

24th Annual Report 2008 - 2009

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SALGUTI
Industries Ltd.

Adding Value

(FORMERLY KNOWN AS SALGUTI PLASTICS LIMITED)



SALGUTI INDUSTRIES LIMITED

SALGUTI INDUSTRIES LIMITED

BOARD OF DIRECTORS

Sri S.Gopal Reddy	Chairman
Sri S. Vishnu Vardhan Reddy	Managing Director
Smt S. Rajita Reddy	Whole Time Director
Sri V.R. Vasudevan	Director
Sri M. Laxmika Reddy	Director
Sri. C. Karunakar	Director

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

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.

SHARE TRANSFER AGENTS

Aarthi Consultants Pvt. Ltd. ,
1-2-285, Domalguda, Hyderabad - 500 029.
Ph : 040 - 27634445, Fax : 040 - 27632184

LISTING AT :

Bombay Stock Exchange Limited

SALGUTI INDUSTRIES LIMITED**NOTICE**

NOTICE is hereby given that the 24th Annual General Meeting of the Members of Salguti Industries Limited will be held on Tuesday, the 29th day of September, 2009 at 12.00 Noon 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, 2009 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Smt. S. Rajita Reddy, who retires by rotation and being eligible offers herself for reappointment
3. To appoint a Director in place of Sri V.R. Vasudevan who retires by rotation and being eligible offers himself for reappointment
4. To appoint Auditors and fix their remuneration.

Report

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

S.VISHNU VARDHAN REDDY
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 01-09-2009

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) PROXIES TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
- 3) The Register of Members and Share Transfer Books of the company will remain closed from 25th September, 2009 to 29th of September, 2009. (both days inclusive)
- 4) 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.

**SALGUTI INDUSTRIES LIMITED**

- 5) 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.
- 6) At the ensuing Annual General Meeting Smt. S. Rajita Reddy and Sri V.R. Vasudevan retire by rotation and being eligible offer themselves for reappointment. Pursuant to Clause 49 of the Listing Agreement, brief profile of these Directors is given below:

**ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE
LISTING AGREEMENT:**

As required under the Listing Agreement, the particulars of Directors who are proposed to be re-appointed are given below:

1. Name : **Smt. S. Rajita Reddy**
Age : 48 years
Qualifications : B.Com., A.C.A.
Experience : 25years
Other Directorships : Director in Salguti Builders (P) Ltd.
2. Name : **Sri. V.R. Vasudevan**
Age : 72 years
Qualifications : M.B.A.
Experience : 35years
Other Directorships : Director in Pennar Cements Ltd.



DIRECTORS' REPORT

To
The Members

Your Directors have great pleasure to present the 24th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2009.

PRODUCTION RESULTS :

Your company has achieved production of 5296 MT in plastics division and 1320.44 MT in textile division during the year 2008-2009.

FINANCIAL RESULTS / PERFORMANCE OF THE COMPANY

	Year Ended 31-03-2009 (Rs. in Lakhs)	Year Ended 31-03-2008 (Rs. in Lakhs)
Turnover	6836.94	4784.68
Other Income	119.58	133.51
Profit before Tax	60.22	(11.57)
Provision for Taxation	6.33	---
Profit AfterTax	53.89	(11.57)
Provision for deferred income tax	38.25	46.01
Profit after deferred tax	15.05	(58.24)

FUTURE PLANS

Your Company is proposing to increase the manufacturing capacity at their Plastic Plant Unit II at Mudireddypally Village, Balanagar Mandal, Mahboobnagar Dist, by replacing the old tape plant with higher capacity new tape plant and additional looms.

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT :

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

A. INDUSTRY OUTLOOK

I. PLASTIC SECTOR:

HDPE / PP industry has grown stronger during the previous years with the support of cement and fertilizer industries and food grains sector. Bright future is foreseen for HDPE/PP industry, with the growing demand from cement and fertilizers industry who have expanded their capacities immensely.

II. TEXTILE SECTOR:

The Indian textile industry is reeling under pressure due to global recession. Better outlook is projected due to the anticipated economic recovery during 2009 - 2010.



B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has adequate internal control systems commensurate with the size of its operations and for the purpose of exercising adequate controls on the day-today operations. Systems are regularly reviewed to ensure effectiveness.

C. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

Human resource development is a primary area of focus for the Company. The company recruited senior level and other functional specialists during the year. The Human relations in the organisation have been cordial. The total number of persons employed in the company as on 31 st March, 2008 were 97.

ADDITIONAL INFORMATION AS REQUIRED U/S 217(1)(e) OF THE COMPANIES ACT, 1956

- (a) Conservation of Energy: The company is monitoring the consumption of energy and is identifying areas for conservation of energy.
- (b) (i) Research and Development (R & D) : NIL
 - (ii) Technology Absorption, adaptation and innovation:- No technology either indigenous or Foreign is involved.
- (c) (i) Foreign exchange earnings : NIL
 - (ii) Foreign Exchange out go : Rs.

STATEMENT PURSUANT TO LISTING AGREEMENT

Presently the company's Equity shares are listed on the Bombay Stock Exchange Limited, Mumbai (BSE) and the company paid the Annual Listing Fees upto 2008-09 to the above Stock Exchange.

