



Keerthi
Industries Limited
(Formerly known as Suvarna Cements Limited)

30th
Annual Report 2012-2013



Board of Directors

Sri. J.S.Rao	Managing Director
Sri. K.Harishchandra Prasad	Director
Sri. J.Sivaram Prasad	Director
Sri. E.Siva Sankaram	Director
Sri. Boddu Venkata Subbaiah	Director
Smt. J.Triveni	Executive Chairperson

Committees of the Board : Audit Committee

Sri. E.Siva Sankaram	Chairman
Sri. K.Harishchandra Prasad	Member
Sri. Boddu Venkata Subbaiah	Member

Remuneration Committee

Sri. K.Harishchandra Prasad	Chairman
Sri. E.Siva Sankaram	Member
Sri. Boddu Venkata Subbaiah	Member

Share Transfer & Investors' Grievance Committee

Sri. Boddu Venkata Subbaiah	Chairman
Sri.J.S.Rao	Member
Smt. J.Triveni	Member

Registered Office & Factory (Cement Division)

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

Administrative Office & Factory (Electronic Division)

Plot No.40, I.D.A, Balanagar, Hyderabad-500 037.
Tel: 040-23076543,
E-mail ID: general@keerthiindustries.com
kilinvestorservices@gmail.com

Bankers

Canara Bank
Andhra Bank
Indian Bank

Auditors

M/s. K.S.Rao & Co.,
Chartered Accountants
Hyderabad.

Cost Auditors (Cement)

M/s. Narasimha Murthy & Co.,
Cost Accountants
Hyderabad.

Cost Auditors (Power)

M/s. BV Rao & Co
Cost Accountants
Hyderabad.

Registrar & Share Transfer Agents

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

ISIN

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NOTICE

NOTICE is hereby given that the 30th Annual General Meeting of Shareholders of the Company will be held on Monday the 29th July, 2013 at 11:00 AM at the Registered Office 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, 2013 and the Statement of Profit and Loss Account for the year ended on that date together with the Notes, Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri K Harishchandra Prasad, Director who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri B V Subbaiah, Director 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 Special Resolution:**

“RESOLVED THAT in accordance with section 198,269,309 and 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act,1956 the consent of the members be and is hereby accorded for payment of remuneration of ₹4,00,000/- P.M (inclusive of all allowances, amenities and perquisites) to Sri. J S Rao, Managing Director as per the terms approved by the members at the 29th Annual General meeting of the company held on 29th September, 2012 as minimum remuneration for the period 13th August, 2012 to till the completion of his term on 10th May, 2015 in view of the company having no profits during the financial year ended 31st March, 2013 and in the event company having no profits or inadequate profits during any subsequent financial year in which his present term is completed.”

“FURTHER RESOLVED THAT Sri J S Rao Managing Director or company Secretary of the Company be and are hereby authorized severally to

take all such steps as may be necessary, proper and expedient to give effect to the above resolutions”

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

“Resolved that in accordance with section 198,269,309 and 310 and other applicable provisions, if any, read with schedule XIII of the Companies Act,1956 the consent of the members be and is hereby accorded for payment of remuneration of ₹4,00,000/- p.m (inclusive of all allowances, amenities and perquisites) to Smt. J Triveni, Executive Chairperson as per the terms approved by the members at the 29th Annual General meeting of the company held on 29th September 2012 as minimum remuneration for the period 13th August, 2012 to till the completion of her term on 10th May, 2015 in view of the company having no profits during the financial year ended 31st March, 2013 and in the event company having no profits or inadequate profits during any subsequent financial year in which her present term is completed.”

“FURTHER RESOLVED THAT Sri J S Rao Managing Director or company Secretary of the Company be and are hereby authorized severally to take all such steps as may be necessary, proper and expedient to give effect to the above resolutions”

By Order of the Board of Directors

Place: Hyderabad
Date: 29-05-2013

Sd/-
(J. S.Rao)
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) Proxies in order to be effective should be received by the Company at its registered office not less than 48 hours before the commencement of the meeting.
- c) The Register of Members and Share Transfer Books of the Company will remain closed from 24th July, 2013 to 28th July, 2013 (both days inclusive).
- d) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing



their representatives to attend and vote at the Annual General Meeting.

