



25th

Annual Report 2007-2008

(15 Months)

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Keerthi

Industries Limited

(Formerly Known as Suvarna Cements Limited)



Keerthi Industries Limited

Board of Directors

Sri J S Krishna Murthy, Executive 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 & Company
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 25th Annual General Meeting of Shareholders of the Company will be held on Monday, the 29th December, 2008 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 30th June, 2008 (15 months) 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 E.Siva Sankaram, Director who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri B.Venkata Subbaiah 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 of the Company 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 the Auditors.

SPECIAL BUSINESS:

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

"RESOLVED THAT in super session of the resolution passed at the Annual General Meeting held on 23.09.1992 the consent of the Company be and is hereby accorded to the Board of Directors under Section 293 (1) (d) of the Companies Act, 1956 to borrow any sum or sums of moneys from time to time notwithstanding that the money borrowed, together with the moneys already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however, the total amount so borrowed shall not exceed Rs.400 Crores (Rupees Four Hundred Crores only)".

On Behalf of the Board

Place: Hyderabad
Date: 05.12.2008

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 27th December, 2008 to 28th December, 2008 (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:

At the Ninth Annual General Meeting of the Company held on 23rd September, 1992, the Company had accorded its consent to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956 to borrow money for the purpose of the Company's business in excess of the Paid-up Capital and Free Reserves of the Company provided that the total borrowings made and remaining undischarged for the time being shall not exceed in the aggregate Rs.40 Crores (apart from temporary loans obtained from the company's bankers in the ordinary course of business). With business and operations of the Company growing from year to year, the requirements of additional funds have also increased. It is also proposed to increase the Installed Capacity of Cement and are proposing to set up Integrated Sugar Plant. In order to meet these requirements, it will be necessary to borrow additional funds. Hence, the present borrowing limit is proposed to be increased to Rs.400 Crores.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution except to the extent of their shareholding in the company.

On Behalf of the Board

Place: Hyderabad
Date: 05.12.2008

J.S. Krishna Murthy
Executive Chairman



Keerthi Industries Limited

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present your Companies 25th Annual Report for the Financial Year 2007-08 (15 Months) together with the Audited Balance Sheet as at 30th June, 2008 and the Profit & Loss Account for the year ended on that date.

1) FINANCIAL RESULTS:

	2007-08 (15 Months)	(Rs.lakhs) 2006-07
Operational Income	12139.67	8207.65
Operating Profit	3811.36	1950.69
Depreciation & Interest	267.40	248.15
Profit for the year (Before Income Tax)	3543.96	1702.54

2) OPERATIONS:

The production of cement and clinker were 3,59,613 mts and 3,89,366 mts respectively during the fifteen months ended 30th June, 2008 as against 2,96,964 mts and 3,12,028 mts respectively during the previous year.

3) FUTURE PROSPECTS:

India is one of the major producer of Cement. The demand for Cement is largely based on infrastructure projects like Roads and Buildings, Ports etc., The cement industry is doing well. Your Company's performance has been good. Your Company's expansion of capacity from 900 tpd to 1900 tpd will be completed by March, 2009. The outlook for the Cement business continues to be encouraging. Thus, your Directors are confident that the performance of the company would be much better in the current year.

Amalgamation of Company with M/s. Hyderabad Flextech Limited:

The Directors of Keerthi Industries Limited and Hyderabad Flextech Limited approved a scheme of arrangement by virtue of which, it is proposed to re-organize the capital of Keerthi Industries Limited and merge Hyderabad Flextech Limited with Keerthi Industries Limited with effect from 1.4.2007, being the date proposed as the appointed date. Both the companies have filed company applications before the Hon'ble High court of A.P., for directions to convene the meetings of the members. These applications have been ordered and the meetings were duly conducted as ordered by the Hon'ble High Court of Andhra Pradesh. These companies have since filed company petitions before the Hon'ble

High Court of Andhra Pradesh for sanction of the scheme of Arrangement and the same are pending.

4) REVOCATION OF LISTING SUSPENSION:

You are kindly aware that Bombay Stock Exchange has revoked the suspension order on trading of the equity shares of the company from 13th June, 2008.

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 E.Siva Sankaram, Sri B.Venkata Subbaiah Directors 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:

- That in the preparation of the accounts for the financial year ended on 30th June, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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.
- 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
- That the Directors have prepared the accounts for the financial year ended 30th June, 2008 on a going concern basis.

8) REPLY TO AUDITOR'S QUALIFICATIONS:

Regarding Auditor's Qualification on Sundry



Debtors, Sundry Creditors and for Loans and Advance, the management is confident of realizing the receivables at the stated values other than those disclosed as doubtful and in the process of obtaining confirmation from the parties.

