



Keerthi

Industries Limited

(Formerly Known as Suvarna Cements Limited)

Report  Junction.com

26th

Annual Report 2008-2009

(9 Months)


Keerthi Industries Limited
Board of Directors

| | |
|----------------------------|--------------------|
| Sri J S Krishna Murthy | Executive Chairman |
| Sri J S Rao | Director |
| Sri J V Choudary | Director |
| Sri J Sivaram Prasad | Director |
| Sri E Siva Sankaram | Director |
| Sri B Venkata Subbaiah | Director |
| Sri K Harishchandra Prasad | Director |
| Smt J Triveni | Managing Director |

Registered Office & Factory :

Mellacheruvu (Village & Mandal)
Nalgonda District
Andhra Pradesh – 508 246.
Tel: 08683-226028, 226034

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 26th Annual General Meeting of Shareholders of the Company will be held on Tuesday, the 29th September, 2009 at 11:45 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 31st March, 2009 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.V.Choudary, Director who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri K.Harishchandra 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 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.

By Order of the Board of Directors

Place: Hyderabad
Date: 31-08-2009

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 22nd September, 2009 to 29th September, 2009 (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 Administrative Office.

On Behalf of the Board

Place: Hyderabad
Date: 31-08-2009

J.S. Rao
Director



Keerthi Industries Limited

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present their 26th Annual Report for the Financial Year 2008-09(9 Months) together with the Audited Balance Sheet as at 31st March, 2009 and the Profit & Loss Account for the year ended on that date.

1) FINANCIAL RESULTS:

| | (Rs.lakhs) | |
|-------------------------|----------------|-------------|
| | 2008-09 | 2007-08 |
| | (9 months) | (15 months) |
| Operational Income | 7546.54 | 12139.67 |
| Operating Profit | 1758.29 | 3811.36 |
| Depreciation & Interest | 179.08 | 267.40 |
| Profit for the year | | |
| (before income tax) | 1579.21 | 3543.96 |

2) OPERATIONS:

Financial year 2008-09 proved to be a challenging one for the corporate world. The economies across the globe experienced demand slowdown and liquidity crunch which led to sharp volatility in the financial markets as well as commodity prices. The impact on Indian industry was visible in the second half of the financial year.

The production of cement and clinker were 2,34,378 mts and 2,23,183 mts respectively during the nine months period ended 31st March, 2009 as against 3,59,613 mts and 3,89,366 mts respectively during the previous year(15months).

3) FUTURE PROSPECTS:

Company initiated capacity expansion to maintain growth and improve efficiencies. The capacity expansion is progressing well. The Unit will be operational in the third quarter of the current year. Upon commissioning of expanded capacity, Company's total capacity will be 6,27,000 tons per annum.

The demand for cement is expected to grow at 10% in the coming year due to the continued fillips given for the infrastructure projects. The company expects to sustain and improve the output levels during the year. Also the company will have the benefit of increased production after the current expansion of existing capacity is completed. The performance of the company is also much better and it has achieved a turnover of Rs.24.45 Crores during the first quarter of the current financial year and earned a net profit (before tax) of Rs.7.06 Crores. In view of the on-going encouraging trend 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.

4) SCHEME OF AMALGAMATION:

The scheme of amalgamation of M/s. Hyderabad Flextech Limited (transferor Company) with the

Company is pending before the Hon'ble High Court of Andhra Pradesh for its approval.

5) DEMAT OF SHARES:

As you are aware your company's shares are yet to be demated. The company has submitted all the information to CSDL/NSDL and their approval is awaited. Further your company has been in constant touch with CDSL/NSDL for admitting the Equity shares at the earliest.

6) DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Sri J.V.Choudary and Sri K.Harishchandra Prasad, 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 31st March, 2009, 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 31st March, 2009 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 realising the receivables at the stated values other than those disclosed as doubtful and in the process of obtaining confirmation from the parties.

The Company has extended unsecured loans of (i) Rs. 25.03 lacs to M/s. Hyderabad Bottling Company Ltd (HBCL) for its urgent requirements. Infact, HBCL has invested an amount of Rs. 770.10 lacs



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in the 9% redeemable preference shares issued by the Company in the years 200-01 and 2001-02 and on which the Company has not been able to pay dividend so far and moreover, HBCL has also given a corporate guarantee for the borrowings being made by the Company from time to time, and (ii) Rs. 45.67 lacs to M/s. Hyderabad Flextech Limited for Certain repairs at maintenance. As you are kindly aware Hyderabad Flextech is being merged with the Company and your Company has given a small loan for Certain repairs maintenance to keep the Condition of the machinery intact. In view of the above, your Directors are of the opinion that the loans extended to those companies not prejudicial to the Company.

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 (directly or indirectly) 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 encouraging 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 unauthorised 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 their reports to the company on a quarterly 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:

Directors are thankful to Canara Bank, Somajiguda Branch, Hyderabad 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. Directors also wish to place on record their appreciation of the services rendered and co-operation extended by the Workmen, Staff, Dealers, Customers and all other concerned.

