

**26th Annual Report  
2010 - 2011**



**SALGUTI**  
**Industries Ltd.**

**Adding Value**



## **SALGUTI INDUSTRIES LIMITED**

### **BOARD OF DIRECTORS**

Sri S.Gopal Reddy  
Sri S. Vishnu Vardhan Reddy  
Smt S. Rajita Reddy  
Sri V.R. Vasudevan  
Sri M. Laxmika Reddy  
Sri. C. Karunakar

Chairman  
Managing Director  
Whole Time Director  
Director  
Director  
Director

### **REGISTERED OFFICE**

1-2-288/6/4, Domalguda, Hyderabad - 500 029.  
Ph : 040-27635939, 040-27630629, Fax : 040-27630629  
Website : salguti.com

### **FACTORY (PLASTICS)**

UNIT I Plot No: 154/A2,  
Sri Venkateswara Indl. Estate,  
BOLLARAM,  
Medak District.

UNIT II Survey No. 548/A,  
Mudireddypalli Village,  
Balanagar Mandal,  
Mahaboob Nagar Dist.

### **FACTORY (TEXTILES) :**

Plot No: 310/311,  
Gollapally Village,  
Jadcherla Mandal,  
Mahaboobnagar Dist.

### **WEBSITE**

[www.salguti.com](http://www.salguti.com)

### **BANKERS**

Andhra Bank, Bank of Baroda, Oriental Bank of Commerce

### **AUDITORS**

**M/s. P. Murali & Co.,**  
Chartered Accountants  
6-3-655/2/3, Somajiguda, Hyderabad -500 082. Ph : 23326666 Fax : 040-23392474

### **SHARE TRANSFER AGENTS**

**Aarthi Consultants Pvt. Ltd. ,**  
1-2-285, Domalguda, Hyderabad - 500 029.  
Ph : 040 - 27642217, 27638111 Fax : 040 - 27632184  
E-mail : [info@arthiconsultants.com](mailto:info@arthiconsultants.com)

### **LISTED ON :**

Bombay Stock Exchange Limited (BSE), Mumbai



## **NOTICE**

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of the company will be held on Tuesday, the 27<sup>th</sup> day of September, 2011 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 31<sup>st</sup> March, 2011 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 Smt. S. Rajitha Reddy, who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Sri C. Karunakar, 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.

### **SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass, with or without modifications, the following resolution as an Special Resolution:

"RESOLVED THAT in modification of the resolution passed at the Annual General Meeting of the Shareholders of the Company held on 30th September 2006, consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company pursuant to Section 293(1)(d) and other applicable provisions of the Companies Act, 1956, for borrowing from time to time, any sum or sums of money for the purposes of the Company upon such terms and conditions and with or without security as the Board of Directors may in its discretion think fit, not withstanding, that the money or monies to be borrowed by the Company (apart from the Temporary loans obtained or to be obtained from time to time from the Company's Bankers in the ordinary course of business) together with the money already borrowed, may exceed the aggregate of the Paid-up share Capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose(s), provided however that the money or monies to be borrowed by the Company together with the money already borrowed shall not, at any time exceed Rs.100 Crores (Rupees One Hundred Crores only).

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things, as well as to execute all such documents, instruments and writings as may be required in order to give effect to the above resolution."

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

**S.VISHNU VARDHAN REDDY**  
MANAGING DIRECTOR

PLACE : HYDERABAD  
DATE : 2<sup>nd</sup> September, 2011

**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, 24<sup>th</sup> September 2011 to Tuesday, 27<sup>th</sup> September 2011 (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.

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM No. 5**

As per the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Public Company cannot borrow money (a part from temporary loans obtained from the Company's Bankers in the ordinary course of business) in excess of the Company's Paid-up Capital and Free Reserves ( that is reserves not set apart for any specific purpose) without the consent of the shareholders in the General Meeting. The shareholders of the Company at the Annual General Meeting held on 30th September 1996 authorized the Board of Directors to borrow upto Rs.50



Crores. In view of the various proposals for acquisition and expansion activities by the company the Debts may exceed the Paid up Capital and Free Reserves of the Company and further with this resolution the Company may avail further loans from the Banks/Financial Institutions or any other Lenders for business purposes, hence, it is considered necessary to enhance the said borrowing limits of the Board of Directors to Rs.100 Crores.

The Resolution set out at item No.5 of the notice is put forth for consideration of the members as a Special resolution pursuant to section 293(1)(d) of the Companies Act, 1956, authorizing the Board of Directors to borrow upto a sum of Rs.100 Crores.

Your Directors recommend the above Resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the said resolution.

### **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 : **Smt. Rajitha Reddy**  
Age : 50 years  
Qualifications : B.Com., A.C.A.  
Experience : 27 years  
Other Directorships : M/s. Salguti Builders Private Limited  
M/s. Salguti Finance & Investments Pvt. Ltd.  
M/s. Salguti Textiles Pvt. Ltd.  
M/s. Kissan Oil Refineries Pvt. Ltd.
2. Name : **Sri C. Karunakar**  
Age : 41 years  
Qualifications : M.Com.  
Experience : Experience in Business Management  
Other Directorships : .....



## **DIRECTORS' REPORT**

To  
**The Members,**  
**SALGUTI INDUSTRIES LIMITED**

Your Directors have pleasure in presenting the Twenty Sixth Annual Report together with the Audited Balance Sheet, Profit & Loss Account and Cash Flow Statement for the financial year ended 31<sup>st</sup> March, 2011.