- 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 at least four days before the meeting to enable the management to keep the information ready
- f) The Ministry of Corporate Affairs vide circular nos. 17/2011 and 18/2011 dated, April 21 and April 29, 2011 respectively, has undertaken a Green Initiative in Corporate Governance and allowed companies to share documents with its shareholders through an electronic mode. Being a company with a focus on the environment and eco-sustainability, the Company proposes to send documents such as the notice of the Annual General Meeting, Audited Financial Statements, Directors Report, Auditors Report, etc., henceforth to the shareholders in electronic form in lieu of the paper form to the Members who are holding Company's share(s) in electronic form and have registered their email address in the records of the Depository which has been made available to us by them. Going forward, the shareholder communication would be sent in electronic form to Member's email address. Please inform any changes to your email address to your Depository Participant from time to time. Those members who have not registered their email address with their Depository Participant are requested to register their email with their Depository Participants.
- g) The Securities Exchange Board of India has notified that the shareholders/transferee of shares (including joint holders) holding shares in physical form are required to furnish a certified copy of their PAN Card to the company/RTA while transacting in the securities market including transfer, transmission or any other corporate action. Accordingly, all the shareholders/ transferee of shares (including joint holders) are requested to furnish a certified copy of their PAN Card to the company/RTA.
- h) The annual report of your Company for the Financial Year 2012-13 would also be made available in the Company's website: www.keerthiindustries.com.
- i) Annexed hereto the explanatory Statement pursuant to provisions of section 173(2) of the Companies Act, 1956.

EXPLANATORY STATEMENT

Item No. 5 & 6.

As members will recall the appointment and terms of appointment, remuneration including terms of minimum remuneration of Sri.J S Rao, Managing Director and Smt. J Triveni, Executive Chairperson to their respective offices approved by the members by special resolution at their 27th Annual General meeting held on 30th September 2010 with effect from 11th May 2010 and increase of their remuneration by members in the 29th Annual General Meeting held on 29th September 2012 with effect from 13th August 2012, pursuant to section 269,309,310 read with Schedule XIII of the Companies Act 1956. During that time the managerial remuneration was well with in the limits as specified in the Companies Act, 1956 as the company had adequate profits. However, adverse impact from input cost, non availability of power, sluggish demand for cement put significant pressure on margins for the year ended 31st March 2013. In view of the same, it is necessary for the company to secure members approval by way of special resolution for payment of same Managerial remuneration as already approved by the members in the 29th Annual General Meeting held on 29th September 2012 as minimum remuneration for the part period in the financial 2012-13 commencing from 13th August 2012 and in the event of loss or inadequacy of profits in any later financial years up to respective terms of appointment (i.e 10th May 2015) of Sri J S Rao and Smt. J Triveni. The payment of minimum remuneration to concerned persons as stated above has the approval of the Remuneration committee of the Board of Directors. The resolutions are recommended for adoption by the members. The explanatory statement may be treated as notice of disclosure under section 302 of the Companies Act 1956.

The statement as required under Clauses 1(B) and 1(C) of Section II, Part II of the Schedule XIII of the Companies Act, 1956 with reference to the item no(s). 1, 2 and 3 are as follows:

I. GENERAL INFORMATION:

- (1) **Nature of Industry:** Manufacturing of Cement and printed circuit Boards
- (2) **Date or expected date of commencement of commercial production :** Existing Company,
- (3) **In case of new Companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. :** Existing Company, not applicable.



(4) Financial performance based on given indicators:

S. No.	Particulars	Audited Figure for 12 months period ended 31.03.2013 (₹ in lacs)	Audited Figure for 12 months period ended 31.03.2012 (₹ in lacs)	Audited Figure for 12 months period ended 31.03.2011 (₹ in lacs)
	Net sales/Income from operations	10769.28	17593.25	8353.84
	Other Income	55.78	48.71	40.68
	Total Expenditure (including adjustment of stock)	10971.62	13400.99	7056.40
	Interest	897.89	953.23	421.96
	Depreciation	1372.68	1356.95	669.51
	Profit/(loss) before Tax	2417.13	1930.79	246.65
	Provision for Tax	—	386.51	—
	a) Current Tax			
	Deferred Tax	36.98	435.24	69.46
	d) MAT Credit Write Down/ (Entitlement)		(107.72)	
	e) Income Tax provision for earlier year written back	0.96	22.79	(31.21)
	Net Profit/(loss)	2455.07	1193.97	208.40

