



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**

Place : Hyderabad
Date : 09-11-2012

T. Deepthi
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

Dr.G.N.Naidu

Date : 09-11-2012

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 cardinaly 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



the same. The opinions expressed by the management may contain certain forward-looking statements in the current scenario, which is extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein. Shareholders are hence cautioned not to place undue reliance on these statements, and are advised to conduct their own investigation and analysis of the information contained or referred to in this section before taking any action with regard to their own specific objectives. Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this section, consequent to new information, future events, or otherwise.

REPORT ON CORPORATE GOVERNANCE

1. **COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:**

Regency is committed to achieve the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business. The Company's philosophy on Corporate Governance envisages the attainment of the high level of transparency, accountability, disclosure, supervision, internal controls, risk management, high standards of safety, product and service quality in all areas of its operations and interactions with its stakeholders, including employees, shareholders, creditors, customers and institutional and other lenders and places due emphasis on regulatory compliance. Regency continues to recognize the importance of Corporate Governance and acknowledges its responsibilities towards all stakeholders including Central and State Government, Regulatory Authorities, Lending Institutions, Customers, Suppliers, Employees and the Shareholders.

Your Company has laid down a Code of Conduct for its Board Members and Senior Management Personnel. All the Directors and the Senior Management Personnel have affirmed compliance with the said Code of Conduct.

Your Board of Directors present the Corporate Governance Report for the year 2011-12 in accordance with Clause 49 of the Listing Agreement with the Stock Exchanges.

2. **BOARD OF DIRECTORS:**

a) **Composition of Board**

The Board of Directors of the Company ("the Board") comprises of Eight Directors, which includes an Executive Chairman and Managing Director, an Executive Director and Six Non-executive Directors. Four of them are Independent.

b) Attendance of each Director at Board Meetings during the financial year 2011-12, at the last Annual General Meeting and number of other Directorships / Chairmanships / Memberships of Committees of each Director in various companies are given hereunder:

During the financial year 2011-12, Four Board Meetings were held and the time gap between any two Board Meetings did not exceed four months.



Attendance of each Director at Board Meetings & last AGM and their Directorships, Committee Memberships :

Sl. No	Name of the Director	Category	Attendance		No. of other Director -ships	Membership in Board Committees in other Companies as on 31-03-2012	
			Board Meeting	At last AGM		Chairman	Member
1	Dr. G. N. Naidu (Chairman and Managing Director)	Promoter & Executive	4	Yes	4	-	-
2	N. Satyendra Prasad (Executive Director)	Non Promoter & Executive	2	Yes	2	-	-
3	Bindu G. Naidu	Promoter & Non- Executive	-	No	4	-	1
4	G. Sreenivasulu Naidu	Promoter & Non- Executive	2	Yes	1	-	-
5	T.V.Chowdary	Non-Executive Independent	2	Yes	6	-	2
6	Dr. M. V. G. Rao	Non-Executive Independent	3	Yes	7	1	2
7	P.J.V.Sarma	Non-Executive Independent	3	Yes	1	1	1
8#	T. R. C. Bose	Non-Executive Independent	2	No	8	-	7

- Sri T R C Bose was appointed as Non-Executive Independent Director of the Company w.e.f. 27th July 2011.



c) Other provisions as to Board and Committees

- (i) Number of Board Meetings held and the dates on which held:

During the financial year 4 Board Meetings were held. The details of the Board Meetings are as under:

Date of the Meeting	Board Strength	No. of Directors Present
30 th April 2011	8	5
27 th July 2011	8	4
31 st October 2011	8	4
30 th January 2012	8	5

- (ii) None of the Directors on the Board of the Company is either a member in more than ten Committees or act as Chairman of more than five companies across all the Companies in which they are Directors.

d) Code of Conduct

The Code of Conduct was circulated among all the Board Members and Senior Management Personnel and was affirmed on an annual basis. The content of the Code of Conduct is posted on the Company's Website at www.regencytiles.com. A declaration to this effect by Dr. G N Naidu, Chairman and Managing Director of the Company is given below:

DECLARATION OF COMPLIANCE OF CODE OF CONDUCT

Pursuant to Circular No.SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October 2004, it is hereby declared that the Company has adopted a Code of Conduct for its Board Members and Senior Management Personnel. I hereby confirm that the Company has in respect of the financial year ended 31st March 2012, received from the senior management personnel of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For Regency Ceramics Ltd.

Place : Hyderabad

Date : 09-11-2012

Dr. G.N.Naidu

Chairman and Managing Director

3. AUDIT COMMITTEE:

a) Brief description and terms of reference:

Audit Committee comprises of Non-executive Independent Directors. The terms of reference are comprehensive and cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

b) Composition, Names of Members and Chairman:

The constitution of the Audit Committee is given below:

Sl.No.	Name	Designation	Category
1	P.J.V.Sarma	Chairman	Non-Executive Independent Director
2	T.V.Chowdary	Member	Non-Executive Independent Director
3	Dr.M.V.G.Rao	Member	Non-Executive Independent Director
4#	T. R. C. Bose	Member	Non-Executive Independent Director

- Sri T R C Bose was appointed as Non-Executive Independent Director of the Company w.e.f. 27th July 2011.



The Company continues to derive benefit from the deliberations of the Audit Committee. Sri P J V Sarma, the Chairman of the Audit Committee, is having rich experience and professional knowledge in Corporate Finance, Project Finance, Corporate Banking, Marketing & Relationship Management, Leasing and other financial products, M&A, Restructuring and General Insurance, Structured Products, design, Credit enhancement and financial products, Strategy formulation, Corporate Planning and Risk Management. The other members of the Committee with their knowledge and experience contributed to the performance of the Company. The Minutes of each Audit Committee Meeting are placed before the Board and discussed in the meeting.

Mrs. T. Deepthi, Company Secretary is the Secretary of the Audit Committee.

c) Meetings of the Audit Committee and attendance during the year:

During the financial year, four Audit Committee meetings were held i.e. on 30th April 2011, 27th July 2011, 31st October 2011 and 30th January 2012.

The attendance of the Members at the above meetings was as follows:

Name of the Member	No. of Meetings Attended
P.J.V.Sarma	3
T.V.Chowdary	2
Dr.M.V.G.Rao	3
T.R.C. Bose	2

4. REMUNERATION COMMITTEE:

a) Remuneration committee comprises of Non-executive Independent Directors. The terms of reference are comprehensive and cover the matters specified for Remuneration Committee under Clause 49 of the Listing Agreement.

b) Composition, Name of Members and Chairman:

Name	Designation	Category
P.J.V.Sarma	Chairman	Non-Executive Independent Director
T.V.Chowdary	Member	Non-Executive Independent Director
T.R.C Bose	Member	Non-Executive Independent Director

Presently, the Non-executive Directors of the company do not receive any remuneration from the Company.

c) Attendance during the year

No meetings were held during the Year.

d) Details of remuneration paid during the year 2011-12 to the Directors are furnished hereunder.

