



**24<sup>th</sup>**  
***Annual Report 2006-2007***

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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

**Registered Office & Factory :**

Mellacheruvu (Village & Mandal)  
Nalgonda District  
Andhra Pradesh – 508 246.  
Tel: 08683-226028, 226039

**Administrative Office :**

Plot No.40, I.D.A  
Balanagar  
Hyderabad – 500 037.  
Tel: 23076538, 39 Fax : 040-23076543  
E-mail ID: keerthi\_ltd@yahoo.co.in

**Bankers :**

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

**Auditors:**

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

**Cost Auditors:**

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

**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 24<sup>th</sup> Annual General Meeting of Shareholders of the Company will be held on Friday, the 28<sup>th</sup> September, 2007 at 11:00 AM at the Registered Office and Factory of the Company 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 31<sup>st</sup> March, 2007 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.Seshagiri Rao, Director who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri J.Sivaram Prasad 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 a Special Resolution:

**"RESOLVED THAT** pursuant to Section 198 and 269, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Sri. J.S.Krishna Murthy, Chairman of the Company be and is hereby appointed as Executive Chairman of the Company for a period of 5 years with effect from 29<sup>th</sup> August, 2007."

**"FURTHER RESOLVED THAT** the duties of the Executive Chairman so appointed as above shall be the overall supervision of the functioning of the Company and to perform all such duties that the Board may delegate to him from time to time."

**"FURTHER RESOLVED THAT** Sri. J.S.Krishna Murthy, shall be paid the following allowances / facilities with effect from 29<sup>th</sup> August, 2007:

- i) Reimbursement of Medical expenses:** Expenses incurred for self and family at actuals upto a maximum of Rs. 5,00,000/- per annum.
- ii) Use of Company's Car with Driver:** Reimbursement of actual expenses incurred in use and maintenance of Company's car with driver for official purposes.

On behalf of the Board

Place: Hyderabad  
Date :29.08.2007

Mrs. J. Triveni  
Managing Director

### NOTES:

- (a) A member entitled to attend and vote at the meeting is also entitled to appoint a proxy/proxies instead of himself/herself and such proxy need not be a member of the company.
- (b) Proxy forms to be valid, shall be lodged at the Company's Administrative Office of the Company at least 48 hours before the meeting at Plot No.40, IDA, Balanagar, Hyderabad-500 037
- (c) The Register of Members and Share Transfer Books of the Company will remain closed from 25<sup>th</sup> September, 2007 to 27<sup>th</sup> September, 2007 (both days inclusive).
- (d) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (e) 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:

Sri. J.S.Krishna Murthy has been the Non-Executive Chairman of the Company from 27<sup>th</sup> June, 2000. Sri. J.S.Krishna Murthy carries a rich industrial experience of over 5 decades. To take advantage of his experience and guidance on various managerial issues, the Board deemed it expedient to appoint Sri. J.S.Krishna Murthy as Executive Chairman of the company for a period of 5 years with effect from 29<sup>th</sup> August, 2007.

According to Schedule XIII to the Companies Act, 1956, any Whole-time Director appointment requires the approval of members in a General Meeting. As Sri J.S.Krishna Murthy is aged about 84 years, the approval of Members is required by Special Resolution in accordance with Clause 'C' of Part-I of Schedule XIII to the Companies Act, 1956. Hence, your Directors recommend the resolution for your approval.

Except Sri. J.S.Krishna Murthy, Sri. J.S.Rao, Sri. J.V.Choudary & Smt. J.Triveni, none of the Directors are interested or concerned in the resolution.

The Remuneration Committee at its meeting held on 29<sup>th</sup> August, 2007 at 3:00 p.m. had approved the remuneration proposed to Mr. J.S.Krishna Murthy on his appointment as Executive Chairman of the Company.

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

Place: Hyderabad  
Date: 29.08.2007



## Keerthi Industries Limited

### DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present your Companies 24<sup>th</sup> Annual Report for the Financial Year 2006-07 together with the Audited Balance Sheet as on 31<sup>st</sup> March, 2007 and the Profit & Loss Account for the year ended on that date.

#### 1. FINANCIAL RESULTS:

	(Rs.lakhs)	
	<b>2006-07</b>	2005-06
Operational Income	<b>8207.65</b>	5018.14
Operating Profit	<b>1950.70</b>	201.43
Depreciation & Interest	<b>248.15</b>	351.57
Profit/(Loss)before tax for the year	<b>1702.54</b>	(150.14)

#### 2. OPERATIONS:

The Company has achieved Rs.17.03 Crore Profit as compared to a net loss of Rs.1.50 Crore for the corresponding previous year and the Company has achieved a healthy Turnover of Rs. Rs.82.07 Crores for financial year under review as compared to Rs.50.18 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.24.46 Crores during the first quarter of the current financial year and earned a net profit of Rs.5.62 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.

#### Setting up 1.5 MW Wind Power Project in the State of Tamil Nadu:

M/s. Suzlon Energy Limited offered to supply and erect 1500 KVA Wind Power Generation Project at Kopalahalli Village, Hassan District in the state of Karnataka on turnkey basis so that the Company takes I.T.Benefit as a result of accelerated depreciation available for Wind Power Project. The Company placed order for the Wind Power Project.