Compliance of As-15

As regards the Auditors qualification on the compliance of As-15, your Directors would like to clarify that the company is in the process of amalgamation of Hyderabad Flex Tech Limited and the effective date of merger is taken as 1st April, 2007. The Company made the provision in accordance with provisions of Gratuity Act., on estimation basis. The Board of Directors intend to go for the accrual valuation, once merger scheme is approved by the Hon'ble High Court

9) AUDITORS:

M/s. K.S. Rao & Co., 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 inturb 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:

Segment-wise or product-wise performance has already been furnished elsewhere in this Report.

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.


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.

Particulars	Current Year (15 months)		Previous Year	
	Cement	Wind power	Cement	Wind power
A. Power and Fuel Consumption:				
1. Electricity:				
a. Purchased				
Units (Nos.)	4,08,16,243		3,27,70,600	
Amount (Rs.)	13,23,31,987	NIL	10,50,49,657	NIL
Rate/unit (Rs.)	3.24		3.21	
b. Own Generation:				
i. Through Diesel Generator				
Units (Nos.)	7,323		4937	
Units per Ltr. of Diesel Oil	2.61		2.47	
Cost/Unit (Rs.)	14.16	NIL	14.07	NIL
ii. Through Steam Turbine/Generator:				
Units (Nos.)				
Units per Ltr. of Fuel Oil Gas	NIL	NIL	NIL	NIL
Cost/Unit (Rs.)				
2. Coal and Lignite used as fuel in Kiln:				
Quantity (M.T.)	79,951		62,096	
Total Cost (Rs.)	19,27,90,158	NIL	12,33,52,547	NIL
Average Rate/M.T. (Rs.)	2411.35		1986.48	
3. Furnace Oil	NIL	NIL	NIL	NIL
4. Others/Internal Generation	NIL	NIL	NIL	NIL
B. Consumption per unit production:				
Electricity (Units)	104.56	NIL	102.63	NIL
Furnace Oil		NIL		NIL
Coal	0.205	NIL	0.199	NIL
Others (Specify)	NIL	NIL	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 | 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, adaptation and innovation

- | | |
|---|-----|
| 1 Efforts, in brief, made towards innovation | NIL |
| 2 Benefits derived as a result of the above efforts,
e.g. product improvement, cost reduction, production
development, import substitution etc. | NIL |
| 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 | NIL |

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 |
| 4 | |
| a) Foreign Exchange Outgo | Rs. 51.65 Lakhs |
| 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 : 05.12.2008

 J.S Krishna Murthy
Executive 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 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	2	25.00
2	Non executive Independent Directors	3	37.50
3	Other Non Executive Directors	3	37.50
	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 - 2007-08 (15 MONTHS) :

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 30.06.08	No of Membership/ Chairmanships in other Board Committee(s) as on 30.06.08
1.	Mr. J.S. Krishnamurthy	Executive Chairman	8	Yes	2	5
2.	Mrs. J. Triveni	Managing Director	7	Yes	4	Nil
3.	Mr. J.S. Rao	Director	7	No	9	7
4.	Mr. J.S.R. Prasad	Director	1	No	8	2
5.	Mr. J.V. Choudary	Director	6	No	8	2
6.	Mr. E. Siva Sankaram	Director	8	No	1	1
7.	Mr. B.V. Subbaiah	Director	4	No	Nil	Nil
8.	Mr. K. Harish Chandra Prasad	Director	7	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. E.Siva Sankaram and Sri B. Venkata Subbaiah, 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.	28.09.2005 at 11.00 AM	Yes	NA
2	Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh.	28.09.2006 at 4.00 PM	YES	YES
3	Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh.	28.09.2007 at 11.00 AM	YES	NA

4. AUDIT COMMITTEE

The Board of Directors of the Company has 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, 6 meetings of the committee took place and attendance thereat was as under:

Name of the Director	No. of the Meetings Attended
Sri.E.Siva Sankaram	6
Sri. J.S. Rao	6
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



Keerthi Industries Limited

During the fifteen months ended 30th June, 2008 under review the company has received 14 complaints and all have been resolved and there are no pending complaints.

6. REMUNERATION COMMITTEE

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

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

Sl.No.	Name	Designation
1	Sri. J.S. Krishna Murthy	Chairman
2	Sri. J.Sivaram Prasad	Member
3	Sri.J.Seshagiri Rao	Member

The remuneration paid to the Executive and Whole-time Directors during the year 2007-08 (15 Months) are:
(Amt Rs.)

Name of Director	Salary	HRA	Perks	Total
Mrs. J.Triveni	9,00,000	Nil	1,10,266	10,10,266
Mr. J.S. Krishna Murthy	Nil	Nil	4,78,710	4,78,710

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 5 Years and Mr J.S.Krishna Murthy Executive Chairman is for 5 years.
Notice Period & Severance Fees	:	Nil

7. CEO/CFO 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

- 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.
- 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 Financial Express and Andhra Prabha. Half Yearly report is not sent to each shareholder as the results of the Company are published in the News papers.

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