The aggregate value of salary, perquisites and commissions for the year ended 31st March 2012 paid to Dr. G N Naidu, Chairman and Managing Director and Sri N Satyendra Prasad, Executive Director is as follows:



		Amount (Rs. in lakhs)
Dr. G. N. Naidu	:	11.34
Sri N Satyendra Prasad	:	25.49

5. SHARE TRANSFER CUM INVESTORS' GRIEVANCE COMMITTEE:

In terms of the Corporate Governance Code, the Share Transfer cum Investors' Grievance Committee was constituted to specifically look into the matters relating to redressal of shareholders complaints such as transfer / transmission of shares, non-receipt of Annual Report, Dividend Warrants, etc., besides, overseeing and reviewing all matters connected with the securities transfers, issuing duplicate share certificates, dematerialization of shares.

7 meetings of Share Transfer cum Investor Grievance Committee were held during the year 2011-12. The dates on which the meetings were held are as follows:

12th April, 29th July, 30th September, 31st October, 23rd December 2011, 14th February and 29th March 2012.

The composition of the Share Transfer cum Investors' Grievance Committee and details of the meetings attended by the members are given below:

Name	Designation	Category	No. of meetings attended
T.V. Chowdary	Chairman	Non-executive, Independent	5
P.J.V. Sarma	Member	Non-executive, Independent,	6
Dr.G.N.Naidu	Member	Promoter, Executive, Non-Independent	7

Mrs. T. Deepthi, Company Secretary, is the Compliance Officer of the Company. The total number of complaints received and replied to the satisfaction of shareholders during the year 2011-12 are 2. There are no outstanding complaints as on 31st March, 2012.

6. GENERAL BODY MEETINGS:

The details of the previous three Annual General Meetings of the company are as follows:

Year	Venue	Date	Time
2008-09	Indira Priyadarshini Auditorium, Nampally, Hyderabad	September 25, 2009	10.00 A.M.
2009-10	Indira Priyadarshini Auditorium, Nampally, Hyderabad	September 25, 2010	11.00 A.M.
2010-11	Regency Ceramics Limited, Regd Off: 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500001	September 29, 2011	11.00 A.M.

No Special resolutions were passed through Postal Ballot during the financial year under report.



7. DISCLOSURES:

- **Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.**

There are no materially significant related party transactions that have potential conflict with the interests of the Company at large. The details of the transactions considered to be related party transactions are given elsewhere in this Annual Report.

- **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.**

Nil

8. MEANS OF COMMUNICATION:

Quarterly / Half yearly / Annual results of the Company are communicated to the Stock Exchanges immediately after the same are approved by the Board and are published in prominent English and Telugu News papers namely Financial Express and Andhra Prabha.

The Company's website www.regencytiles.com contains a separate section "Investors Desk" where shareholders information is available.

Annual Report containing inter-alia, Audited Annual accounts, Financial Statements, Director's Report, Auditor's Report, Management Discussion and Analysis Report, Report on Corporate Governance and other important information is circulated to Members and others entitled thereto.

9. GENERAL SHAREHOLDER INFORMATION:

Date & Time of AGM	: 27th December, 2012 at 11.00 a.m.
Venue	: Regency Ceramics Limited, Regd Off: 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500001
Financial Calender (tentative)	: Annual General Meeting : 27th December, 2012 Mailing of Annual Reports : 1st December , 2012 1 st Quarter Un-audited results : Second week of August,12 2 nd Quarter Un-audited results : Second week of November,12 3 rd Quarter Un-audited results : Second week of February,13 4 th Quarter Un-audited results : Second week of May,13
Book Closure Date	: 20th December, 2012 to 27th December, 2012 (both days inclusive)



Listing on Stock Exchanges

& their Stock codes : The Stock Exchange, Mumbai : 515018
The National Stock Exchange Ltd. : REGENCERAM

ISIN allotted to
Company's Scrip : INE277C01012

R & T Agents : Venture Capitals & Corporate Investments Pvt. Ltd.
(for both Demat and (Unit : Regency Ceramics Ltd.)
Physical segment) 12-10-167, Bharat Nagar, Hyderabad – 500018,

Plant Location : Yanam, Puducherry

Share Transfer System:

Shares lodged with the company / R&T Agent in Physical form for transfer are processed and registered within a period of 15 days from the date of receipt provided all documents are proper, clear and valid in all respects. The Share Transfer Cum Investors' Grievances Committee meets every fortnight to approve the transfers, subject to receipt of investors' requests.

Dematerialization:

The Company's shares are traded on the Stock Exchanges compulsorily in demat mode. As on 31st March 2012, 78.33% of the Company's total shares representing 2,07,11,053 shares were held in dematerialized form and the balance is in physical form. The shareholders holding the shares in physical form, have been advised to get their shares converted to DEMAT form to avail various advantages such as, quick delivery of transfers, minimizing the risks of loss in transit, bad deliveries along with the exemption from Stamp Duty. To enable the shareholders to convert their shares into electronic form through any of the DPs, your Company has entered into a tripartite agreement with National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL).

Stock Market Data :

Months	National Stock Exchange		The Stock Exchange, Mumbai	
	High	Low	High	Low
April, 2011	07.44	05.57	07.75	06.45
May, 2011	06.50	05.25	06.40	05.65
June, 2011	07.00	05.80	07.40	05.75
July, 2011	06.25	05.08	06.65	05.10
August, 2011	05.50	04.76	05.50	04.70
September, 2011	05.90	04.55	06.45	04.55
October, 2011	06.08	04.66	06.85	05.15
November, 2011	04.97	04.17	06.55	04.45
December, 2011	04.20	03.30	04.85	03.85
January, 2012	04.45	03.15	04.70	03.65
February, 2012	04.41	03.27	04.40	03.40
March, 2012	04.08	03.06	04.35	03.40



Address for Communication:

Sl.No.	Shareholders correspondence for	Address to
1.	Transfer / Dematerialization / Consolidation / Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company.	M/s Venture Capital and Corporate Investments Private Limited Regd Off:12-10-167, Bharat Nagar, Hyderabad -500 018. Tel: 040-23818475/76 Fax: 040-23868024 Email: info@vccilindia.com
2.	Investor Correspondence / Queries on Annual Report, Revaluation of Dividend Warrants, Sub-Division, etc.	Mrs. T. Deepthi Company Secretary Regency Ceramics Limited 5-8-356, N N House, Chirag Ali Lane, Abids, Hyderabad - 500 001. (A.P) Ph no: +91-40-23204555 Fax: 040 - 23201159 Email: cosec@regencytiles.com

Shareholders holding shares in DEMAT mode should address all their correspondence to their respective Depository Participants (DPs).

