

BOARD OF DIRECTORS

| | |
|------------------------------|------------------------------------|
| 1. Dr G.N.Naidu | ... Chairman and Managing Director |
| 2. Sri G. Sreenivasulu Naidu | ... Director |
| 3. Sri B.Surendra | ... Director |
| 4. Sri D.Chandra Sekhar Babu | ... Director |
| 5. Smt G.Vijaya Vani | ... Director |
| 6. Sri N. Satyendra Prasad | ... Executive Director |

| | |
|---|--------------------------|
| President (International Operations) | : Dr S.V. Ramprasad |
| President (Finance) | : Sri E. Balakrishna Rao |

Audit Committee

Sri B. Surendra
Sri D.Chandra Sekhar Babu
Smt G. Vijaya Vani

Investors' Grievance Committee

Dr G.N. Naidu
Sri B. Surendra
Sri D.Chandra Sekhar Babu

Bankers

State Bank of India
The South Indian Bank Ltd
Corporation Bank
State Bank of Travancore
State Bank of Bikaner & Jaipur

Remuneration Committee

Sri B. Surendra
Sri D.Chandra Sekhar Babu
Smt G.Vijaya Vani

Statutory Auditors

M/s Brahmayya & Co
Chartered Accountants
Hyderabad

Registered Office

6-3-1090/A/7, 3rd Floor, IMS House
Somajiguda, Hyderabad - 500082
Ph: +91-40-23327555

Internal Auditors

M/s K S Rao & Co.,
Chartered Accountants
Hyderabad

Factory

Yanam – 533464
(Union Territory of Puducherry)

Company's Website: www.regencytiles.com

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NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 32nd Annual General Meeting of the Company will be held on Wednesday the September 28, 2016 at 11.00 a.m. at Registered Office: 6-3-1090/A/7, 3rd Floor, IMS House, Somajiguda, Hyderabad - 500 082, to transact the following business:

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as on 31st March 2016 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 (DIN:00106038) who retires by rotation and being eligible, offers himself, for reappointment.
3. To appoint M/s. Brahmayya & Co., Chartered Accountants, (Registration No.000513S) 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 : 30.05.2016

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 him / her. 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 21, 2016 to September 28, 2016 (both days inclusive).
4. Members seeking any information with regard to accounts for the financial year ended 31st March 2016 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 & Telangana, 2nd Floor, Corporate Bhawan, GSI Post, Tattiannam, Nagole, Bandlaguda, Hyderabad - 500 068.
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 Bombay Stock Exchange Ltd., (BSE) and The National Stock Exchange Limited, Mumbai (NSE). The company has not paid the annual listing fee for the years 2014-15, 2015-16 and 2016-17 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.
- 10. The instructions for shareholders voting electronically are as under:**
 - (A) The voting period begins on 24.09.2016 at 9.00 am ends on 27.09.2016 at 5.00 pm. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 20th September 2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (i) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (ii) Click on Shareholders.
 - (iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - (iv) Next enter the Image Verification as displayed and Click on Login.
 - (v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.



(vi) If you are a first time user follow the steps given below:

| For Members holding shares in Demat Form and Physical Form | |
|--|--|
| PAN | <p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none">Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field. |
| Date of Birth (DOB) | <p>Enter the Date of Birth as recorded in your demat account or in the company records for the said Demat accounts or folio in dd/mm/yyyy format.</p> |

(vii) After entering these details appropriately, click on "SUBMIT" tab

(viii) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(x) Click on the EVSN for the relevant **Regency Ceramics Limited (EVS-160819003)** on which you choose to vote.

(xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.



- (xv) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xvi) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.

(xviii) Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

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

Place : Hyderabad
Date : 30.05.2016

Dr G N Naidu
Chairman and Managing Director



DIRECTORS' REPORT

Dear Members

Your Directors hereby present their Thirty second Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March, 2016.

FINANCIAL SUMMARY:

The performance of the Company for the Financial Year ended 31st March 2016 is as under:

| | | Rs in Lakhs | |
|---------|--|-------------|---------|
| Sl. No. | Particulars | 2015-16 | 2014-15 |
| 1 | Turnover | - | - |
| 2 | Profit / (Loss) before Interest and Depreciation | 38 | (105) |
| 3 | Finance charges | 1 | 104 |
| 4 | Profit / (Loss) before Depreciation and Tax | 37 | (209) |
| 5 | Less: Provision for Depreciation | 502 | 1132 |
| 6 | Loss before Tax | (465) | (1341) |
| 7 | Less: Provision for Income Tax | - | - |
| 8 | Net Loss after Tax | (465) | (1341) |
| 9 | Deficit Carried to Balance Sheet | (9920) | (9455) |

REVIEW OF OPERATIONS AND STATE OF COMPANY'S AFFAIRS:

During the year under review, your Company could not make any sales and as such the Turnover was Rs.NIL (Previous year : Rs.Nil) and incurred a Net Loss of Rs.465 Lakhs (previous year Net loss: Rs.1341 Lakhs).