(5) Export performance and net foreign exchange collaborations : Nil

(6) Foreign Investment of Collaborators, if any : Nil

II. INFORMATION ABOUT APPOINTEES:

1. Information about the Chairperson:

1	Background details	Smt. Jasti Triveni (age 50 years) is a graduate in Commerce and She is having 29 years of vast experience in the cement Industry. During her tenure, the operations of the company had turnaround and from the sick company status the Company has made tremendous progress due to her efforts. She is one among the promoters of Kaktiya Cement and Sugar Industries Limited
2	Past remuneration	Salary ₹4,00,000/- per month plus such percentage of commission & perquisites as approved by the members in the 29th Annual General Meeting.
3	Recognition or awards :	During her tenure as Managing Director of Keerthi Industries Ltd, the Company was awarded the best turnaround/revival of sick industry small/ medium scale for the year 2002-03 by FAPCCI from the hands of the then Hon'ble Chief Minister of Andhra Pradesh in reorganization of successful efforts in reviving sick unit.
4	Job profile and her suitability	Subject to the supervision and control of the Board of Directors, she functions as the Executive Chairperson of the Company. She has been participating in strategizing the company's growth trajectory besides overseeing of Board process and striking balance among the stakeholders. Smt. J Triveni is instrumental in the development of the Company. As a second generation entrepreneur and having long standing experience in the industry, she has hands-on experience to discharge her functions effectively.
5	Remuneration proposed	In the event of inadequacy of profits in any financial year, she will be paid ₹4,00,000/- per month as Salary inclusive of all the allowances commission & perquisites with effect from 13th August 2012 and up to 10th May 2015
6	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration of the key managers in the industry might have been fixed depends on divergent factors which are unknown to us; hence, could not be comparable. The proposed remuneration is broadly in tune with the current remuneration package of managerial persons of companies belongs to similar industries. Further it is commensurate with the qualification and experience and in accordance with the high competitive business scenario.



7	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any	Smt. J Triveni is a Promoter Director holding 2195379 shares consisting of 27.38% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, she does not receive any emoluments from the Company. However Shri J S Rao (Managing Director) and Ms. Sharada Govardhini (COO) are the relatives of the Chairperson.
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2. Information about the Managing Director:

1	Background details	Shri J.S. Rao, 60, Post Graduate in Engineering, is the Managing Director of Keerthi Industries Limited. Formerly he was Managing Director of Hyderabad Bottling Co. Limited for over 15 years. Under his able leadership and supervision, the company has undertaken many expansion activities and became the reputed corporate group.
2	Past remuneration	Salary ₹4,00,000/- per month plus such percentage of commission & perquisites as approved by the members in the 29th Annual General Meeting.
3	Recognition or awards :	He is associated with various reputed institutions and had elected as president of federation of Andhra Pradesh chambers of commerce and industry (FAPCCI). Several recognitions and accolades were under his credit for his achievements and outstanding performance.
4	Job profile and her suitability	Subject to the supervision and control of the Board of Directors, he oversees the operations of the Company and actualizes the operational plans into tangible results. Mr. JS Rao played a key role in expanding Keerthi Industries Ltd up to 1800 TPD after taking over from the old management. He has vast experience of about 30 years in cement and electronic industry and successfully handled the marketing, finance, purchase and human resource divisions.
5	Remuneration proposed	In the event of inadequacy of profits in any financial year, he will be paid ₹4,00,000/- per month as Salary inclusive of all the allowances commission & perquisites with effective from 13th August 2012 and up to 10th May 2015.
6	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case expatriates the relevant details would be w.r.t. the country of his origin)	The remuneration of the key managers in the industry might have been fixed depends on divergent factors which are unknown to us; hence, could not be comparable. The proposed remuneration is broadly in tune with the current remuneration package of managerial persons of companies belongs to similar industries. Further it is commensurate with the qualification and experience and in accordance with the high competitive business scenario.
7	Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any	Smt. J S Rao is a Promoter Director holding 3696825 shares consisting of 46.11% of the paid-up capital of the Company. Apart from receiving remuneration as stated above and dividend as a member of the Company, he does not receive any emoluments from the Company. However, Shri J Triveni(Executive Chairperson) and Ms. Sharada Govardhini (COO) are the relatives of the Managing Director.