By order of the Board of Directors

J.Triveni
Managing Director

J.S.Rao
Director

Place: Hyderabad
Date: 31-08-2009


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 (9 months) | | Previous Year (15 months) | |
|--|----------------------------|------------|------------------------------|------------|
| | Cement | Wind power | Cement | Wind power |
| A. Power and Fuel Consumption: | | | | |
| 1. Electricity: | | | | |
| a. Purchased | | | | |
| Units (Nos.) | 2,47,08,000 | | 4,08,16,243 | |
| Amount (Rs.) | 7,81,56,373 | NIL | 13,23,31,987 | NIL |
| Rate/unit (Rs.) | 3.16 | | 3.24 | |
| b. Own Generation: | | | | |
| i. Through Diesel Generator | | | | |
| Units (Nos.) | 5,300 | | 7,323 | |
| Units per Ltr. of Diesel Oil | 2.61 | | 2.61 | |
| Cost/Unit (Rs.) | 11.95 | NIL | 14.16 | 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.) | 47,669 | | 79,951 | |
| Total Cost (Rs.) | 14,04,52,180 | NIL | 19,27,90,158 | NIL |
| Average Rate/M.T. (Rs.) | 2946.40 | | 2411.35 | |
| 3. Furnace Oil | NIL | NIL | NIL | NIL |
| 4. Others/Internal Generation | NIL | NIL | NIL | NIL |
| B. Consumption per unit production: | | | | |
| Electricity (Units) | 104.91 | NIL | 104.56 | NIL |
| Furnace Oil | NIL | NIL | NIL | NIL |
| Coal | 0.213 | NIL | 0.205 | 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, adoption 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 |
| 1) | |
| a) Foreign Exchange Outgo | Rs. 328.67 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

By order of the Board of Directors

Place: Hyderabad
Date: 31-08-2009

J.Triveni
Managing Director

J.S.Rao
Director



Keerthi Industries Limited

REPORT ON CORPORATE GOVERNANCE

Your Company fully adheres to the standards set out by the Securities and Exchange Board of India's Corporate Governance practices and has implemented all of its stipulations. As required by Clause 49 of the Listing Agreement of Stock Exchanges, a detailed report on Corporate Governance forms part of this Annual Report.

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 an Executive Director. The composition of the Board is short of independent Directors in view of Chairman being Executive Chairman.

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 - 2008-09 (9 MONTHS) :

The Company's Corporate Governance policy requires the Board to meet at least four times in a year.

| Sl.No. | Name of the Director | Designation | No. of Meetings attended | Whether attended the last AGM | No. of Directorships in other Boards as on 31.03.09 | No of Membership/ Chairmanships in other Board Committee(s) as on 31.03.09 |
|--------|------------------------------|--------------------|--------------------------|-------------------------------|---|--|
| 1. | Mr. J.S. Krishnamurthy | Executive Chairman | 4 | Yes | 6 | 6 |
| 2. | Mrs. J. Triveni | Managing Director | 4 | Yes | 3 | Nil |
| 3. | Mr. J.S. Rao | Director | 4 | Yes | 14 | 6 |
| 4. | Mr. K. Harish Chandra Prasad | Director | 4 | No | 10 | 2 |
| 5. | Mr. E. Siva Sankaram | Director | 3 | No | 1 | 1 |
| 6. | Mr. B.V. Subbaiah | Director | 3 | No | Nil | Nil |
| 7. | Mr. J.S.R. Prasad | Director | 2 | No | 9 | 4 |
| 8. | Mr. J.V. Choudary | Director | Nil | No | 7 | 2 |



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The dates of the Board Meetings held during the year under review were: 30.07.2008, 30.10.2008, 05.12.2008 & 29.01.2009.

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.V.Choudary and Sri K.Harishchandra 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. | 29.09.2006 at 4.00 pm | Yes | Yes |
| 2 | Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh. | 28.09.2007 at 11.00 AM | Yes | NA |
| 3 | Mellacheruvu (Village & Mandal). Nalgonda District-508246 Andhra Pradesh. | 29.12.2008 at 11.00 AM | NO | 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, 4 meetings of the committee took place and attendance thereat was as under:

| S.No. | Name of the Director | No. of the Meetings Attended |
|-------|-------------------------------|------------------------------|
| 1. | Sri.E.Siva Sankaram, Chairman | 4 |
| 2. | Sri. J.S. Rao | 4 |
| 3. | 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 :

| S.No. | Name | Designation |
|-------|----------------------|-------------|
| 1. | Sri.E.Siva Sankaram | Chairman |
| 2. | Sri. B.V. Subbaiah | Member |
| 3. | Sri.J. Seshagiri Rao | Member |



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During the year under review the company has received any 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 Non-Executive Directors, with role and responsibilities duly defined and in accordance with the applicable statutory and other requirements.

| S.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 2008-09 (9 Months) are:
(Amt Rs.)

| Name of Director | Salary | HRA | Perks | Total |
|-------------------------|----------|-----|----------|----------|
| Mrs. J.Triveni | 5,40,000 | Nil | 3,43,523 | 8,83,523 |
| Mr. J.S. Krishna Murthy | Nil | Nil | 3,32,396 | 3,32,396 |

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 w.e.f from 27th June, 2005

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

(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 Financial Results of the Company are forwarded to the Bombay Stock Exchange 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.

10. GENERAL SHAREHOLDER INFORMATION:

| | | |
|---------------------------|---|---|
| a) Annual General Meeting | : | 26 th Annual General Meeting |
| Date | : | 29 th September, 2009 |
| Time | : | 11.45.A.M |
| Venue | : | Mellacheruvu (Village & Mandal), Nalgonda Dist, 508246, Andhra Pradesh. |