#### Setting up of Integrated Sugar Plant of 3500 TCD with 26 MW Power:

The Promoters of the Company has purchased 126 acres of Land for the use of the proposed sugar

Project and Government of Karnataka has given in principle approval and the company has also got various clearances from different authorities and the work is going at a healthy speed.

#### 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 already submitted all the information to Bombay Stock Exchange.

#### 5. DEMAT OF SHARES

Your Company has been in constant touch with CDSL/NSDL for admitting the Equity shares of the company.

#### 6. DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Sri J.Seshagiri Rao and Sri J.Sivaram Prasad would retire by rotation and, being eligible, offer themselves for re-appointment.

#### 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 on 31<sup>st</sup> March, 2007, 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 Profit 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 31<sup>st</sup> March, 2007 on a going concern basis.



## Keerthi Industries Limited

### 8) REPLY TO AUDITORS' QUALIFICATION:

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, retires at the ensuing Annual General Meeting, and are eligible for re-appointment.

### 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 is largely based on infrastructure projects, Private construction sectors, Roads and Buildings, Ports etc., of the Government of India and the State Government, besides the growing Housing 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 mentioned items affects the cost of the production on which the company does not have any control. Thus, industry has been in ups and downs. During the current year the trend is very positive and this in turn 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 and recorded correctly. M/s. G.P. Associates, Chartered Accountants, Hyderabad have been working as the 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, due to which 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 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 : 29.08.2007

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

	<b>Current Year</b>	<b>Previous Year</b>
<b>A. Power and Fuel Consumption :</b>		
<b>1. Electricity:</b>		
a. Purchased	<b>3,27,70,600</b>	2,96,56,574
Units (Nos.)	<b>10,50,49,657</b>	10,68,44,438
Amount (Rs.)	<b>3.21</b>	3.60
Rate/unit (Rs.)		
b. Own Generation:		
i. Through Diesel Generator		
Units (Nos.)	<b>4,937</b>	12,602
Units per Ltr. of Diesel Oil	<b>2.47</b>	2.55
Cost/Unit (Rs.)	<b>14.07</b>	11.73
ii. Through Steam Turbine/Generator:		
Units (Nos.)		
Units per Ltr. of Fuel Oil Gas	<b>Nil</b>	Nil
Cost/Unit (Rs.)		
<b>2. Coal and Lignite used as fuel in Kiln:</b>		
Quantity (M.T.)	<b>62,096</b>	53,220
Total Cost (Rs.)	<b>123352547</b>	9,89,68,676
Average Rate/M.T. (Rs.)	<b>1986.48</b>	1858.60
<b>3. Furnace Oil</b>	<b>Nil</b>	Nil
<b>4. Others/Internal Generation</b>	<b>Nil</b>	Nil
<b>B. Consumption per unit production:</b>		
Electricity (Units)	<b>102.63</b>	105.75
Furnace Oil	<b>Nil</b>	Nil
Coal (Mts)	<b>0.199</b>	0.198
Others (Specify)	<b>Nil</b>	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  | NIL |
| 2. Benefits derived as a result of the above R&D           | NIL |
| 3. Future Plan of Action                                   | NIL |
| 4. Expenditure on R&D                                      |     |
| a) capital   |     |
| b) recurring   |     |
| c) Total   |     |
| d) Total R&D expenditure as a percentage of total turnover | NIL |

**Technology absorption, adoption and innovation**

- |   |     |
|---|-----|
| 1 Efforts, in brief, made towards innovation  | NIL |
| 2 Benefits derived as a result of the above efforts,<br>e.g. product improvement, cost reduction, production<br>development, import substitution etc.                   | NIL |
| 3 In case of imported technology (Imported during the<br>last 5 years reckoned from the beginning of the financial Year),<br>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  | NIL |

**Foreign Exchange Earnings & Outgo:**

- |  |     |
|--|-----|
| 1) Activities relating to exports, initiatives taken to<br>increase exports, development of new export markets for<br>products and services and export plans | NIL |
| 2) Total foreign exchange outgo and earned   |     |
| a) Foreign Exchange Outgo  |     |
| 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 : 29.08.2007

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 shareholders, employees and the Government.

#### 2. BOARD OF DIRECTORS

The Board comprises 8 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.

##### a) 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

##### b) 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.

#### 3. BOARD MEETINGS AND ATTENDANCE RECORD - 2006-07:

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	7
4.	Mr. J.S.R. Prasad	Director	4	No	8	2
5.	Mr. J.V. Choudary	Director	6	Yes	8	2
6.	Mr. E. Siva Sankaram	Director	4	No	Nil	Nil
7.	Mr. B.V. Subbaiah	Director	4	No	Nil	Nil
8.	Mr. K. Harish Chandra Prasad	Director	4	No	9	1




**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.Seshagiri Rao and Mr. J. Sivaram Prasad 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.	30.09.2004 at 4.00 PM	Yes	NA
2	Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh.	28.09.2005 at 11.00 AM	YES	NA
3	Mellacheruvu (Village & Mandal) Nalgonda District-508246 Andhra Pradesh.	29.09.2006 at 4.00 PM	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	5
Sri. J.S. Rao	5
Sri. J. Sivaram Prasad	3
Sri. B.V.Subbaiah	5

**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