For and on behalf of the Board

Place : Hyderabad

Date : 09-11-2012

Dr.G.N.Naidu

Chairman and Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development:

2011-12 has been quite a challenging year for the Indian economy in general, registering a growth of 6.9% as compared to the previous year. Slowdown in realty sector has primarily affected the ceramic industry and is no different from the industrial growth of the country taken together. The tile manufacturing output has however increased at a global level, 66% of which is contributed by Asia alone and India retains its place as the third largest producer of ceramic tiles in the world.

In India, there are about 750 ceramic tile manufacturers and the total turnover of the Indian ceramic industry is about Rs 10,000 crore. The industry gives direct and indirect employment to over 6,00,000 people across the country. Indian ceramic industry is going through a rough patch. According to industry sources, high fuel prices and transportation costs have hit the industry hard. With constant increase in gas and fuel prices over the past one year, the transportation costs have also increased by 20-25 per cent and this has directly hit the profit margins of the industry players.

Your company is in the process of exploring options for relocation / reinstating the plant and is awaiting clearances from various agencies. The recent incident had an impact on the whole town of Yanam as well, with several thousands of people depending on the Company directly and indirectly with their livelihood being thrown out of balance.

Your company had established a firm footing in the area, penetrating into various aspects of the society with its activities and is absolutely optimistic about bouncing back to its original standing, as it had, after the effects of cyclone in the year 2006. This is hence considered to be a temporary, though fractious phase in the history of the Company and looking forward to redeeming the earlier glory.

Opportunities and Outlook:

The Indian construction sector and consequently the tile industry have rocketed in the past decade and the long term demand for both residential and commercial spaces remains unstinted. This is fuelled by the projected growth for the hospitality, retail and aviation sectors as well. The realty sector continues to be the primary driving force and the consumers' preferences are being aligned towards pronominal value additions, with rising disposable incomes and the ever increasing urbanization. The long term prospects are also affirmative envisaging the government initiatives for enhancing the infrastructural facilities in rural and semi urban areas across the country.

Threats, Risks and Concerns:

The slowdown in allied industries cardinally forestalls the growth of the ceramic industry. The competition offered by the unorganized players, who comprise of 50% of the total industry is a major impediment as well. The ever increasing operating costs, supply of natural gas and its prices, availability and procurement of raw materials whose prices again tend to be volatile, foreign exchange risks, gaps in working capital cycles and availability of skilled labour for ensuring quality of the output are the menacing aspects affecting the industry.



The Company's current situation has forestalled its production since the incident and on resuming its ascent, aspires to endure the above through optimum utilization of the installed capacity, reducing dependency on unskilled workforce, atomization of the production process, lowering dependency on external transportation, revamping the already existing distribution network with a wide geographical reach across the country and abroad, entering into pacts with suppliers and the government to ensure timely availability of materials and natural gas and looks forward to the same with an optimistic approach.

Internal Control Systems:

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 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.

Your company hopes to resolve the strained labour relations and the matters pending before the industrial tribunal in the near future. There has been high attrition at the plant which is a cause of concern and nevertheless the Company possesses a set of loyal officials and workforce who shall play their part in enabling the company rebound to its previous glory. Skilled and highly committed workforce in the plant have left the company with pain and are keen to rejoin once the plant operations re-commence.

Business Review and Financial Performance :

During the year under review, your company's performance was affected by the adverse factors such as lower production due to labour unrest, gas supply constraints, increased cost of inputs, non-availability of skilled workforce, fierce competition, liquidity crunch, fall in realisations and also continuous challenging business environment, which dragged the Company's bottom line.



Regency Ceramics Limited

The comparative financials, with respect to operational performance are given herein below:

Sl. No.	Particulars		2010-11	2011-12	Favourable (+)/ Adverse (-) % change
1	Production (including outsourced goods for trading)	Lakh sq. mts	103.58	75.86	-27
2	Capacity utilisation	%	72	49	-32
3	Physical sales	Lakh sq. mts	107.22	80.10	-25
4	Realisations	Rs.per sq.mt	192.94	222.64	15
5	Net Sales/Income from operations	Rs.in Lakhs	19205	16575	-14
6	Other Income	Rs.in Lakhs	462	467	1
7	Increase/(Decrease) in Stock	Rs.in Lakhs	(297)	(677)	128
8	Total Income	Rs.in Lakhs	19370	16365	16
9	Total Expenditure	Rs.in Lakhs	18984	16560	-13
10	Operating Profit	Rs.in Lakhs	386	(196)	-151
11	Operating Margin	%	2.00	(1.20)	-160
12	Finance Charge	Rs.in Lakhs	1542	1558	1
13	Gross Profit after finance charge and Before depreciation and tax	Rs.in Lakhs	(1155)	(1753)	-52
14	-Do-	%	(5.97)	(10.71)	-80
15	Depreciation	Rs.in Lakhs	1068	972	-9
16	Loss before tax	Rs.in Lakhs	(2223)	(2726)	-23
17	Tax (including current tax, deferred tax, MAT, FBT)	Rs.in Lakhs	(679)	(348)	49
18	Loss after tax	Rs.in Lakhs	(1544)	(2378)	-54
19	EPS	In Rs.	(5.84)	(8.99)	-54
20	Book Value	In Rs.	7.33	(1.67)	-123
21	Reserves & Surplus (Net)	Rs.in Lakhs	(707)	(3085)	336
22	Return on Capital employed	%	(20)	(35)	-73
23	Share Market Price range	In Rs.	5.22-11.30	3.40 - 7.75	

Cautionary Forward-looking Statements:

This section of the Annual Report has been included in adherence to the spirit enunciated in the Code of Corporate Governance approved by the Securities and Exchange Board of India. Shareholders are cautioned that certain data and information external to the Company is included in this section. Though these data and information are based on sources believed to be reliable, no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the above presents an exhaustive coverage on and of all issues related to