



34th Annual Report 2017-18



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 Y.Vijaya lakshmi | ... Director |
| 6. Sri N. Satyendra Prasad | ... Executive Director |

President : Dr S.V. Ramprasad
President (Finance) : Sri E. Balakrishna Rao

Audit Committee

Sri B. Surendra
 Sri D.Chandra Sekhar Babu
 Smt Y.Vijaya lakshmi

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
 Phoenix (ARC) Private Limited

Remuneration Committee

Sri B. Surendra
 Sri D.Chandra Sekhar Babu
 Smt Y.Vijaya lakshmi

Statutory Auditors

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

Factory

Yanam – 533464
 (Union Territory of Puducherry)

Company's Website: www.regencytiles.com

INDEX

Contents :

Page Nos.

| | |
|--|---------|
| Notice to the Shareholders | 1 - 4 |
| Directors' Report | 5 -12 |
| Management Discussion and Analysis Report | 13 - 14 |
| Report on Corporate Governance | 15 - 21 |
| CEO & CFO Certificate | 22 |
| MGT 9 | 23 - 27 |
| Secretarial Audit Report | 28 - 30 |
| Independent Auditors' Report | 32 - 36 |
| Balance Sheet | 37 |
| Statement of Profit and Loss | 38 |
| Cash Flow Statement | 39 |
| Notes Forming part of the Financial Statements | 40 - 66 |



NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the 34th Annual General Meeting of the Company will be held on Friday, the September 28, 2018 at 12.00 noon. 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 2018 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 N.Satyendra Prasad (DIN: 01410333) who retires by rotation and being eligible, offers himself, for reappointment.
3. To ratify the appointment of M/s. K S Rao & Co., Chartered Accountants, (Registration No. 003109S) 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 : 30.05.2018

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 25, 2018 to September 28, 2018 (both days inclusive).
4. Members seeking any information with regard to accounts for the financial year ended 31st March 2018 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, Tattianaram, 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 Limited, Mumbai (BSE) and The National Stock Exchange Limited, Mumbai (NSE). The company has not paid the annual listing fee from 2014-15 to 2018-19 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 25.09.2018 at 9.00 am and ends on 27.09.2018 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 21st September 2018 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. |
| | <ul style="list-style-type: none">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 account 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-180816039)** 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 : 30.05.2018

Dr G N Naidu
Chairman and Managing Director



DIRECTORS' REPORT

Dear Members

Your Directors hereby present their Thirty Fourth Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March, 2018.

FINANCIAL SUMMARY:

The performance of the Company for the Financial Year ended 31st March 2018 is as under:

| | | Rs in Lakhs | |
|----------------|-------------------------------|--------------------|----------------|
| Sl. No. | Particulars | 2017-18 | 2016-17 |
| 1 | Income | 7.08 | 7.10 |
| 2 | Expenses | 705.36 | 658.92 |
| 3 | Loss before exceptional Items | (698.28) | (651.82) |
| 4 | Exceptional Items | 1031.40 | - |
| 5 | Profit / (Loss) before Tax | 333.12 | (651.82) |
| 6 | Profit / (Loss) after Tax | 333.12 | (651.82) |

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). Your company settled the dues to one lender and written back the balance term loan outstanding in the books and accordingly earned a Net profit of Rs.333 Lakhs (previous year Net loss: Rs.652 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.

TRANSFER OF AMOUNT TO RESERVES:

The Company does not propose to transfer any amount to General Reserves for the financial year ended 31st March, 2018.

CHANGE IN THE NATURE OF BUSINESS:

There is no change in the nature of business of the Company.

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. However, as per the policy terms, the Repairs/ Replacement of Plant & Machinery should have been completed within 12 months from the date of incident. The policy condition has not been complied with due to the precarious situation of labour unrest and as such, the repairs/replacement has not been carried out till date. The insurance company therefore, denied the claim made by the company on the basis of Reinstatement Value, finalized



the claim under depreciation method and sent the discharge vouchers for acceptance. Your company returned the discharge vouchers under protest with a request for reconsideration of the decision taken and is awaiting a favorable reply from the insurance company.

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:

The company requested the lenders for sanction of revised OTS due to on-going agitation of the workers, non receipt of insurance claim and inability of the promoters to mobilize funds. Four lenders have sanctioned the same and the company paid the entire OTS amounts to them. The Company is awaiting similar sanction from the fifth lender.

Earlier, as per rules, the lenders 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.

FUTURE OUTLOOK:

The future prospects of the Company and industry outlook are given in the Management Discussion and analysis report.

INSURANCE:

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

CORPORATE GOVERNANCE:

In compliance with Regulation 34 read with Para-C of Schedule V of Listing Regulations, a separate report on Corporate Governance has been included in this Annual Report together with the Auditor's certificate confirming compliance of the Corporate Governance as stipulated under the said Regulations. All the Board members and the Senior Management Personnel have affirmed compliance with the Companies "Code of Conduct for Board and Senior Management Personnel" for the financial year 2017-18. A certificate signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certifying the financial statements and other matters as required under Regulation 17(8) of the Listing Regulations, forms part of this Annual 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:

1. Director(s) to retire by rotation:

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

2. Independent Directors:

In terms of Sections 149, 152 read with Schedules IV and all other applicable provisions of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Independent Director can hold office for a term of up to five (5) consecutive years on the Board of Directors of the Company and will not be liable to retire by rotation. All the Independent Directors have given declaration that they meet the criteria of independence laid down under Section 149(6) of the Act read with Regulation 16(b) of Listing Regulations.

3. Evaluation of performance of the Board of Directors:

Pursuant to the provisions of the Act, and Listing Regulations, the Board has carried out the evaluation of its own performance and Committees of the Board, the performances of Directors individually, the Executive Director, the Chairman of the Board etc. Various parameters as recommended in the guidance note issued by the Institute of Company Secretaries of India, were considered for evaluation and after receiving the inputs from the Directors, the performance evaluation exercise was carried out. The parameters include integrity, credibility, expertise and trustworthiness of Directors, Board's monitoring of various compliances, laying down and effective implementation of various policies, level of engagement and contribution of the Directors, safeguarding the interest of all stakeholders etc. The performance evaluation of the Board as a whole was carried out by the Independent Directors. The performance evaluation of each Independent Director was carried out by the Board. The Directors expressed their satisfaction with the evaluation process.

4. Familiarization Programme for the Independent Directors:

In compliance with the requirement of Listing Regulations, the Company has put in place a familiarization programme for the Independent Directors to familiarize them with their role, rights and responsibility as Directors, the working of the Company, nature of the industry in which the Company operates, business model etc. The same is available on the website of the Company i.e., www.regencytiles.com. Through the Familiarization programme, the Company apprises the Independent Directors about the business model, corporate strategy, business plans and operations of the Company. These Directors are also informed about the financial performance, annual budgets, internal control system, statutory compliances etc. They are also familiarized with Company's vision, core values, ethics and corporate governance practices. At the time of appointment of Independent Director, a formal letter of appointment is given to him, which explains his role, responsibility and rights in the Company.



NUMBER OF MEETINGS OF THE BOARD:

The details of the number of meetings of the Board held during the financial year 2017-18 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, 2018 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 drawing remuneration in excess of Rs.8.5 lakhs per month 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 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, 2018 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.