



23rd
Annual Report 2005-2006

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Keerthi
Industries Limited
(Formerly Known as Suvarna Cements Limited)



Keerthi Industries Limited

Board of Directors

Sri. J S Krishna Murthy, Chairman
Sri J S Rao
Sri J V Choudary
Sri J Sivaram Prasad
Sri E.Siva Sankaram
Sri Boddu Venkata Subbaiah
Sri K.Harishchandra Prasad
Smt J Triveni, Managing Director

Auditors:

M/s. K.S. Rao & Company
Chartered Accountants
Hyderabad.

Cost Auditors:

M/s. Narasimha Murthy & Co.
Cost Auditors
Hyderabad.

Bankers :

Canara Bank
Somajiguda
Hyderabad.
State Bank of India
Industrial Finance Branch
Somajiguda
Hyderabad:

Registered Office & Factory :

Mellacheruvu (Village & Mandal)
Nalgonda District
Andhra Pradesh - 508 246.
Tel: 08683-226028

Administrative Office :

Plot No 40, I.D.A
Balanagar
Hyderabad - 500 037.
Tel: 040-23076543
E-mail ID: keerthi_ltd@yahoo.co.in

Share Transfer Agents:

M/s XL Softech Limited
3, Sagar Society, Road No.2
Banjara Hills. Hyderabad - 500 034 .
Tel: 040-23545913,14



Keerthi Industries Limited

NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of Shareholders of the Company will be held on Friday, the 29th of September, 2006, at 4.00 PM at the Registered Office and Factory situated at Mellacheruvu (Village & Mandal), Nalgonda District-508246 Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri J.S. Krishna Murthy who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri J.V. Choudary who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider the appointment of M/s. K.S. Rao & Co, Chartered Accountants, as Auditors to hold the office till the conclusion of the next Annual General Meeting at such remuneration and terms as may be mutually agreed to between the Board of Directors and Auditors.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. K. Harishchandra Prasad, who was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and Article No107 of the Articles of Association of the Company at the Board Meeting held on 29.04.2006 and who holds the office of Director up to the date of this meeting and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. K. Harishchandra Prasad for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

On behalf of the Board

Place: Hyderabad
Date :02.09.2006

Mrs. J. Triveni
Managing Director

NOTES:

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy instead of himself/herself and such proxy need not be a member of the Company. Proxy forms to be valid, shall be lodged at the Company's Administrative Office at Plot No.40, IDA, Balanagar, Hyderabad-500 037 not less than 48 hours before the meeting.
- (b) The Register of Members and Share Transfer Books of the Company will remain closed from 26.09.2006 to 28.09.2006 (both days inclusive).
- (c) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (d) Shareholders are requested to kindly bring their copies of Annual Report to the Meeting and are also requested to send their queries, if any, on the accounts to the Registered Office.

EXPLANATORY STATEMENT:

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5:

Mr. K. Harishchandra Prasad was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 29th April, 2006. As per the provisions of Section 260 of the Companies Act, 1956 he holds the office of Director only up to the ensuing Annual General Meeting, unless appointed by the Shareholders.

The Company has received a Notice together with a deposit of Rs.500/- from a Shareholder, under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. K. Harishchandra Prasad for the office of the Director. Accordingly, the resolution is proposed under Item No. 5 of the Notice to appoint Mr. Harishchandra Prasad as Director of the Company.

Sri. K. Harishchandra Prasad aged about 53 years has an excellent academic record with B.Tech in Chemical Technology from Madras University, MS in Chemical Engineering from Washington University, USA and Master of Business Administration (special emphasis on Finance) from St. Louis University, USA.

Sri. K. Harishchandra Prasad has been the Managing Director of Lakshmi Finance & Industrial Corporation Limited for over 2 decades. Before entering into the business, he has worked in various companies and held responsible positions in USA for about 10 years. During his employment (in 1983) he has bagged a 'Special Recognition Award' from M/s. Allied Company, USA for his outstanding performance in the area of Precious Metal Reclaim Operations at Amphenol Products, Chicago, USA.

Sri. K. Harishchandra Prasad has been a Director on the Boards of 11 companies including A.P State Financial Corporation Limited (APSFC).

Place: Hyderabad
Date: 02.09.2006

On Behalf of the Board
Mrs. J. Triveni
Managing Director

**DIRECTORS' REPORT**

Dear Members,

Your Directors present their 23rd Annual Report for the year 2005-06 together with the Balance Sheet as at 31st March, 2006 and the Profit & Loss Account for the year ended on that date.

