

BOARD OF DIRECTORS

1. Dr. G.N. Naidu	...	Chairman and Managing Director
2. Sri T.V. Chowdary	...	Director (Up to 29.5.2013)
3. Dr. M.V.G. Rao	...	Director
4. Sri P.J.V. Sarma	...	Director
5. Sri G. Sreenivasulu Naidu	...	Director
6. Smt Bindu G. Naidu	...	Director
7. Sri T. Ramesh Chandra Bose	...	Director
8. Sri N. Satyendra Prasad	...	Executive Director

President (International Operations)	:	Dr. S.V. Ramprasad
President (Finance)	:	Mr. E. Balakrishna Rao
Audit Committee		Investors' Grievance Committee
Sri T.V. Chowdary (Up to 29.5.2013)		Sri T.V. Chowdary (Up to 29.5.2013)
Sri P.J.V. Sarma		Sri P.J.V. Sarma
Dr. M.V.G. Rao		Dr. G.N. Naidu
Sri T. Ramesh Chandra Bose		
Bankers		Remuneration Committee
State Bank of India		Sri T.V. Chowdary (Up to 29.5.2013)
The South Indian Bank Ltd		Sri P.J.V. Sarma
Corporation Bank		Sri T. Ramesh Chandra Bose
State Bank of Travancore		Dr. M.V.G. Rao (w.e.f. 29.5.2013)
State Bank of Bikaner & Jaipur		
Statutory Auditors		Registered Office
M/s Brahmayya & Co.,		5-8-356, N N House,
Chartered Accountants		Chirag Ali Lane, Abids,
Hyderabad		Hyderabad - 500001
		Ph: +91-40-23204555
Internal Auditors		Fax: +91-40-23201159
M/s K S Rao & Co.,		Factory
Chartered Accountants		Yanam - 533464
Hyderabad		(Union Territory of Puducherry)

Company's Website: www.regencytiles.com

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 29th Annual General Meeting of the Company will be held on Monday, the September 30, 2013 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 2013 and Statement of Profit and Loss 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 G.Sreenivasulu Naidu, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri. T. Ramesh Chandra Bose, 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 : 29.05.2013

Dr G N Naidu
Chairman and Managing Director

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 September 23, 2013 to September 30, 2013 (both days inclusive).
4. Members seeking any information with regard to accounts for the financial year ended 31st March 2013, 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 / 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**

Place : Hyderabad
Date : 29.05.2013

Dr G N Naidu
Chairman and Managing Director

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

SRI G. Srinivasulu Naidu, aged about 71 years is a Law graduate and a practising Advocate in profession since 1969. He is associated as a Director of your company since 1993-94. His diversified knowledge and experience in both criminal and civil cases, corporate affairs and other fields has helped the company in its difficult times. He was earlier a member of the panel of advocates for United India Insurance Ltd., Cuddapah, New India Insurance Ltd. Cuddapah, and standing counsel for A.P Mineral Development Corporation. Cuddapah and as a standing counsel for APSRTC, Cuddapah.

Sri T. Ramesh Chandra Bose, aged about 72 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 Kakatiya Cement, Sugar and 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 Limited, Hyderabad. He has vast experience in APSEB. He was the Former Director (Projects) in APTRANSCO.

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

Place : Hyderabad
Date : 29.05.2013

Dr G N Naidu
Chairman and Managing Director



Director's Report to the Shareholders :

Your Directors hereby present their 29th Annual Report along with the Audited Accounts of the company for the financial year ended 31st March 2013.

Financial Results :

		Rs in lakhs	
Sl.No.	Particulars	2012-13	2011-12
1	Turnover	607	17828
2	Gross profit before interest and Depreciation	(919)	(196)
3	Finance charges	187	1558
4	Depreciation	942	972
5	Net loss before tax	(2048)	(2726)
6	Income tax	-	(348)
7	Net Loss after tax	(2048)	(2378)
8	Balance carried to balance sheet	(7004)	(4955)

Review of Operations:

On 27.01.2012, a section of workers joined hands with few anti-social elements and caused extensive damage to the equipment, buildings, electrical installations, raw material, finished goods and records by using iron rods, boulders and set on fire to the equipment, sheds and vehicles. Your company declared lock out of its plant at Yanam after the incident with effect from 31.01.2012. Since then, there is no production.

