

**25th Annual Report
2009 - 2010**



SALGUTI
Industries Ltd.
Adding Value



NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the Members of the company will be held on Monday, the 27th day of September, 2010 at 11.00 A.M. at Sundaraiah Vignana Kendram, (Mini Hall) Bagh Lingampalli, Hyderabad - 500 044 to consider the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2010 and Audited Profit and Loss Account for the year ended on that date together with the Director's Report and Auditor's Report.
2. To appoint a Director in place of Sri V.R. Vasudevan, who retires by rotation and being eligible offers himself for re-appointment
3. To appoint a Director in place of Sri Laxmika Reddy, who retires by rotation and being eligible offers himself for re-appointment
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

BY THE ORDER OF BOARD OF DIRECTORS
for M/s. **SALGUTI INDUSTRIES LIMITED**

S.VISHNU VARDHAN REDDY
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 30th August, 2010

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THERE AT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
- 3) The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Saturday, 25th September 2010 to Monday, 27th September 2010 (both days inclusive).
- 4) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.



- 5) Members holding shares in physical form are requested to notify / send any change in their address to the Company's Share Transfer Agents, or to the Company at its registered office.
- 6) Members holding shares in dematerialization form are requested to notify/send any change in their address to the concerned depository participant(s).
- 7) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- 8) Corporate Members intend to send their authorized representatives to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting.
- 9) Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, the shareholders willing to avail this facility may make nomination in form 2B.
- 10) Shareholders / proxies should bring duly filled attendance slips sent herewith for attending the meeting along with the copies of Annual Reports to the Annual General Meeting.

ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

Brief Details of Directors seeking re-appointment at this Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement) :

1. Name : **Sri Laxmika Reddy**
Age : 55 years
Qualifications : B.Tech
Experience : 23years
Other Directorships : M/s. Vijaya Packaging Systems Limited
2. Name : **Sri. V.R. Vasudevan**
Age : 72 years
Qualifications : M.B.A.
Experience : 35years
Other Directorships : M/s. Pennar Cements Limited



DIRECTORS' REPORT

To
The Members,
SALGUTI INDUSTRIES LIMITED

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31st March, 2010.

FINANCIAL RESULTS REVIEW AND PROSPECTS

SIL's sales turnover for 2009-10 has increase to Rs. 7137.79 lakhs from Rs. 6836.94 lakhs recorded in 2008-09. The profit before tax for the year stood at Rs. 67.39 lakhs as compared to the previous year's level of 60.22 lakhs. The highlights of the financial results for the year under review are as follows:

(Rupees in Lakhs)		
Particulars	2009 – 10	2008 – 09
Turnover	7137.79	6836.94
Other Income	21.75	119.58
Expenditure	8128.40	7734.88
Profit before Tax	67.39	60.22
Less: Provision for Tax	11.26	53.89
Less: Provision for deferred Income Tax	23.34	38.25
Net Profit (after deferred tax)	32.79	15.05

DIVIDEND

As you are aware that the company is in the process of implementing the expansion project, your Directors have not recommended any dividend at this Annual General Meeting.

FIXED DEPOSITS

The Company has not invited/accepted any fixed deposits from the public in terms of Section 58A of the Companies Act, 1956.

EMPLOYEE PARTICULARS

None of the employees is in receipt of remuneration exceeding the limit and whose particulars are required to be given as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

DIRECTORS

Sri. V. R. Vasudevan and Sri. Laxmikar Reddy, Directors, whose period of office determined by rotation is due to retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.



DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. In the preparation of the annual accounts for the year ended 31st March, 2010, the applicable accounting standards have been followed and there are no material departures.
- ii. We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2010 and of the profit of the company for the financial year ended 31st March 2010.
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. We have prepared the annual accounts for the financial year ended 31st March, 2010 on a going concern basis.

CODE OF CONDUCT

Pursuant to the Listing Agreement entered into by the company with the Bombay Stock Exchange Limited, a declaration declaring that all the members of the Board and the Senior Management Personnel of the company have affirmed compliance with the Code of Conduct of the Company, is forming part of the Corporate Governance Report attached herewith.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis Report is given below:

I. COMPANY'S PRODUCTS / SERVICES

- * **Plastic Division:** Our Company Manufacturing HDPE/PP Woven sacks for packing of Fertilizers & Cement.
- * **Textile Division:** Our Company Manufacturing Cotton grey fabric for garments and Suiting & Shirting suppliers.