III. OTHER INFORMATION:

1. Reasons for inadequacy of profits :

The cement industry which registered spectacular growth in double digits over the last few years entered a phase of deceleration with the demand slackening during the year 2012-13. The aberration in the growth according to experts is due to the general slowdown in the infrastructure and real estate sectors due to the rising cost of finance. The Reserve Bank of India had hiked the key rates - Repo and Reverse Repo almost 8 times in the recent years resulting in lending rates across all loans becoming costlier leading to a fall in demand. While on the one hand, the growth in demand dropped steeply, on the other hand, in anticipation of all round growth, the industry had ploughed in



substantial money to create additional capacities in the last 3 years. Sudden burst in capacity expansion coupled with low demand growth led to fierce competition for market share which resulted in prices dropping to unremunerative levels. The power restrictions imposed by APCPDCL has affected the operations of the company. Moreover, the non availability of sand due to restrictions on sand mining in the river beds for more than 4 months was also affected the construction industry and consequently, the capacity utilization of the company also fell to 55%. The Company's net income from the operations for the financial year 2012- 2013 was lower at ₹10769.28 Lakhs against ₹17593.25 Lakhs in the previous year registering a drop of 38.78%.

2. Steps taken or proposed to be taken for improvement:

- ❖ The company has already enhanced the capacity to 5,94,000 tones per annum and is well equipped to participate in the future growth.
- ❖ In order to circumvent the shortage / uncertainty of power supply in Andhra Pradesh, the company has entered an agreement with power traders as a substitute to APCPDCL for purchase of power at lower cost.
- ❖ Work is also apace on assured supply of coal to the company at competitive rates.
- ❖ Approvals are in pipeline for firing the substitute raw materials like pharma wastes/ sludge in the klin as a fossil fuel.
- ❖ Efforts are in pipeline to penetrate into unreached market through improved dealer network and overreach the bulky used industrial customers.

3. Expected increase in productivity and profits in measurable terms:

With steps taken by the Company on operations front in improving the operating parameters by increasing the efficiency through up gradation wherever feasible and ensuring supply of power by purchasing from power trading exchange at reasonable prices, fuel supply at relatively cheaper prices through the strategy of importing coal in bulk quantity and also through securing additional coal linkages from the domestic coal companies and utilization of cheaper combusting materials as a fusil fuels, it is expected that the cost of production will comedown resulting in increase in the profitability of the Company.

By Order of the Board of Directors

Place: Hyderabad
Date: 29-05-2013

Sd/-
(J. S.Rao)
Managing Director



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present your Company's 30th Annual Report for the Financial Year 2012-13 together with the Audited Balance Sheet as at 31st March, 2013 and the Profit & Loss Account for the year ended on that date.

FINANCIAL RESULTS:

(₹ in Lakhs)

	2012-13	2011-12
Net Operational Income	10769.28	17593.25
Other income	55.78	48.71
Profit before interest and depreciation	(146.56)	4240.97
Less: Interest	897.89	953.23
Less: Depreciation	1372.68	1356.95
Profit/(Loss) before taxation	(2417.13)	1930.79
Less : Provision for taxation including deferred tax liability	36.98	714.03
Less: short provision of earlier years	0.96	22.79
Net Profit/(Loss) after taxation	(2455.07)	1193.97
Less: Capital Redemption Reserve	150.00	—
Add: Surplus Brought Forward from previous years	3800.02	2606.05
Balance carried to Balance Sheet	1194.95	3800.02

OPERATIONS:

During the year 2012-13, Keerthi industries Ltd witnessed lackluster performance. While, our revenues decreased by 38.78% over the previous year, ₹1082.38 Lakhs of cash loss accrued on account of emaciated margins and lower demand and couple of other reasons in the cement division.

Cement Division: The production of Cement and Clinker were 3,29,357 MTS and 2,96,770 MTS respectively during the twelve months ended 31st March, 2013 as against 4,85,391 MTS and 4,28,303 MTS respectively during the previous year.

During the year under review the capacity of the Company was augmented at 55% of the installed capacity.

Wind Power: The Company has generated 32,76,684 units as against 34,88,954 units during the previous year .

Electronic Division: The Company produced 2233 sq.mts of Printed Circuit Boards as against 2087sq.mts during the previous year.