1. FINANCIAL RESULTS:

		(Rs.lakhs)
	2005-06	2004-05
Operational Income	5018.14	4969.42
Operating Profit/(Loss)	236.94	500.82
Depreciation & Interest	389.52	348.70
Profit/(Loss) for the year	(152.58)	152.12

2. OPERATIONS :

Though the company has maintained its turnover level, the profitability could not be sustained due to strain on margins on account of fall in cement prices during the year under review. Thus, though the company has achieved a turnover of Rs.50.18 Crores compared to the turnover of Rs.49.69 crores during corresponding previous year, the company has incurred a net loss of Rs.1.53 crores against the net profit of Rs.1.52 crores during corresponding previous year.

3. FUTURE PROSPECTS:

The cement industry is doing well. The performance of the company is also much better and it has achieved a turnover of Rs.20.14 crores during the first quarter of the current financial year and earned a net profit of Rs.5.31 crores. In view of the on-going boom in the Infrastructure and construction industry, the cement industry is also likely to do well. Thus, your Directors are confident that the performance of the company would be much better in the current year. Further, in order to meet the growing demand, the company is also contemplating expansion of capacity.

4. REVOCATION OF LISTING SUSPENSION:

You are kindly aware that Bombay Stock Exchange has suspended the listing of equity shares of the company from trading. The company has submitted all the information to Bombay Stock Exchange and requested for revocation of suspension. We expect that the suspension would be lifted at the earliest.

5. DEMAT OF SHARES:

Your Company has been in constant touch with CDSL/NSDL for admitting the Equity shares of the company. Though they have refused to admit the shares of the company earlier, they are re-considering the request of the company yet again. Your Directors are hopeful of positive reply from their end.

6. DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Sri J.S. Krishna Murthy and Sri J.V. Choudary would retire by rotation and, being eligible, offer themselves for re-appointment.

Mr. K. Harishchandra Prasad was appointed as an Additional Director of the company at the Board Meeting held on 29.04.2006. A notice was received from a Member of the company proposing his candidature for the office of Director in terms of Section 257 of the Companies Act, 1956.

7. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 loss of the company for the year under review.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2006 on a going concern basis.

8. REPLY TO AUDITORS' QUALIFICATIONS:

Regarding Auditor's qualification on Sundry Debtors, Sundry Creditors and for Loans and Advance the Management is confident of realising the receivables at the stated values other than those disclosed as doubtful and in the process of obtaining confirmation from the parties.

9. AUDITORS:

M/s. K.S. Rao, Chartered Accountants, Hyderabad, the present Auditors, retire at the ensuing Annual General Meeting, and are eligible for re-appointment.



Keerthi Industries Limited

10. PERSONNEL:

Employer-Employee relations remained cordial during the year under review. Your Directors place on record their sincere appreciation of the contribution made by the employees of the Company at all levels. As regards, information pursuant to Section 217(2AA) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended), there are no employees governed by the said provisions.

11. ADDITIONAL INFORMATION:

Information pursuant to Section 217(e)&(2A) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed herewith.

12. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and Developments:

India is one of the major producers of cement. The demand for Cement is largely based on infrastructure projects, Private constructions, Roads and Buildings, Ports etc., of the Government of India and the State Government, besides the growing Hosing Sector. Cement, hitherto a controlled product, is presently decontrolled. However, the cost of the raw material and fuel namely Limestone, Coal, Power and Freight charges are all controlled by the Government and any increase in the price of the above affects the cost of the production on which the company does not have any control. Thus, industry has been facing constant ups and downs. During the current year the trend is very positive and this inturn being lead for expansions in capacity.

Opportunities and Threats:

Consolidations by way of mergers, entry of global cement players and strategic investments by one company in another to retain/improve its market share continues. Catching-up with the booming infrastructure and construction industry is an opportunity for the time being. The cement players in order to meet the competitive market have been taking all-round efforts including expansion (for economy of scale) and cost management techniques.

Segment or product-wise performance:

The company is operating in only one segment i.e., manufacturing and sale of cement. Hence, segment wise or product wise performance is not furnished.

Outlook:

This has been discussed elsewhere in this Report.

Internal control systems and their adequacy:

The company is following a proper and adequate system of internal controls in respect of all its activities including safeguarding and protecting its assets against loss from unauthorized use of disposition. Further all transactions entered into by the company are duly authorized, recorded correctly. M/s. G.P. Associates, Chartered Accountants, Hyderabad have been working as Internal Auditors of the company. The Internal Auditors are submitting reports to the company on a Half-Yearly basis.

Financial/operational performance:

This has been already discussed elsewhere in this Report.

Human Resources/Industrial Relations:

The company enjoys very cordial industrial relations and there is very low employee/labour turnover in the company. You will be happy to note that ever since the inception of the Company, there were no strikes, lockouts, lay-offs, retrenchments, etc.

13. ACKNOWLEDGEMENTS:

Your Directors are thankful to Canara Bank, Somajiguda branch and State Bank of India, Industrial Finance Branch, Somajiguda for their continued support during the year under review and acknowledge with gratitude the help extended by the Central Government and Government of Andhra Pradesh.