During the year under review, your Company sold the sound finished stocks available both in the plant and at depots. The sales in physical and financial terms from own operations were 2.58 lakh sq. mts (Previous year 68.31 lakh sq.mts) and Rs.514.22 lakhs (previous year Rs.14478 lakhs) respectively.

Your Company could not continue trading activity as the marketing staff left the organisation and dealers shifted to other competitors. The sales in physical and financial terms from trading during the year were 0.34 lakh sq.mts (previous year 11.79 lakh sq. mts) and Rs. 92.90 lakhs (previous year Rs.3350 lakhs) respectively.

Exports:

Your Company achieved an export turnover of Rs. 197.51 lakhs (previous year Rs.1359.33 lakhs).

Dividend:

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

Lockout of the factory:

Your Company is in discussions with Original Equipment Manufacturers (OEMs) and reconditioning technical experts for taking up repairs/replacement of the damaged equipment and machinery and put back the plant into operation. As per the Insurance policy taken, your Company is eligible to claim the cost of repairs to the plant and machinery. However, wherever repairs are not possible



or repair cost is more than the replacement cost, your company is eligible to claim for replacement value. Your company has also requested the insurance company for release of on-account payment to support the finances required for carrying out such repairs/replacement.

The Government of Puducherry issued a G.O. dt.10.04.2013 prohibiting the continuance of the lockout declared by the management. However, in view of the situation prevailing in Yanam, your company approached the Hon'ble High Court of Madras and obtained stay.

Labour settlements:

Arrangements are being made for settlement of dues to workers leaving the company. Most of the employees have submitted resignations and your company has already settled many employee accounts and is in the process of finalizing the settlement in respect of remaining number of cases.

Your company initiated action against the workers involved in violence and requested the labor tribunal for early disposal of the same. The CBI is also investigating cases related to the incident and in the process, has arrested some employees and others involved.

One Time Settlement of Bank Loans:

The lenders of the company conveyed their respective sanctions for settlement of their dues under One Time Settlement (OTS) as a compromise. Your company paid 10% of the OTS amount and seeking extension of time from the lenders for the balance payment.

Future Outlook:

In India, real estate industry is expanding especially in areas like housing, office space, retail and entertainment, among others. The ceramic tile industry is witnessing constant growth in the production capacity - both in the organized and unorganized sectors. The varied changes in the consumer's perspective towards the decorative use of ceramic tiles and its application in indoor and outdoor areas have brought in new trends and developments in the market. With the over capacity positions in the country, the thrust will be to withstand market competition by producing value added products, offering competitive pricing, innovative designs and series, etc., The focus as such is on consistent improvement in the product mix with value addition.

All efforts are being made to sort out the present difficult circumstances that your company is facing. The support from insurance company for releasing the on-account payment immediately and for early settlement of the claim and releasing the claim amount fully is very important for resuming operations. The State and Central Governments will have to support your company by way of grants and reliefs in this crucial juncture.

Customs, Excise, Income tax & other matters:

1. Your Company preferred appeals before the Hon'ble CESTAT, Bangalore against the demand from Customs & Central Excise Department (Service Tax Cell) for service tax on installation, erection and commissioning of plant & machinery imported during the year 2005-06 and on GTA services during the year 2008-09, though paid by the service provider.



2. The Income Tax Appellate Tribunal, Hyderabad disposed of 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.
3. 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 enjoyed the status of "Export House", recognized by the Ministry of Commerce, Government of India, in view of consistent export performance till its validity i.e up to 31st March 2013.

Environment and Social concerns:

Your company enjoyed 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 G.Sreenivasulu Naidu and Sri. T. Ramesh Chandra Bose, Directors retire by rotation and are eligible for re-appointment in this AGM.

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.