Shareholding Pattern as on March 31, 2012:

Category	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
Resident Individuals	14656	95.84	5928457	22.42
Bodies Corporate	208	1.36	5054893	19.12
Promoters	13	0.09	15160032	57.33
NRI's	380	2.48	168141	0.64
Others	35	0.23	130063	0.49
Total	15292	100.00	26441586	100.00

Distribution of Shareholding of the Company as on March 31, 2012:

No. of Shares held	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholding
1 - 500	13618	89.05	2056613	07.78
501 - 1000	903	05.91	734171	02.78
1001 - 2000	381	02.49	576745	02.18
2001 - 3000	127	00.83	319409	01.21
3001 - 4000	52	00.34	185964	00.70
4001 - 5000	46	00.30	211984	00.80
5001 - 10000	84	00.55	599006	02.27
10001 - 50000	58	00.38	1159960	04.39
50001 and above	23	00.15	20597734	77.90
Total	15292	100.00	26441586	100.00



WHISTLE BLOWER POLICY

The company has established a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimization of employees who avail of mechanism and also provide for direct access to the Chairman of the Audit Committee.

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

Your Company's policies and practices embrace most of the elements of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs. The company will be reviewing its corporate governance parameters in the context of recommendations under the said guidelines for appropriate adoption in keeping with the Company's unique business model.

GREEN INITIATIVE – PAPERLESS COMMUNICATION

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants and in case you desire to have a different e-mail id to be registered, please update the same with your Depository Participant from time to time. Members who hold shares in physical form are requested to register their email address by sending e-mail to cosec@regencytiles.com.

Auditor's Certificate on compliance of conditions of Corporate Governance as per clause 49 of the Listing Agreement with the Stock Exchanges:

To the Members of
Regency Ceramics Limited

We have examined the compliance of conditions of Corporate Governance by Regency Ceramics Limited, Hyderabad (A.P.) for the year ended 31st March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the conditions of Corporate Governance as stipulated in the above Listing Agreement.

We state that in respect of investor grievance received during the year ended 31st March 2012, no investor grievances are pending against the Company as on 08th November 2012 as per the records maintained by the Company and presented to the Investors / Shareholders Grievance Committee. We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **Brahmayya & CO.**
Chartered Accountants
Firm Registration No. 000513S

Place : Hyderabad
Date : 09-11-2012

K S Rao
Partner
Membership No. : 15850



Certification by Chief Executive Officer and Chief Financial Officer of the Company.

- 1) We have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- 2) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's code of conduct.
- 3) We accept the responsibility of establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operations of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- 4) We have indicated to the Auditors and Audit Committee:
 - i) significant changes in internal controls during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
 - iii) that there have been no instances of significant fraud of which we have become aware, involving the management or an employee having a significant role in the Company's internal control system.

for Regency Ceramics Ltd.,

Dr. G. N. Naidu
Chairman and Managing Director

E. Balakrishna Rao
President (Finance)

Place: Hyderabad
Date : 09-11-2012



Auditors' Report

To the members of REGENCY CERAMICS LIMITED, HYDERABAD (A.P.)

1. We have audited the attached Balance Sheet of REGENCY CERAMICS LIMITED, HYDERABAD (A.P) as at 31st March, 2012, the statement of Profit and Loss and also the Cash flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in para 3 above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii) The Balance Sheet, the statement of Profit and Loss and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, the statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
 - v) On the basis of written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - a) *Manufacturing operations of the Company were stopped due to riots, strike and malicious damage at factory with effect from 27th January, 2012. The condition of the fixed assets and the realisable value could not be estimated. The machinery and building were insured / covered under replacement policies. These assets are disclosed at book value after providing depreciation on account of efflux of time.*
 - b) *During the year the Company has not provided for its liability towards gratuity and leave encashment in accordance to AS-15 "Employee Benefits". Since the Company could not compute the liability in the absence of complete records, we are unable to comment upon the impact of non-provision of additional loss of the Company for the year and on the current liabilities as at 31.03.2012.*
 - c) *There are no confirmatory letters in respect of debtors, creditors and the loans and advances.*
 - d) *The loss of materials at the factory, Yanam based on the panchanama of Customs and Central Excise were estimated at Rs. 1742.03 lakhs. The same is transferred to "Claims receivable account" pending acceptance by insurance company.*
 - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon *subject to para vi above*, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - b) In the case of the statement of Profit and Loss, of the Loss of the Company for the year ended on that date, and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for Brahmayya & Co.,

Chartered Accountants
Firm Registration No. 000513S

Place : Hyderabad
Date : 09-11-2012

K S Rao
Partner
Membership No. : 15850



ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) *As explained to us, the management could not verify physically the fixed assets situated at Yanam, due to riots, strike and malicious damage.*
- c) During the year the Company has not disposed off any fixed assets and hence, it has not affected the going concern status of the Company.
- ii) *Physical verification of inventory has been conducted in the presence of officials of Customs and Central Excise. The loss of materials in the riots, strike and malicious damage was estimated and claimed with Insurance Company.*
- iii) a) The Company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In view of our comment in paragraph 3(a) above III (b),(c) & (d) of the aforesaid order are not applicable to the Company.
- e) During the year, the Company has taken unsecured loans from a party covered in the register maintained under section 301 of the Companies Act, 1956 and the maximum amount involved during the year was Rs.1.55 Crore.
- f) In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- g) The Company is regular in payment of the principal amount and interest thereon as stipulated.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods. Further, on the basis of our examination of the books and records and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the internal control system.
- v) a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section; and
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public. Hence, the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii) *Maintenance of cost records has been prescribed by the Central Government under clause(d) of sub-section (1) of section 209(1)(d) of the Act. We were informed that the cost records got damaged in the riots, strike and malicious damage. In the absence of records we are unable to comment on cost records.*
- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Investor Education and Protection Fund, Wealth Tax, Customs Duty and other material statutory dues applicable to the Company.