Your directors also wish to place on record their appreciation of the services rendered and co-operation extended by the Workmen, Staff, Dealers, Customers and other concerned.

On behalf of the Board

Place: Hyderabad

Date : 02.09.2006

J.S. Krishna Murthy

Chairman


Keerthi Industries Limited
Annexure 'A'

Information as required under section 217(1) (e) read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1998.

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	Current Year	Previous Year
A. Power and Fuel Consumption :		
1. Electricity:		
a. Purchased	2,96,56,574	2,89,51,195
Units (Nos.)	10,68,44,438	10,56,10,916
Amount (Rs.)	3.60	3.65
Rate/unit (Rs.)		
b. Own Generation:		
i. Through Diesel Generator		
Units (Nos.)	12,602	9,485
Units per Ltr. of Diesel Oil	2.55	2.28
Cost/Unit (Rs.)	11.73	8.37
ii. Through Steam Turbine/Generator:		
Units (Nos.)		
Units per Ltr. of Fuel Oil Gas	Nil	Nil
Cost/Unit (Rs.)		
2. Coal and Lignite used as fuel in Kiln:		
Quantity (M.T.)	53,220	51,536
Total Cost (Rs.)	9,89,68,676	9,32,02,179
Average Rate/M.T. (Rs.)	1858.60	1808.48
3. Furnace Oil	Nil	Nil
4. Others/Internal Generation	Nil	Nil
B. Consumption per unit production:		
Electricity (Units)	105.75	104.82
Furnace Oil	Nil	Nil
Coal (Mts)	0.198	0.193
Others (Specify)	Nil	Nil



Keerthi Industries Limited

FORM - B

Form for disclosure of particulars with respect to Technology Absorption

Research and Development (R&D):

1. Specific areas in which R&D carried out by the Company
2. Benefits derived as a result of the above R&D
3. Future Plan of Action
4. Expenditure on R&D
 - a) Capital
 - b) Recurring
 - c) Total
 - d) Total R&D expenditure as a percentage of total turnover

No research & development has been carried out during the period and no expenditure incurred.

Technology absorption, adaptation and innovation

- 1 Efforts, in brief, made towards innovation
- 2 Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, production development, import substitution etc.
- 3 In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial Year), the following information may be furnished
 - a) Technology
 - b) Been imported
 - c) Year of import
 - d) Has technology been fully absorbed
 - e) If not fully absorbed, reasons therefore and future plans of action

There has been no innovation, or absorption, or adoption of any new technology.

No technology has been imported

Foreign Exchange Earnings & Outgo:

- 1) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans Nil
- 2) Total foreign exchange outgo and earned
 - a) Foreign Exchange Outgo Nil
 - b) Foreign Exchange Earned Nil

a) Particulars of Employees :

There are no employees governed by the provision of section 217(2A) of the Companies Act, 1956

On behalf of the Board

Place: Hyderabad
Date : 02.09.2006

J.S Krishna Murthy
Chairman



Keerthi Industries Limited

REPORT ON CORPORATE GOVERNANCE

Your Directors are pleased to inform the members that your company had complied with the provisions of the Listing Agreement pertaining to Corporate Governance, the details of which are given below:

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Directors philosophy on Corporate Governance aimed at the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and all its interactions with its stakeholders including, employees and the Government.

2. BOARD OF DIRECTORS

The Board comprises Eight Directors of which one is Managing Director. The non-executive directors bring with them rich and varied experience in different facets of corporate functioning. They play active role in the meetings of the Board. The Chairman of the Board is a non-executive director. The composition of the Board is in conformity with the amendments in the listing agreement.

Composition of the Board

S.No	Category	No. of Directors	Percentage of Total No. of Directors
1	Functional Directors	1	12.50
2	Non executive Independent Directors	3	37.50
3	Other Non Executive Directors	4	50.00
	Total Directors	8	100.00

Code of Conduct.

The Board shall lay down a code of conduct for all Board members and senior management of the company. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the company shall contain a declaration to this effect signed by the Chief Executive Officer (CEO). The Board of Directors has laid down the Code of Conduct applicable to all Board members and senior executives of the company.

All Board members and senior management executives have affirmed compliance with the Code of Conduct.

A declaration by Managing Director (being CEO) affirming the compliance of the Code of Conduct for Board Members and senior management executives is also annexed separately at the end of this report.