Auditors' Remark:

- i. Referring to Para on basis for qualified opinion of the Auditors' Report, the Directors would like to refer Notes forming part of Accounts which is self explanatory. The reference to note numbers are as under :
 - a. Para 1 of basis for qualified opinion - Note. 9 and Item No. 3 of Note. 23.
 - b. Para 2 of basis for qualified opinion - Note. 5, 20 and Item No. 9 of Note. 23.
 - c. Para 3 of basis for qualified opinion - Item No. 4 of Note. 23.
 - d. Para 4 of basis for qualified opinion - Note. 3, 6, 8, 13 and 21.
 - e. Para 5 of basis for qualified opinion - Note. 8.
- ii. Referring to Para 9(a), 9 (b) and 9 (c) 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.

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 being made by employees at all levels during the year.

For and on behalf of the Board

Place : Hyderabad

Date : 29.05.2013

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 committed to energy conservation and fuel saving technology for the manufacture of ceramic tiles and was constantly upgrading the same to reduce the consumption of gas and power. Your company used to carryout regular maintenance and repairs of all the equipment and machinery to ensure optimum efficiency and to minimize wastage. Your company used to initiate for implementing the energy conservation across the plant.

b. Technology Absorption:

Your Company was 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 had developed several value added products and high definition designs with laser printing. Special concept tiles had 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 earned foreign exchange of Rs. 163.07 lakhs. (Previous year Rs. 1135.84 lakhs).
- b) The foreign exchange outgo on account of imported raw materials, stores & spares, capital goods and other expenses amounted to Rs. NIL (Previous year Rs. 928.80 lakhs)

For and on behalf of the Board

Place : Hyderabad
Date : 29.05.2013

Dr G N Naidu
Chairman and Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development:

The Indian economy during the FY 2012-13 registered a GDP growth of 5%. The industrial sector was impacted by general inflation and inflation of Indian Rupee against US Dollar. The FY2012-13 had a growth of 6.0% for the Indian construction sector. Due to monetary issues and other related policies the Indian construction industry showed a lackluster performance in 2012-13. But the outlook for the construction sector beyond FY2012-13 is brightening up. Not only are monetary conditions likely to improve for construction companies in FY2013-14, but the government is also making pertinent efforts to remove bottlenecks that are delaying infrastructure projects in India. India's construction sector is poised to reach 7.6% growth in FY2013-14.

Indian Tile Industry:

The Indian tile industry, despite an overall slowdown of the economy continues to grow at a healthy 15% per annum. Investments in the last 5 years have aggregated over Rs. 5000 crores. The overall size of the Indian ceramic tile industry is approximately Rs 18,000 crore (FY12). The production during 2011-12 stood at approx 600 million square meters. India ranks in the top 3 list of countries in terms of tile production in the world. With proper planning and better quality control our exports (presently insignificant) contribution can significantly increase.

The Indian tile industry is divided into organized and unorganized sector. The organized sector comprises of approximately 14 players. The current size of the organized sector is about Rs 7,200 Crores. The unorganized sector accounts for nearly 60% of the total industry bearing testimony of the growth potential of this sector.

Industry Outlook:

The long term outlook for Indian construction sector continues to remain encouraging. The 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.

The ceramic industry in the country is growing and the prospects are bright as the use of ceramics in infrastructure and automobile sectors is increasing. Boom in housing sector coupled by the government policies fuelling strong growth in housing sector; Retail boom in the Indian economy has also influenced the demand for higher end products.

However, in the near term, companies in the sector could witness challenges on



account of sluggishness of new order inflows, executive concerns surrounding their current order books, elongated working capital cycle and resultant increase in debt levels, as reported by ICRA Ltd.

The competition offered by the unorganized players of the 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.

Company Outlook:

The recent incident had an impact on the whole town of Yanam with several people depending on the Company being thrown out of balance. Your company is in the process of exploring options for recommencing the plant operations and is awaiting clearances from various agencies including settlement of claim by the insurance company.

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. This is hence considered to be a temporary phase in the history of the Company.

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 of your company.

Your company hopes to resolve the strained labour relations and the matters pending before the industrial tribunal in the near future. Skilled and committed