- b) According to the information and explanations given to us, the Company is not regular in depositing with appropriate authorities, undisputed dues in respect of Sales Tax of Rs. 21.25 lakhs, CST of Rs. 29.10 lakhs, VAT Rs. 5.66 lakhs, PGST Rs. 1.67 lakhs, Service Tax Rs. 27.91 lakhs, Provident Fund of Rs. 5.83 lakhs and ESI Rs. 0.29 lakhs outstanding as at 31st March, 2012 for a period of more than six months from the date it became payable.
- c) According to the records of the Company and the information and explanations given to us, the dues of Service Tax / Income-Tax / Taxes which have not been deposited on account of any dispute are as follows.

Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Service Tax	35.04	2006-2007	CESTAT, Bangalore
Income Tax	101.17	2003-2004	Income Tax Appellate Tribunal
Municipal Tax	32.35	1998-2007	Yanam Municipality

- x) The Company has accumulated losses at the end of the financial year. It has incurred cash losses in the financial year under report and immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The company is neither a chit fund nor a nidhi mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the above referred Order are not applicable to the company.
- xiv) The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the above referred Order are not applicable to the company.
- xv) The company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) The Term Loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on all overall examination of the balance sheet of the company funds raised on short-term basis have not been used for long-term investment.
- xviii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly the provisions of clause 4(xviii) of the order are not applicable to the Company.
- xix) Since no Debentures were issued during the year, clause No.XIX of the said Order is not applicable.
- xx) During the year the company has not raised money by public issues.
- xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

Place : Hyderabad
Date : 09-11-2012

for Brahmaya & Co.,
Chartered Accountants
Firm Registration No. 000513S

K S Rao
Partner
Membership No. : 15850



Regency Ceramics Limited

BALANCE SHEET AS AT 31ST MARCH, 2012

(Rs. in Lakhs)

PARTICULARS	Note No.	As at 31st March, 2012	As at 31st March, 2011
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds			
a) Share Capital	1	2644.16	2644.16
b) Reserves and Surplus	2	<u>(3084.63)</u>	<u>(706.70)</u>
		(440.47)	1937.46
2. Non- Current Liabilities			
a) Long-term borrowings	3	7238.84	8077.51
b) Deferred tax liabilities (Net)		-	347.58
c) Other Long term liabilities	4	897.82	844.86
d) Long-term provisions	5	<u>67.47</u>	<u>163.86</u>
		8204.13	9433.81
3. Current Liabilities			
a) Short-term borrowings	6	3021.82	3503.42
b) Trade payables	7	2396.80	2493.18
c) Other current liabilities	8	<u>3457.81</u>	<u>3027.65</u>
		8876.43	9024.25
TOTAL		<u>16640.09</u>	<u>20395.52</u>
II. ASSETS			
1. Non-Current Assets			
a) Fixed assets			
i) Tangible	9	8912.38	9913.31
ii) Capital work-in-progress		-	1.71
b) Non-current investments	10	206.42	206.42
c) Long-term loans and advances		<u>23.32</u>	<u>23.32</u>
		9142.12	10144.76
2. Current Assets			
a) Inventories	11	1017.77	3550.07
b) Trade receivables	12	1490.02	3299.43
c) Cash and cash equivalents	13	377.53	635.11
d) Short-term loans and advances	14	2346.34	2209.73
e) Other current assets	15	<u>2266.31</u>	<u>556.42</u>
		7497.97	10250.76
TOTAL		<u>16640.09</u>	<u>20395.52</u>
Notes on accounts and Accounting Policies	23 24		

The Notes referred above form an integral part of the financial statements

As per our report of even date.

For M/s. BRAHMAYYA & CO.,
Chartered Accountants
Firm Registration No. 000513S

Dr.G.N.NAIDU
Chairman and
Managing Director

N.SATYENDRA PRASAD
Executive Director

K.S. RAO
Partner
Membership No. 15850

E. BALAKRISHNA RAO
President (Finance)

T. DEEPTHI
Company Secretary

Place : Hyderabad
Date : 09.11.2012



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. in Lakhs)

PARTICULARS	Note No.	Current Year	Previous Year
I. INCOME			
Revenue from operations	16	16575.00	19204.70
Other Income	17	467.37	462.30
Total		<u>17042.37</u>	<u>19667.00</u>
II EXPENSES			
Cost of Raw material Consumed	18	4253.57	4942.86
Purchases of stock-in-trade		3066.51	2748.60
Changes in inventories of finished goods, work in Process and stock-in-trade	19	677.39	297.11
Employee benefits expense	20	2038.46	2079.93
Finance costs	21	1557.81	1541.93
Depreciation and amortization expense	9	972.46	1067.78
Other expenses	22	7201.68	9212.17
Total		<u>19767.68</u>	<u>21890.38</u>
III. Loss before tax		(2725.51)	(2223.38)
IV. Tax Expense			
-Deferred Tax		(347.58)	(679.46)
V. Loss after tax		(2377.93)	(1543.92)
VI. Earnings per equity share (of Rs.10 each)			
Basic & Diluted		(8.99)	(5.84)
Notes on Accounts and Accounting Policies	23 24		

The Notes referred above form an integral part of the financial statements

As per our report of even date.

For M/s. BRAHMAYYA & CO.,
Chartered Accountants
Firm Registration No. 000513S

Dr.G.N.NAIDU
Chairman and
Managing Director

N.SATYENDRA PRASAD
Executive Director

K.S. RAO
Partner
Membership No. 15850

E. BALAKRISHNA RAO
President (Finance)

T. DEEPTHI
Company Secretary

Place : Hyderabad
Date : 09.11.2012



NOTE - 1 : SHARE CAPITAL

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
Authorised				
Equity Shares of Rs.10/- each	30000000	3000.00	30000000	3000.00
Total	30000000	3000.00	30000000	3000.00
Issued				
Equity Shares of Rs.10/- each	26508586	2650.86	26508586	2650.86
Total	26508586	2650.86	26508586	2650.86
Subscribed and Paid up				
Equity Shares of Rs.10/- each fully paid up	26441586	2644.16	26441586	2644.16
Total	26441586	2644.16	26441586	2644.16

Disclosure pursuant to Note no.6(A)(d) of part I of Schedule VI to the Companies Act, 1956

Particulars	As at 31.03.2012		As at 31.03.2011	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
Shares Outstanding at the beginning of the year	26441586	2644.16	26441586	2644.16
Shares Issued during the year	-	-	-	-
Shares redeemed / bought back during the year	-	-	-	-
Shares outstanding at the end of the year	26441586	2644.16	26441586	2644.16