II. INDUSTRY STRUCTURE AND DEVELOPMENT:

- * **Plastic Sector:**
Historically, only metals were commercially available materials for use in demanding medical applications. Contemporary technology offers clear advantages over conventional mode of production. Today, plastic is replacing metals in many medical devices. Despite increasing acceptance of plastics by the industry, there is still enormous scope for replacement of metals by performance plastics. These plastics can provide various functional improvements at lower costs while meeting biocompatibility requirements. Recent research in performance plastics shows that there are newer materials, which can withstand rough handling, multiple cleaning, disinfection, and sterilization cycles without significant loss of properties. This also opens up new opportunities in single-use as well as multi-use and reusable devices.



* **Textile Sector:**

The Textile industry occupies an important place in the Economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. The textile industry encompasses a range of industrial units, which use a wide variety of natural and synthetic fibres to produce fabrics. The textile industry can be broadly classified into two categories, the organized mill sector and the unorganized mill sector. Considering the significance and contribution of textile sector in national economy, initiative and efforts are being made to take urgent and adequate steps to attract investment and encourage wide spread development and growth in this sector.

III. OUTLOOK FOR THE INDUSTRY

* **Plastic**

The global market for specialty plastics has shown considerable growth with continuous product and application development. The Indian market for performance plastics is still a very small percentage of the global market. Lack of product awareness, availability issues, high price, smaller base of end-user industries such as Healthcare, are some of the factors that have restricted the growth of this market. This trend is likely to change with changing consumer needs and an increase in the number of end-user industries, coupled with the functional and regulatory compliance norms that these plastics are required to meet.

* **Textile**

The Indian textile industry has started showing signs of revival and it has become the first sector in the country to rebound. The continuous improvement and investment in weaving and processing will help to meet the demand of quality textiles, which will give an edge to the Indian textile industry over competitors. Upgrading technology and infrastructure is an ongoing process and, with the added support of Government bodies it should boost the Indian textile further.

IV. FUTURE PLANS

We are trying to focus on cost cutting strategies, development of new markets and maintaining the quality of our fabrics to satisfy and exceed the expectations of the market and look forward to a better market sentiment for textile fabrics.

V. EXPANSION:

The Company has undertaken expansion of their plastic Unit-I, in Bollaram Industrial Estate by installing additional tape plant and circular looms. Commercial production of the said expansion shall be commenced from September 2010.

CORPORATE GOVERNANCE

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with the Stock Exchanges. A separate section on Corporate Governance and Management Discussion and Analysis together with a certificate from the Statutory Auditor's confirming compliance is set out in the Annexure forming part of this report.

CEO/CFO CERTIFICATION

The Board has recognized Managing Director of the Company as CEO for the limited purpose of Compliance under the Listing Agreement. The CEO has certified, in terms of revised clause



49 of the listing agreement, to the Board that the financial statements present a true and fair view of the company's affairs and are in compliance with existing accounting standards, internal control and disclosures.

STOCK EXCHANGE

The Company's present Equity shares are listed in Bombay Stock Exchange and the Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2010-11.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate internal control systems and procedures in all operational areas and at all levels – equipments procurement, finance, and administration, marketing and personnel departments. The Company also has internal Audit system commensurate with its size and nature of business. The internal audit function will be done by a firm of Chartered Accountants. The Audit Committee reviews the internal audit reports and the adequacy of internal controls from time to time.

AUDITORS

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1) (E) OF THE COMPANIES ACT, 1956**(a) Conservation of Energy:**

All necessary measures for conservation of energy are taken by the company.

(b) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in the biopharmaceutical sector.