PERFORMANCE & FINANCE:

Your company declared lock-out of its plant at Yanam with effect from 31.01.2012 after the devastating incident occurred on 27.01.2012. Since then, there is no production in the plant.

DIVIDEND

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

INSURANCE SETTLEMENTS:

Your company made a claim on reinstatement value basis in accordance with the policy taken and submitted its claim for loss/damage to the properties of the company. The insurance company is not willing to settle the claim under reinstatement value basis since the company did not carry out repairs within 12 months from the date of loss. Your company is contesting the same as the repairs could not be taken up due to prevailing special circumstances.

LABOUR SETTLEMENTS:

Your company paid full and final settlement amounts to those who have resigned from the company and waiting for the balance workmen to come forward for final settlement. Action initiated by your company against the workers involved in the Violence is pending for disposal at the Labour Tribunal.

LENDERS' DUES SETTLEMENTS:

Your company paid part of One time Settlement (OTS) amount to the lenders and requested for revised OTS due to on-going agitation of the workers, non receipt of insurance claim and inability of the promoters to mobilize funds. The lenders have agreed in-principle to examine the revised OTS offer of the company and in the meantime as



per rules, initiated recovery action against the company under the SARFAESI Act. The lenders also took symbolic Possession under Rule 8(1) of Security Interest (Enforcement) Rules, 2002 of the properties in exercise of powers conferred on them under section 13(4) of the SARFAESI Act. Further, the lenders also filed an application under section 19 of the Recovery of Debts due to Banks and Financial Institutions Act, 1993 in the Debts Recovery Tribunal, Hyderabad for recovery of their dues.

REFERENCE TO AAIFR:

A reference made by your company to Board for Industrial and Financial Reconstruction (BIFR) as per the provisions under section 15(1) of Sick Industrial Companies (Special Provisions) Act, 1985 and registered as case no. 19/2014 was abated and your company preferred an appeal before AAIFR.

FUTURE OUTLOOK:

The Indian tile Industry is picking up as expected and witnessing bright days after the general elections. The increasing urbanization over the last two decades from 217 million to 377 million and expected to reach 600 million or about 40% by 2031 with 68 cities population of more than one million is expected to drive housing demand. The Interest rate reduction shall support well for the housing sector. Further, declining commodity prices shall reduce inflationary pressure on the Indian economy, creating a foundation for further interest rate reduction. This should improve housing demand. Cost reduction coupled with reduction in international crude prices shall contribute to reduction in energy costs strengthening business profitability. The Government's decision to develop housing for all by 2022, Swachh Bharat campaign (Sanitisation for all by 2019), Smart City Mission are expected to create growth opportunities for the Indian ceramic tile industry.

Your company is in the process of resolving all pending issues including settlement of insurance claim, settlement with workmen, settlement with lenders, settlement with statutory authorities, suppliers and other creditors. Your company is also pursuing with Central and State government for extending support by way of reliefs, concessions, grants, etc., for recommencing plant operations.

INSURANCE

All properties and insurable interests of the Company including building, plant and machinery and inventory were insured at the reinstatement values every year. However, after the incident of 27.01.2012, the Insurance companies denied insurance coverage in respect of good assets as the assessment could not be completed.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on corporate governance practices followed by the Company, together with a certificate from Company's Auditors confirming compliance forms an integral part of this report.

EXTRACTS OF ANNUAL RETURN

The Extracts of Annual Return is prepared in Form MGT-9 as per the provisions of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 and the same is enclosed as Annexure – 1 to this Report.

DIRECTORS:

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Sri G.Sreenivasulu Naidu, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

NUMBER OF MEETINGS OF THE BOARD

The details of the number of meetings of the Board held during the financial year 2015-16 forms part of the Corporate Governance Report.



PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY

The details of Loans, Guarantees, Investments given during the Financial Year ended on 31st March, 2016 in terms of the provisions of Section 186 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 : NIL

REMUNERATION AND NOMINATION POLICY

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. This policy also lays down criteria for selection and appointment of Board Members. The details of this policy are explained in Corporate Governance Report.