Disclosure pursuant to Note no.6(A)(g) of part I of Schedule VI to the Companies Act, 1956 (if more than 5%)

Name of the Shareholder	As at 31.03.2012		As at 31.03.2011	
	Shares held	%	Shares held	%
G N Naidu	7020533	26.55	7020533	26.55
Radhika Naidu	4704036	17.79	4704036	17.79
Bindu G Naidu	1558407	5.89	1558407	5.89
Regency Transport carriers Limited	3314470	12.54	3314470	12.54



(Rs. in Lakhs)

PARTICULARS	As at 31-03-2012	As at 31-03-2011
NOTE - 2		
RESERVES AND SURPLUS		
a. Capital Reserve		
At the Commencement of the year	<u>0.86</u>	<u>0.86</u>
Closing Balance	<u>0.86</u>	<u>0.86</u>
Other Reserves		
b. General Reserve		
At the commencement of the year	<u>1540.35</u>	<u>1540.35</u>
Closing Balance	<u>1540.35</u>	<u>1540.35</u>
c. Share Premium		
At the commencement of the year	<u>329.61</u>	<u>329.61</u>
Closing Balance	<u>329.61</u>	<u>329.61</u>
d. Surplus		
At the commencement of the year	<u>(2577.52)</u>	<u>(1033.60)</u>
Add: Current year	<u>(2377.93)</u>	<u>(1543.92)</u>
Closing Balance	<u>(4955.45)</u>	<u>(2577.52)</u>
Total (a+b+c+d)	<u>(3084.63)</u>	<u>(706.70)</u>
NOTE - 3		
LONG TERM BORROWINGS: (SECURED)		
A) Term Loans		
Corporation Bank	1576.55	1713.41
State Bank Of Travancore	1392.10	1519.98
State Bank of India	1766.22	1908.40
State Bank of Bikaner & Jaipur	1365.13	1481.05
Corporation Bank -TL 2	30.00	40.00
State Bank of Travancore - TL 2	27.45	54.90
State Bank of India - TL 2	34.50	66.27
State Bank of Bikaner & Jaipur -TL 2	26.85	53.22
	<u>6218.80</u>	<u>6837.23</u>
B) Funded Interest Term Loans		
Corporation Bank	27.00	36.00
State Bank of Travancore	24.00	48.00
State Bank of India	34.50	68.91
State Bank of Bikaner & Jaipur	23.55	45.67
	<u>109.05</u>	<u>198.58</u>
C) Working Capital Term Loans		
State Bank of India	637.50	690.00
The South Indian Bank Ltd.,	212.50	223.34
	<u>850.00</u>	<u>913.34</u>
D) Other Loans		
Under Hypothecation / Hire Purchase	<u>60.99</u>	<u>128.36</u>
Total (A+B+C+D)	<u>7238.84</u>	<u>8077.51</u>



Terms of Repayment and Security

The term loans under A,B and C above are repayable in quarterly instalments. Interest is payable on monthly basis. These Loans are secured by first paripasu charge by way of mortgage and hypothecation over all the fixed assets of the company, both existing and future, further secured by second paripassu hypothecation charge over current assets of the company both present and future. These loans are further secured by i) pledge of 10% equity shares of the company held by the promoters, ii) tangible collateral security provided by the promoters equivalent to 15% of the share capital of the company and iii) personal guarantees of 3 promoter directors of the company on paripassu basis to all the lenders.

The Hypothecation / Hire purchase loans are secured by hypothecation of vehicles and guaranteed by the promoter Director of the Company.

(Rs. in Lakhs)

PARTICULARS	As at 31-03-2012	As at 31-03-2011
NOTE - 4		
OTHER LONG TERM LIABILITIES(UNSECURED)		
Trade Deposits from Dealers	416.32	388.36
Loans from Body Corporate & Others	30.00	30.00
Loans from Directors	451.50	426.50
Total	897.82	844.86
NOTE - 5		
LONG TERM PROVISIONS		
Gratuity	65.00	156.20
Leave Encashment	2.47	7.66
Total	67.47	163.86
NOTE - 6		
SHORT TERM BORROWINGS (SECURED)		
Cash Credit		
i) State Bank of India	2348.75	2485.59
ii) The South Indian Bank Ltd	551.75	558.30
Bill Discounting	121.32	459.53
Total	3021.82	3503.42

Terms of Repayment and Security

These borrowings are repayable on demand, secured by first charge on current assets of the company, ranking paripassu with other member banks and further secured by second charge on the company's fixed assets ranking paripassu with other member banks of the consortium. These borrowings are further secured by i) Pledge of 10% equity shares of the company held by the promoters, ii) Tangible collateral security provided by the promoters equivalent to 15% of the share capital of the company and iii) Personal guarantee of three promoter directors of the company on paripassu basis to all the lenders. Interest is payable on monthly basis.



(Rs. in Lakhs)

PARTICULARS	As at 31-03-2012	As at 31-03-2011
NOTE - 7		
TRADE PAYABLES		
- Due to Micro, Small and Medium Enterprises	187.12	231.07
- Others	2209.68	2262.11
Total	2396.80	2493.18
Disclosures required by the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 are as under :		
(a) i) The principal amount remaining unpaid at the end of the year	187.12	231.07
ii) Interest due on principal remaining unpaid at the end of the year	-	-
(b) i) The delayed payments of principal amount paid beyond the appointed date during the year	-	-
ii) Interest actually paid under section 16 of the MSMED Act.	-	-
(c) Normal interest due and payable during the year, for all the delayed payments as per the agreed terms	-	-
(d) Total interest accrued during the year and remaining unpaid	-	-
The above information regarding, Micro, Small and Medium Enterprises has been determined on the basis of information available with the company.		
NOTE - 8		
OTHER CURRENT LIABILITIES		
CURRENT MATURITIES OF LONG TERM BORROWINGS :		
A) Term Loans		
Corporation Bank	163.72	127.88
State Bank Of Travancore	152.21	104.30
State Bank of India	190.69	153.74
State Bank of Bikaner & Jaipur	148.32	115.97
Corporation Bank -TL 2	12.73	60.49
State Bank of Travancore- TL 2	29.48	37.78
State Bank of India- TL 2	37.18	50.42
State Bank of Bikaner & Jaipur -TL 2	29.75	36.46
	764.08	687.04
Hire purchase loans	101.38	86.96
	865.46	774.00
B) Funded Interest Term Loans		
Corporation Bank	12.12	54.80
State Bank of Travancore	26.70	32.26
State Bank of India	38.00	24.79
State Bank of Bikaner & Jaipur	24.61	31.74
	101.43	143.59
C) Working Capital Term Loans		
State Bank of India	62.45	11.96
South Indian Bank	12.50	11.66
	74.95	23.62
D) Other Current Liabilities		
Creditors for Other Finance	551.24	386.40
Creditors for Expences	1538.34	1397.99
Advance from Customers	257.20	213.79
Un-Claimed Dividend	-	7.66
Income Tax	58.19	78.19
Due to Directors	11.00	2.42
	2415.97	2086.45
Total (A+B+C+D)	3457.81	3027.65