### **FINANCIAL RESULTS REVIEW AND PROSPECTS**

Your company has recorded a gross turn over of Rs 7415.73 lakhs for the year ended 31st March, 2011 against a gross turn over of Rs. 7137.79 Lakhs last year. The turnover has increased up by 277.94 lakhs in this financial year as compared to the last year. Net profit figure 20.91 lakhs in this year after setting of a depreciation of Rs. 172.96 Lakhs.

From the financial prospective, the highlights of the financial results for the year under review are as follows:

| <b>(Rupees in Lakhs)</b>                |                  |                  |
|-----------------------------------------|------------------|------------------|
| <b>Particulars</b>                      | <b>2010 – 11</b> | <b>2009 – 10</b> |
| Turnover                                | 7415.73          | 7137.79          |
| Other Income                            | 22.53            | 21.75            |
| Expenditure                             | 9144.62          | 8128.40          |
| Profit before Tax                       | 68.62            | 67.39            |
| Less: Provision for Tax                 | 13.74            | 11.26            |
| Less: Provision for deferred Income Tax | 33.97            | 23.34            |
| Net Profit (after deferred tax)         | 20.91            | 32.79            |

### **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**

Smt. Rajitha Reddy and Sri C. Karunakar, 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 31<sup>st</sup> March, 2011, 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 31<sup>st</sup> March 2011 and of the profit of the company for the financial year ended 31<sup>st</sup> March 2011.
- 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 31<sup>st</sup> March, 2011 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.

**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.

**MANAGEMENT DISCUSSION AND ANALYSIS**

A detailed section on 'Management Discussion and Analysis' (MDA), pursuant to Clause 49 of the Listing Agreement forms part of this Annual Report.

**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 2011-12.



### 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 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 : 33502.00 EURO
- (ii) Foreign Exchange out go : Rs. 9583667/-

### 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.

| Particulars            | INR |
|------------------------|-----|
| Foreign Travel         | Nil |
| Purchase of Equipments | Nil |
| Membership Fee         | Nil |
| TOTAL                  | Nil |

### 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: 2<sup>nd</sup> September, 2011

**S.Vishnu Vardhan Reddy**  
Managing Director

**S.Rajita Reddy**  
Whole-Time Director





## **THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **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:** Manufacturing HDPE/PP Woven sacks for packing of Fertilizers, Cement, Food Grains etc.
- \* **Textile Division:** Manufacturing Cotton grey fabric for garments, Bed Linen and Furnishings.

#### **II. INDUSTRY STRUCTURE AND DEVELOPMENT:**

- \* **Plastic Sector:**

Today, plastic is replacing all the available alternative packaging like Jute , paper etc because of its abundant easy availability at most competitive prices and high durability. Also plastic woven sacks offers scope for improved printing and eliminates denting formation during stacking , transportation etc. There is a bright future for plastic packing in various sectors.

- \* **Textile Sector:**

The Textile industry occupies a 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 & garments.

#### **III. OPPORTUNITIES AND THREATS**

##### **PLASTIC SECTOR:**

Today Plastics has more or less replaced jute packing in cement, & fertilizer and partly in food grain sector. Taking into account jute sack shortages and the dilutions by JPMA, It is estimated that there will be massive increase in demand for polypropylene and high density polythene bags in future.

##### **(I) CEMENT PACKING:**

Plastics bags consumption for cement storage rose steadily over the quarter of the last decade due to increase in demand for packaged cement. India with a large number of pipeline infrastructure projects has sustained a favourable growth in infra related areas even in times of economic recession, resulting in steady increasing demand for plastic packing material.

##### **(ii) FERTILIZER PACKING:**

Fertilizer industry provides a rich market for plastic woven sacks. In case of composite fertilizers, the Jute packing has been totally replaced by high density polythene bags whereas incase of urea only 80% is replaced because of obstacle posed by the government regulation.

##### **(iii) FOOD GRAINS:**

Food grain packing is a big business in India, as nearly 76% of the population is directly dependant on agriculture and related industries. Steadily decline in jute production is resulting



- in increased demand for plastics packaging of food grains. It is estimated that 337 MMT of food grains will be produced by 2011-12 resulting in a heavy demand for plastics packaging.

## **TEXTILE SECTOR**

### **Opportunities:**

1. Growth rate of Domestic Textile Industry is 6-8% per annum.
2. Large, Potential Domestic and International Market.
3. Product development and Diversification to cater global needs.
4. Elimination of Quota Restriction leads to greater Market Development.
5. Increased Disposable Income and Purchasing Power of Indian Customer opens New Market Development.
6. Emerging Retail Industry and Malls provide huge opportunities for the Apparel, Handicraft and other segments of the industry.
7. Greater Investment and FDI opportunities are available.

### **Threats:**

1. Competition from other developing countries, from Vietnam and Bangladesh.
2. Continuous Quality Improvement is need of the hour as there are different demand patterns all over the world.
3. Elimination of Quota system will lead to fluctuations in Export Demand.
4. Threat for Traditional Market for Power loom and Handloom Products and forcing them for product diversification.
5. Geographical Disadvantages.
6. International labor and Environmental Laws.
7. To balance the demand and supply.
8. To make balance between price and quality.

## **IV. FUTUTE PLANS:**

We are trying to focus on cost cutting in plastic sector by research and use of different grades of raw material to produce packing material of desired strength. In textile sector we are trying to cater to specific segments where margins are high which shall improve our bottom lines.

## **V. EXPANSION:**

### **(i) PLASTICS:**

We have completed the expansion undertaken in the Plastic Unit-I, Bollaram Industrial Estate by installing additional tape plant and circular looms. Commercial production of the said expansion has commenced from November 2010.

### **(ii) TEXTILES SECTOR:**

We have also envisaged expansion in textile sector by setting up of new airjet looms to balance and utilize the available spare preparatory capacity. Commercial production is expected to commence from December 2011.