FUTURE PROSPECTS:

CEMENT DIVISION:

Country's cement production is likely to raise by 6.4 per cent this fiscal, 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 from its capacity enhancement project, which will enable the Company to meet the market demand for cement. The Sudden burst in capacity expansion in the industry situated in southern region coupled with low demand growth led to fierce competition for market share which resulted in prices dropping to unremunerative levels. The Company also continues to concentrate on cost reduction measures in all areas of production and distribution to protect and improve its profitability. However, exorbitant increase of input prices of cement and frequent power holidays are the major constraints to sustain in the market. However, the slew of economic reforms announced by the Government and expectation of RBI lowering interest rates will boost sentiments and kick start the sagging construction industry. Despite of few adverse conditions, your Directors are hopeful that the performance of the company would achieve satisfactory level.

ELECTRONIC DIVISION:

The Division is taking the necessary steps to streamline the operations and expects to improve the performance by increasing the sales volumes. The division has shown considerable progress in terms of sales turn over. The increase in turn over is a result of improved business from health care and defense sectors. There is an appreciable growth in the off take to these segments in the year under review. The division is optimistic in developing new customer base in the automobile segment. Development of new PCBs for the existing and new missile programs is under way for defense sector. The division is working closely with the indigenization team of Bharat Dynamics Limited, Bhanur for the introduction of these PCBs.

SUGAR DIVISION:

The Company has planned to install 3500 TPD integrated sugar mill, 50 KLPD ethanol Plant and 20 MW Co-generation power plant with an estimated cost of 319.92 Crores at Mosttor Village, Yadgir Dist in the state of Karnataka. Order for project preplanning has been given to M/s. MITCON



Consultancy Services Limited. The Company has secured In-principle approval from the Government of Karnataka for establishing the integrated sugar project. The company has purchased Acres 97 and 19 gunats of land for establishment of the project. The requisite approvals under Environment laws and other project related statutory compliance are under progress. Considering the operational difficulties, the Chief Director (Sugar), Department of Food and public distribution, Ministry of Consumer affairs, New Delhi has extended the validity period of our Industrial Entrepreneurs Memorandum (IEM) up to July 2014 whereby the unit should be commissioned and achieve the commercial production. The financial syndication for sugar division becomes a tedious task for the company in view of worst performance of cement division in general and in particular the lackluster performance of sugar industry. The company has been scouting for strategic partners for implementation of the said project.

DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Sri K Harishchandra Prasad and Sri. BV Subbaiah Directors of the Company would retire by rotation and, being eligible, offer themselves for re-appointment.

DIVIDEND:

In view of severe cash losses, your Board could not recommend any dividend for the financial year 2012-2013.

REDEEMABLE PREFERENTIAL SHARES:

The first installment of ₹30/- each on the first tranche of 500000, 9% non convertible redeemable preferential shares of ₹100/- each has paid on due date.

DEMAT OF SHARES:

The Equity Shares of your Company have been admitted by CDSL/NSDL for dematerialisation. All the Shareholders whose shares are in physical mode are requested to dematerialize their share holding through their depository participants so that it will improve the liquidity of our stock. The Board pleased to inform that in compliance with clause 5A of the listing agreement entered with Bombay stock exchange limited, 8832 unclaimed equity shares were dematerialized and the same are lying in the DEMAT suspense account. Shareholders are requested to claim their shares in DEMAT form by submitting their credentials with the Company/ RTA.

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 31st March, 2013, 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 31st March, 2013 on a going concern basis.

PUBLIC DEPOSITS:

Your Company has not invited any deposits from public / shareholders in accordance with the Section 58A of the Companies Act, 1956.

COST AUDITORS:

Cost Audit records have been maintained in respect of Cement and power divisions for the F.Y.2012-13. Pursuant to the directives of the Central Government and provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct the cost audit for the F.Y.2012-13.

REPLY TO AUDITOR'S QUALIFICATIONS:

Regarding Auditor's emphasis matter on confirmation of balances from Sundry Debtors, Sundry Creditors and for Loans and Advances, the same were subsequently collected, adjusted and paid.

AUDITORS:

M/s. K.S. Rao & Co., Chartered Accountants, Hyderabad, the present Auditors, retires at the ensuing Annual General Meeting, and is eligible for reappointment.