**NOTE - 9
FIXED ASSETS**

(Rs. in Lakhs)

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		COST ASAT 01.04.11	ADDITIONS DURING THE YEAR	SALES/ ADJ. DURING THE YEAR	COST ASAT 31.03.12 *	UPTO 01.04.11	FOR THE YEAR	On Sales / Adj.	UPTO 31.03.12	ASAT 31.03.12 *	ASAT 31.03.11
1	LAND	156.37	-	-	156.37	-	-	-	-	156.37	156.37
2	BUILDINGS	1913.44	-	62.29	1851.15	659.17	55.02	12.77	701.42	1149.73	1254.27
3	PLANT & MACHINERY	18384.55	26.75	-	18411.30	10178.21	850.55	-	11028.75	7382.55	8206.33
4	OFFICE EQUIPMENT & COMPUTERS	478.87	4.53	1.08	482.32	426.08	10.74	0.57	436.25	46.07	52.79
5	FURNITURE & FIXTURES	78.20	0.27	-	78.47	63.61	3.49	-	67.10	11.36	14.59
6	VEHICLES	536.60	2.78	83.98	455.41	335.58	52.66	74.47	313.78	141.63	201.03
7	LIVESTOCK	27.93	1.50	4.77	24.66	-	-	-	-	24.66	27.93
		21575.96	35.83	152.12	21459.68	11662.65	972.46	87.81	12547.30	8912.38	9913.31
8	CAPITAL WORK-IN-PROGRESS	1.71	15.09	16.79	-	-	-	-	-	-	1.71
	TOTAL	21577.67	50.92	168.91	21459.68	11662.65	972.46	87.81	12547.30	8912.38	9915.02
	PREVIOUS YEAR	21749.24	175.18	346.75	21577.67	10849.90	1067.78	255.04	11662.65	9915.02	10899.34

*Note : The company suffered extensive damage to the assets situated at Factory, Yanam due to unprecedented violence occurred on 27th January, 2012. The company declared lock-out of the plant from 1st February, 2012. The financial results for the year ended 31st March, 2012 were prepared without considering loss / damage to plant & machinery. Buildings and other assets of the company in the books as these assets are covered under insurance for reinstatement value.



NOTE -10

NON-CURRENT INVESTMENTS (NON - TRADE, AT COST)

PARTICULARS	As at 31.03.2012		As at 31.03.2011	
	No. of shares	Rs. in Lakhs	No. of shares	Rs. in Lakhs
Unquote :				
a) National Savings Certificates and Indira Vikas Patras (Deposited with Sales Tax Department)		0.42		0.42
b) Equity Shares Rs.10 each in Regma Ceramics Limited	20,00,000	200.00	20,00,000	200.00
c) Equity Shares Rs.10 each in Sai Regency Power co ltd	10,000	1.00	10,000	1.00
Quoted :				
d) Equity shares Rs.10 each in IFCI Ltd, (market value Rs 20.95 lakhs) (previous year Rs 26.32 lakhs) -	50,000	5.00	50,000	5.00
Total		206.42		206.42

(Rs. in Lakhs)

PARTICULARS	As at 31-03-2012	As at 31-03-2011
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NOTE - 11

INVENTORIES

a) Raw Materials (Valued at lower of cost or net realisable value)	482.29	1283.53
b) Stores & Spares (Valued at lower of cost or net realisable value)	54.72	762.61
c) Finished Goods (including in-transit for exports) (Valued at lower of cost or net realisable value)	340.19	1243.73
d) Stock in Trade (Acquired for trading)	64.42	118.28
e) Stocks-in-process (Valued at lower of cost or net realisable value)	70.08	88.03
f) Packing Materials (Valued at lower of cost or net realisable value)	6.07	35.81
g) Material in transit (Valued at lower of cost or net realisable value)	-	18.08
Total	1017.77	3550.07

The Superintendent, Customs & Central Excise, Yanam Range, Yanam conducted Physical Verification of stocks and issued Panchanama. Difference between Book Stocks and Physical Stocks are transferred to Claims Receivable A/c pending settlement of insurance claim. Details are as under:

Particulars	Book Stock	Physical Stock	Claims Receivable
Raw Materials	1195.93	482.29	713.64
Stores & Spares	743.94	54.72	689.22
Finished Goods	578.43	340.19	238.24
Stocks-in-process	129.80	70.08	59.72
Packing Materials	47.28	6.07	41.21
Total	2695.38	953.35	1742.03



PARTICULARS	As at 31-03-2012	As at 31-03-2011
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NOTE -12

TRADE RECEIVABLES

(Unsecured and considered good)

Receivables for a period exceeding six months	827.39	910.70
Considered doubtful	170.29	129.24
Less : provision for doubtful debts	<u>170.29</u>	<u>129.24</u>
Other trade receivables	662.63	2388.73
Total	<u>1490.02</u>	<u>3299.43</u>

NOTE - 13

CASH AND CASH EQUIVALENTS

Cash in hand	13.20	8.80
Money in transit	77.84	253.85
In Current Accounts	127.20	46.71
In Collection Accounts	-	166.46
In Fixed deposits against BG/LCs	159.29	159.29
Total	<u>377.53</u>	<u>635.11</u>

NOTE -14

SHORT TERM LOANS AND ADVANCES

Advance for purchase, other advances and deposits	2245.16	2123.49
Advances to Staff & Workers	48.11	38.03
Deposits recoverable	53.07	48.21
Total	<u>2346.34</u>	<u>2209.73</u>

NOTE -15

OTHER CURRENT ASSETS

Claims Receivable	1889.12	272.26
Balance with Govt. Departments	218.00	140.37
Prepaid Expenses	17.26	27.65
Interest accrued on Deposits and Investments	60.34	41.22
Advance Tax & TDS	81.59	74.92
Total	<u>2266.31</u>	<u>556.42</u>



(Rs. in Lakhs)