STATEMENT OF PARTICULARS OF APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL

There are no employees in the company withdrawing remuneration in excess of Rs.5 lakhs and the median remuneration of managerial personnel has not been disclosed as no remuneration is being paid to the Key Managerial Personnel of the Company.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 of the Act are prepared in Form No. AOC-2 pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 : NIL

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 134(5) of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, the Board of Directors of the Company hereby confirms:

- 1) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- 3) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4) That the Directors have prepared the accounts for the financial year ended 31st March, 2016 on a "Going Concern" basis.
- 5) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

STATUTORY AUDITORS

M/s Brahmayya & Co., Chartered Accountants, Hyderabad were appointed as Statutory Auditors of the Company to hold office until conclusion of Thirty second Annual General Meeting. The Board pursuant to the recommendation of Audit Committee of the company now recommends the re-appointment of M/s Brahmayya & Co., Chartered Accountants, Hyderabad as statutory auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual general Meeting and authorized the Board of Directors to fix their remuneration.



The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 141(3)(g) of the Companies Act, 2013 and that they are not disqualified for appointment.

AUDITORS REPORT

M/s.Brahmayya & Co., Chartered Accountants (ICAI Regn. No.000513S) have issued Auditors Report for the Financial Year ended 31st March, 2016 being annexed to this Annual Report.

AUDITOR'S REMARKS:

- 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 No.25.3
 - b. Para 2 of basis for qualified opinion – Note No.25.3
 - c. Para 3 of basis for qualified opinion – Note No.25.8
 - d. Para 4 of basis for qualified opinion – Note No.25.4
 - e. Para 5 of basis for qualified opinion – Note No.25.9
 - f. Para 6 of basis for qualified opinion – Note No.10 & 23
 - g. Para 7 of basis for qualified opinion – Note No.10
 - h. Para 8 of basis for qualified opinion – Note No.25.10
- ii. Referring to Para 7 (a) and 7 (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. With regard to para 8 of the Annexure to the Auditors Report, Directors are confident that the revised OTS will be sanctioned and the lenders dues will be fully settled.

COST AUDITORS:

The Board of Directors, on the recommendation of Audit committee has appointed M/s. Badri Prasad & Associates, Practicing Cost Accountants, Hyderabad as Cost Auditor to audit the cost accounts of the Company for the financial year 2016-17.

The Cost Audit Report for the financial year 2015-16 was not applicable to the company.

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.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013, and rules made thereunder, the Company has appointed Mr. K.V.Chalama Reddy, Practicing Company Secretary as Secretarial Auditor to undertake the Secretarial Audit of the company for the Financial year ended on 31st March, 2016.



Secretarial Audit Report issued by Practicing Company Secretary in Form MR-3 is enclosed as Annexure - 2 to this Annual Report and certificate is enclosed as Annexure-3.

With respect to observations made in the report, our explanations are as follows:

Regarding the observation Nos. 1,2,3,4,7 of the report, the Company is unable to comply with the same due to financial position of the Company.

Regarding the Observation Nos.5&6, the company is in the process of rectifying the same.

Regarding the Observation No.8 the Promoters are advised to convert their share holdings in Dematerialised form at the earliest.

DETAILS IN RESPECT OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company has appointed Internal Auditors to observe the Internal Controls, whether the work flows of organization is being done through the approved policies of the Company. Internal Auditors will present to the Audit Committee the Internal Audit Report and Management Comments on the Internal Audit observations.

VIGIL MECHANISM

The Board of Directors of the Company has adopted Whistle Blower Policy. The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism, and allows direct access to the Chairperson of the audit committee in exceptional cases.

RISK MANAGEMENT POLICY

The Company has a Risk Management Policy for dealing with different kinds of risks which it faces in day to day operations of the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat the risk. The Risk management procedure will be reviewed by the Audit Committee and Board of Directors on a periodical basis at the time of review of Quarterly Financial Results of the Company.

OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Woman at workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee has been set up to redress complaints received regarding Sexual Harassment. All employees (permanent, contractual, temporary and trained) are covered under the policy.

The following is a summary of sexual harassment complaints received and disposed off during the financial year 2015-16:

- A) No. of Complaints received – NIL
- B) No. of Complaints disposed off – NIL

DECLARATION BY INDEPENDENT DIRECTORS

The independent directors have submitted the declaration of independence, as required pursuant to section 149 (7) of the Companies Act ,2013 stating that they meet the criteria of independence as provided in sub-section 6 of Section 149 of the Companies Act 2013.