BOARD MEETINGS AND ATTENDANCE RECORD - 2005-06:

The Company's Corporate Governance policy requires the Board to meet at least four times in a year. The dates of the Board Meetings held during the year under review were:

Sl.No.	Name of the Director	Designation	No. of Meetings attended	Whether attended the last AGM	No. of Directorships in other Boards as on 31.03.06	No of Membership/ Chairmanships in other Board Committee(s) as on 31.03.06
1.	Mr. J.S. Krishnamurthy	Chairman	6	Yes	2	5
2.	Mrs. J. Triveni	Managing Director	6	Yes	4	Nil
3.	Mr. J.S. Rao	Director	6	Yes	9	Nil
4.	Mr. J.S.R. Prasad	Director	4	-	-	-
5.	Mr. J.V. Choudary	Director	6	-	8	2
6.	Mr. E. Siva Sankaram	Director	4	-	Nil	Nil
7.	Mr. B.V. Subbaiah	Director	4	-	Nil	Nil


Keerthi Industries Limited

The annual calendar of meetings is agreed upon at the beginning of each year. Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for consideration of the Board.

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mr. J.S.Krishna Murthy and Sri J.V.Choudary Directors retire by rotation and are eligible for re-appointment.

3. GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

S.No	Venue	Date and Time of AGM	Whether any Special Resolutions were passed	Postal Ballots
1	Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh.	30.09.2003 at 11.45 AM	No	NA
2	Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh.	30.09.2004 at 4.00 PM	YES	NA
3	Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh.	28.09.2005 at 11.00 AM	YES	YES

4. AUDIT COMMITTEE

The Board of Directors of the Company constituted an Audit Committee consisting of the following Directors, with the role and responsibility duly defined and in accordance with the applicable statutory and other requirements. During the year, in all, 5 meetings of the committee took place and attendance thereat was under:

Name of the Director	No. of the Meetings Attended
Sri.E.Siva Sankaram	3
Sri. J.S. Rao	5
Sri. J. Sivaram Prasad	4
Sri. B.V.Subbaiah	3

5. SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE

The Board of Directors of the company constituted Shareholders/Investors' Grievances Committee for utmost attention for resolving shareholders/ Investors grievances / complaints received from shareholders/ Investors directly or through Stock exchanges or SEBI and are replied to immediately. There are no outstanding or unresolved complaints.

The Board of Directors of the company constituted Shareholders Grievance Committee consisting of the following Directors, to deal with complaints regarding transmission of shares, non receipt of share certificates, dividends, annual reports and such other matters :

Sri. J.S. Krishna Murthy	-	Chairman
Sri. J.Sivaram Prasad	-	Member
Sri.J. Seshagiri Rao	-	Member



Keerthi Industries Limited

During the year the company received one complaint and the same has been resolved

6. REMUNERATION COMMITTEE

Other than the Managing Director, no other Director receives any remuneration from the company excepting sitting fees for attending the Board Meetings. The details of remuneration paid to the Managing Director are mentioned in Schedule 16 (Notes to the Accounts) to the Balance Sheet of the Company.

The Board of Directors of the company constituted Remuneration Committee consisting of the Non-Executive Directors, with role and responsibilities duly defined and in accordance with the applicable statutory and other requirements.

Sri. J.S. KrishnaMurthy	-	Chairman
Sri. J. Seshagiri Rao	-	Member
Sri. J. Sivaram Prasad	-	Member

The remuneration paid to the Executive and Whole-time Directors during the year 2005-2006 are:

(Amt Rs.)

Name of Director	Salary	HRA	Perks	Total
Mrs. J.Triveni	6,30,000	Nil	1,58,705	7,88,705

Details of other benefits being paid to Executive and whole time Directors:

Bonus, Stock options, Pension etc., being paid	:	Nil
Details of fixed component and Performance linked incentive:	:	Nil
Service Contracts	:	The Appointment of Mrs. J.Triveni as Managing Director is for Five Years with effect from 27 th June 2005.
Notice Period & Severance Fees	:	Nil

7.CEO CERTIFICATION:

The Certificate issued by the Chief Executive Officer (i.e. the M.D) is enclosed to this report.

8. DISCLOSURES:

The pecuniary disclosure with regard to interested Directors

- (a) Disclosures on materially significant related party transactions of the Company of material nature with the promoters, the Directors or the management, their subsidiaries or relatives that may have potential conflict with the interests of the Company at large.

None of the transactions with any of related parties were in conflict with interests of the Company.

- (b) Details of non-compliance by the Company, penalties, stricture on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to Capital Markets during the last three years.

There were no instances of non-compliance of any matter related to Capital Market during the last three years.

9. MEANS OF COMMUNICATION:

Quarterly/Half Yearly Financial Results of the Company are forwarded to the Hyderabad and Mumbai Stock Exchanges and published in Business Standard and Andhra Bhoomi. Half Yearly report is not sent to each shareholder as the results of the Company are published in the News papers.

1. The results or official news were not displayed in any Website.
2. Company has not made any presentations to any Institutional Investors/analysts during the year.
3. All terms required to be covered in the Management Discussions & Analysis Report have been included in the Directors' Report to Members.