PARTICULARS	Current Year	Previous Year
NOTE - 16		
REVENUE FROM OPERATIONS		
Domestic Sale	16468.64	18308.79
Export Sale	1359.33	2378.62
	<u>17827.97</u>	<u>20687.41</u>
Less : Excise Duty	<u>(1252.97)</u>	<u>(1482.71)</u>
Total	<u>16575.00</u>	<u>19204.70</u>
NOTE - 17		
OTHER INCOME		
Interest	21.42	15.03
Insurance Claims	3.34	2.12
Profit on sale of assets	200.95	74.66
Brand usage charges	26.44	27.16
Miscellaneous Income	56.89	88.46
Lease Rental Charges	72.50	104.91
Export Incentives	75.91	145.79
Excess Provisions / Credit Balances Written back	6.12	1.15
Dividend Received	0.50	0.50
Rent received	3.30	1.21
Bad debts written off recovered	-	1.31
Total	<u>467.37</u>	<u>462.30</u>
NOTE - 18		
COST OF RAW MATERIAL CONSUMED		
Opening Stock	1283.53	1027.59
Add : Purchases	4165.97	5198.80
	<u>5449.50</u>	<u>6226.39</u>
Less: Closing Stock	482.29	1283.53
Less: Claims Receivable	713.64	-
Total Cost of Raw materials consumed	<u>4253.57</u>	<u>4942.86</u>
Details of Raw Materials Consumed:		
Ball Clay	375.10	437.77
White Clay	362.57	402.49
Pilsperse	108.20	146.68
Feldspar	223.47	208.24
Glazes and Colourants	2581.34	3112.53
Others	602.89	635.15
Total	<u>4253.57</u>	<u>4942.86</u>



PARTICULARS	Current Year	Previous Year
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NOTE - 19

**CHANGES IN INVENTORIES OF FINISHED GOODS,
STOCK-IN-PROCESS AND STOCK-IN-TRADE**

Inventories at the beginning of the year

Finished Stock	1243.73	1566.28
Trading Stock	118.28	118.01
Stock in process	88.03	62.86
	<u>1450.04</u>	<u>1747.15</u>

Less: Inventories at the end of the year

Finished Stock	340.19	1243.73
Trading Stock	64.42	118.28
Stock in process	70.07	88.03
	<u>474.68</u>	<u>1450.04</u>

Less: Loss / Damages during the year

Finished Stock	238.24	-
Stock in process	59.73	-
	<u>297.97</u>	<u>-</u>
(Increase)\ Decrease	<u>677.39</u>	<u>297.11</u>

NOTE - 20

EMPLOYEE BENEFITS EXPENSE

Salaries, Wages, bonus and Other benefits	1754.10	1648.16
Gratuity	65.00	156.19
Contribution to Provident Fund	101.02	112.67
Contribution to ESI	31.14	42.07
Workmen and Staff Welfare Expenses	87.20	120.84
Total	<u>2038.46</u>	<u>2079.93</u>

NOTE - 21

FINANCE COST

Interest	1458.28	1411.09
Bank Charges	99.53	130.84
Total	<u>1557.81</u>	<u>1541.93</u>



PARTICULARS	Current Year	Previous Year
NOTE - 22		
OTHER EXPENSES		
Consumption of Stores and Spares	902.80	1176.72
Consumption of Packing Material	653.30	765.00
Power and Fuel	2831.82	3346.03
Repairs to - Buildings	57.22	193.53
- Machinery	383.28	508.00
- Others	71.71	77.15
Rates and Taxes	51.10	35.84
Excise duty on Finished Goods	(55.59)	(38.54)
Rent	143.37	130.29
Lease Rentals	-	0.20
Insurance	17.08	24.70
Printing and Stationery	13.31	18.47
Postage, Telegrams, Telephone and Telex	47.47	57.41
Travelling and Conveyance	109.39	132.51
Directors sitting fees	0.10	0.14
Vehicles Maintenance / Hire Charges	22.76	28.05
Payments to auditors - as auditors	1.12	1.10
- as Tax audit fee	0.45	0.44
Legal and Professional Charges	34.20	41.24
Donations	0.23	0.20
Loss on Sale of Fixed assets	4.25	19.73
General Expenses	106.18	118.59
Debit Balances written off	0.56	0.81
Provision for Doubtful Debts	50.56	44.51
Deferred Revenue Expenses Written off	-	5.94
Prior Year Expenses	1.19	1.08
Carriage, Freight and Insurance on despatches	1341.10	1971.84
Commission on Sales	32.25	36.91
Advertisement	32.95	81.70
Discount on Sales	264.37	310.34
Other selling expenses	0.53	31.81
Bad debts written off	82.62	90.43
Total	7201.68	9212.17



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	Current Year (Rs. In Lakhs)	Previous Year (Rs. In Lakhs)
06. CIF Value of Imports:		
i) Raw material	212.11	504.69
ii) Packing Material, Stores & Spares	716.69	982.15
iii) Capital Goods	<u>-</u>	<u>39.34</u>
	<u>928.80</u>	<u>1,526.18</u>
07. Expenditure in Foreign Currency:		
i) Travelling Expenses	0.45	9.04
ii) Sales Commission	24.18	34.25
08. Earnings in Foreign Exchange:		
F.O.B. Value of Exports	1,135.84	1,991.84
09. Gratuity provision as per AS-15 and leave encashment were not provided in the books due to loss of employee records in the factory during the incidence occurred on 27 th January,2012.		
10. Remittance in foreign currency on account of Dividend: There is no remittance in foreign currency on account of Dividend during the year 2011-12		
11. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.		
12. Segment Reporting: The entire operations of the Company relate only to one segment.		
13. Related Party Disclosure:		
Name of the party	Nature of relationship:	
1) Regma Ceramics Limited	: Company under the same management:	
2) Regency Educational Society	: Other entities where Directors/their relatives are interested:	
3) Dr. G.N. Naidu	}	Key Management Personnel
4) Smt. G.Radhika		
5) Smt. Bindu G Naidu		
6) Sri. N. Satyendra Prasad		

(Rs. in Lakhs)

Particulars	Business		Outstanding as on	
	Current Year	Previous Year	31.03.12	31.03.11
i) Company under the same management				
- Subscription to Equity Shares	—	—	200.00	200.00
- Brand usage charges earned	26.44	27.16	(130.28)	(234.37)
ii) Unsecured loans and other credits from Directors	—	—	(593.75)	(426.50)
iii) Other entities where Directors/their relatives are interested.				
- Advances given	—	—	128.63	133.93
(Figures in bracket represent amount payable to them)				
iv) Payment to Key Management personnel				
- Rent	74.12	64.13		
- Remuneration (Directors)	33.50	29.47		
- Remuneration (other than Directors)	24.04	27.10		



14. Composition of Net Deferred Tax Asset/(Liability):
Components of Deferred Tax:

	Current Year (Rs. In Lakhs)	Previous Year (Rs. In Lakhs)
Deferred Tax Assets:		
Loss as per Income Tax Act	2806.62	1550.32
Provision for doubtful debts	52.62	39.93
Disallowances u/s 43B of Income Tax Act	<u>108.15</u>	<u>38.63</u>
	2967.39	1628.88
Deferred Tax Liability:		
Depreciation	<u>1879.64</u>	<u>1976.46</u>
Deferred Tax (Liability)/Asset (Net)	<u>1087.75</u>	<u>(347.58)</u>

Note: The company has not recognized deferred tax asset as a matter of prudence.