(c) Foreign Exchange Earnings & Outgo:

- (i) Foreign exchange earnings : Rs 88,87,069/- towards export sales.
- (ii) Foreign Exchange out go : NIL

PERSONNEL

The relationship between the management and the staff was very cordial throughout the year under review. Your Directors take this opportunity to record their appreciation for the cooperation and loyal services rendered by the employees.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation of the continuous assistance and co-operation extended to your Company by the valued customers, bankers, Reserve Bank India, SEBI, Bombay Stock Exchange Limited and all other regulatory Authorities. The Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

On behalf of the Board

Place: Hyderabad

Date: 30th August, 2010

S.Vishnu Vardhan Reddy
Managing Director

S.Rajita Reddy
Whole-Time Director



REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

SIL has been committed to the highest standard of Corporate Governance practices in the entire gamut of its business philosophy. The guiding forces of Corporate Governance at SIL are its core values – Quality operations, Customer satisfaction, Shareholders' value, Belief in people. The Company believes that a strong Corporate Governance policy is indispensable to healthy growth of business and resilient and vibrant capital markets, besides being an important instrument of investor protection. In this direction, SIL endeavors in true spirit, to adopt the best global practices in Corporate Governance.

2. Board of Directors

A. Composition

- The Company has 6 Directors with an Executive Chairman, Of 6 Directors, 3 (i.e.50%) are Non-Executive and Independent Directors. The composition of the Board is in conformity with clause 49 of the Listing Agreements entered into with the Stock Exchanges and meets the stipulated requirements.
- None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2009.
- The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Composition and category of Directors on the Board for the year 2009-10 are given below:

Name of the Director	Category	Number of Directorships in other Companies	Number of Board Committee memberships held in other Public Companies
<i>Sri. S. Gopal Reddy</i>	Promoter & Executive Director	2	Nil
<i>Sri S. Vishnu Vardhan Reddy</i>	Promoter & Executive Director	3	Nil
<i>Smt. S. Rajita Reddy</i>	Promoter & Executive Director	4	Nil
<i>Sri. V. R. Vasudevan</i>	Non-Executive Independent Director	1	1
<i>Sri. M. Laxmika Reddy</i>	Non-Executive Independent Director	1	1
<i>Sri C. Karunakar</i>	Non-Executive Independent Director	Nil	1



- a. Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company.

During the Financial Year 2009 - 10 the Board of Directors met Five times on 30th April 2009, 30th July 2009, 1st September 2009, 30th October 2009 and 30th January 2010

- b. The time gap between any two Board Meetings did not exceed three months.

**Attendance of Directors at Board Meetings during the year under review,
and at the last Annual General Meeting (AGM) held
on 29th September, 2009.**

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
Sri. S. Gopal Reddy	5	Yes
Sri S. Vishnu Vardhan Reddy	5	Yes
Smt. S. Rajita Reddy	5	Yes
Sri. V. R. Vasudevan	3	No
Sri. M. Laxmika Reddy	5	Yes
Sri C. Karunakar	2	No

Board's Procedure

Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

3. Audit Committee

- I). The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

- II) The terms of reference of the Audit Committee include a review of;

- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.



- Reviewing with management the annual financial statements before submission to the Board, focusing on:
 - i Any changes in accounting policies and practices;
 - ii Qualification in draft audit report;
 - iii Significant adjustments arising out of audit;
 - iv The going concern concept;
 - v Compliance with accounting standards;
 - vi Compliance with stock exchange and legal requirements concerning financial statements;
 - vii Any related party transactions
 - Reviewing the company's financial and risk management's policies.
 - Disclosure of contingent liabilities.
 - Reviewing with management, external and internal auditors, the adequacy of internal control systems.
 - Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
 - Discussion with internal auditors of any significant findings and follow-up thereon.
 - Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - Reviewing compliances as regards the Company's Whistle Blower Policy.
- III) The previous Annual General Meeting of the Company was held on 29th September 2009 and Sri. M. Laxmika Reddy, Chairman of the Audit Committee, attended previous AGM.
- IV) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

Composition

The Company has constituted an Audit Committee comprising of the following three Non-Executive Independent Directors.

S.No.	Name of the Director	Designation	Nature of Directorship
1	Sri. M. Laxmika Reddy	Chairman	Non-Executive & Independent Director
2	Sri. V. R. Vasudevan	Member	Non-Executive & Independent Director
3	Sri C. Karunakar	Member	Non-Executive & Independent Director