15. Earning per Share:

i) Net Loss after tax (Rs. in lakhs)	(2,377.93)	(1,543.92)
ii) No. of equity shares of Rs.10/- each	2,64,41,586	2,64,41,586
iii) Weighted average no. of shares	2,64,41,586	2,64,41,586
iv) Earning per share (in Rs.)	(8.99)	(5.84)

16. Consequent to the Notification under the Companies Act, 1956, the financial statements for the year ended 31st March, 2012 are prepared under Revised Schedule VI. Accordingly, the previous year's figures also have been reclassified to confirm to this year's classification.

Note - 24

SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING:

The company generally follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

2. FIXED ASSETS:

Fixed Assets are stated at cost of acquisition inclusive of foreign exchange fluctuation, inland freight, duties and taxes and incidental expenses related to acquisition.

3. DEPRECIATION:

Depreciation on the Assets of the company is provided on Straight Line Method as per Schedule XIV to the Companies Act, 1956.

4. SALES:

Gross sales are stated net of Sales Tax and inclusive of Excise duty.

5. EMPLOYEE BENEFITS:

Contribution to provident fund is remitted to the Provident Fund Commissioner and such paid/payable amounts are charged against revenue.

Group Gratuity Scheme is administrated through Trustees for which policies are taken from LIC of India. The above payments/ provisions are charged to revenue. The liabilities towards such schemes are determined by an independent actuarial valuation as per the requirements of Accounting Standard-15.(Revised 2005) on "Employee Benefits".

Encashment of leave is accounted for on accrual basis.



6. INVENTORIES:

Inventories are valued at lower of cost or net realizable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes, where applicable, appropriate overheads based on normal level of activity.

7. INVESTMENTS:

Long term investments are stated at cost. Any decline in the value of long term investment is recognized by providing for such diminution in the value of investments, unless the reduction is of temporary in nature.

8. RECOGNITION OF INCOME:

Advance Licenses and Import Entitlements received against exports made by the company are accounted in the books on accrual basis.

9. FOREIGN EXCHANGE TRANSACTIONS:

Foreign currency transactions are accounted at the exchange rates ruling on the date of transactions. The net gain/loss arising on revenue account during the year in respect of foreign exchange transaction is reckoned in the Profit and Loss Account.

10. BORROWING COSTS:

Borrowing costs that are attributable to the acquisition or construction of long lead time capital assets are capitalized as a part of cost of the asset. All other borrowing costs are charged to revenue.

11. DEFERRED TAXATION:

Deferred tax, being tax on timing difference between taxable income and accounting income that originate in one year and are capable of reversal in one or more subsequent years, has been recognized. Deferred tax assets, arising from temporary timing differences and out of unabsorbed loss or depreciation are recognized to the extent that there is reasonable certainty that the assets can be realized in future.

12. RESEARCH AND DEVELOPMENT:

- i. Revenue expenditure is charged to Profit & Loss Account.
- ii. Capital expenditure is shown as addition to fixed assets under natural heads.

13. CONTINGENT LIABILITIES:

Contingent liabilities not provided for are indicated by way of a Note and will be provided/ paid on crystallization.

The Notes referred above form an integral part of the financial statements

As per our report of even date.

For M/s. BRAHMAYYA & CO.,
Chartered Accountants
Firm Registration No. 000513S

Dr.G.N.NAIDU
Chairman and
Managing Director

N.SATYENDRA PRASAD
Executive Director

K.S. RAO
Partner
Membership No. 15850

E. BALAKRISHNA RAO
President (Finance)

T. DEEPTHI
Company Secretary

Place : Hyderabad
Date : 09.11.2012



CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2012

(Rs. in Lakhs)

PARTICULARS	2011-12	2010-11
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Loss before Tax	(2725.51)	(2223.38)
Adjustments for:		
Depreciation	972.46	1067.78
Interest(net)	1438.53	1396.06
Loss on sale of Fixed Assets(Net)	(196.71)	(54.93)
Preliminary/deferred revenue expenses written off	-	5.94
Operating (loss)/profit before working capital changes	(511.23)	191.47
Adjustments for:		
Trade and other receivables	(19.63)	(632.10)
Inventories	2534.01	39.65
Trade payables	184.72	1374.51
Cash generated from operations	2187.87	973.53
Income Tax & Fringe Benefit Tax paid	(20.00)	(10.00)
Net Cash Flow from Operating Activities	2167.87	963.53
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(35.83)	(174.00)
Sale of Fixed Assets	261.01	146.65
Interest received	2.29	5.99
Net Cash Used in investing activities	227.47	(21.36)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Loans from Directors	25.00	100.00
Loans from Banks and institutions	-	228.52
Repayment of loans to Institutions and others	(738.02)	(540.35)
Increase/(Decrease) in Working Capital Loan	(481.62)	251.69
Interest paid	(1458.28)	(1244.89)
Net Cash used in Financing Activities	(2652.92)	(1205.03)
Net decrease in cash and cash equivalents(A+B+C)	(257.58)	(262.86)
Cash and Cash equivalents as at 01.04.2011	635.11	897.97
(Opening Balance)		
Cash and Cash equivalents as at 31.03.2012	377.53	635.11
(Closing Balance)		

The Notes referred above form an integral part of the financial statements

As per our report of even date.

For M/s. BRAHMAYYA & CO.,
Chartered Accountants
Firm Registration No. 000513S

Dr.G.N.NAIDU
Chairman and
Managing Director

N.SATYENDRA PRASAD
Executive Director

K.S. RAO
Partner
Membership No. 15850

E. BALAKRISHNA RAO
President (Finance)

T. DEEPTHI
Company Secretary

Place : Hyderabad

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