CORPORATE GOVERNANCE

In order to bring more transparency in the conduct of business, the Stock Exchanges have amended the listing agreement incorporating the code of corporate governance to listed companies. Your Company has always been committed to the best practices in the governance of its affairs. Your company had taken steps and complied with most of the recommendations during the year. For the year under review, the Compliance Report is provided in the Corporate Governance section in this Report. The Auditors' Certificate on compliance with the mandatory requirements of Corporate Governance is given in "Annexure "A" to this Report."

PARTICULARS OF EMPLOYEES

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs. 2,00,000/- or more per month if employed for a part of the year.

SALGUTI INDUSTRIES LIMITED**AUDITORS**

M/s. P. Murali & Co., Chartered Accountants, retiring auditors of the Company being eligible offer themselves for appointment as statutory auditors of the Company. M/s. P. Murali & Co., Chartered Accountants have furnished a certificate of their eligibility u/s 224(1B) of the Companies Act, 1956. The members are requested to reappoint the auditors and authorize the Board of Directors of the Company to fix their remuneration.

DIRECTORS

Smt. S. Rajita Reddy and Sri V.R. Vasudevan retire by rotation and being eligible offer themselves for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT

- i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are 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 or Loss of the company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis.

DEPOSITS

The company has not accepted any fixed deposits as on 31st March 2009.

ACKNOWLEDGEMENTS

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Banks, the Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their sense of appreciation for the sincere services of all employees of the Company.

for and on behalf of the Board
M/s. SALGUTI INDUSTRIES LIMITED

S. VISHNU VARDHAN REDDY
MANAGING DIRECTOR

S. RAJITA REDDY
WHOLE TIME DIRECTOR

PLACE : HYDERABAD.
DATE : 01-09-2009.

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ANNEXURE - "A" TO DIRECTORS REPORT- CORPORATE GOVERNANCE **(Pursuant to Clause 49 of the Listing Agreement)**

1. Company's Philosophy on code of governance :

The company believes that strong corporate governance is indispensable for healthy business growth and to be resilient in a vibrant capital market and is an important instrument of investor protection. The Companies activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a truly software Company the company stands by transparency in all its dealings and strict regulatory compliance.

The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under clause 49 of the Listing Agreements with the Stock Exchanges. With the adoption of whistle blower policy the company has moved further in its pursuit of excellence in corporate governance.

2. BOARD OF DIRECTORS

- a) 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.
- b) 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.
- c) 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.

Name of the Director	Category	Relationship with other Directors	No. of Other Director ships	No. of Committees In which member	*Associated with other committees of Public Limited Company	
					Member	Chairman
Sri.S.Gopal Reddy	Promoter/ Executive	Father of S.Vishnuvardhan Reddy	2	Nil	Nil	Nil
Sri S. Vishnuvardhan Reddy	Promoter/ Executive	Son of S. Gopal Reddy	3	Nil	Nil	Nil
Smt.S.Rajitha Reddy	Promoter/ Executive	Wife of S. VishnuvardhanReddy	4	Nil	Nil	Nil
Sri.V.R.Vasudevan	Non-Executive/ Independent	None	1	1	Nil	Nil
Sri.M.Laxmika Reddy	Non-Executive/ Independent	None	1	1	Nil	Nil
Sri C. Karunakar	Non-Executive/ Independent	None	Nil	1	Nil	Nil

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- d) Five Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows: 28th April 2008, 30th July, 2008, 1st September 2008, 31st October 2008 and 30th January, 2009.

Number of Board meetings held and attendance of the Directors during the Financial Year 2008-2009

Name of the Director	No. of Meetings held	No. meetings attended	Presence at AGM
Sri.S.Gopal Reddy	5	4	Yes
Sri S.Vishnuvardhan Reddy	5	5	Yes
Smt.S.Rajitha Reddy	5	5	Yes
Sri.V.R.Vasudevan	5	3	No
Sri.M.Laxmika Reddy	5	4	Yes
Sri. C. Karunakar	5	4	No

- e) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company
- c) During the year, information as mentioned in Annexure1A to Clause 49 of the Listing Agreements has been placed before the Board for its consideration.

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:
 - Any changes in accounting policies and practices;
 - Qualification in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern concept;
 - Compliance with accounting standards;
 - Compliance with stock exchange and legal requirements concerning financial statements;
 - 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.



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- i. 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.
 - j. Discussion with internal auditors of any significant findings and follow-up thereon.
 - k. Reviewing the findings of any internal investigation 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.
 - l. 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.
 - m. Reviewing compliances as regards the Company's Whistle Blower Policy.
- III) The previous Annual General Meeting of the Company was held on 27th September 2008 and Mr. 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:

Name of the Director	Designation	Nature of Directorship
Sri.M.Laxmika Reddy	Chairman	Non-Executive Independent Director
Sri V.R.Vasudevan	Member	Non-Executive Independent Director
Sri.C. Karunakar	Member	Non-Executive Independent Director

- V) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: April 28, 2008, July 30, 2008, October 30, 2008 and January 30, 2009.

Attendance during the year 2008-09 :

Name	Number of meetings held during the year	Number of meetings attended during the year
Sri.M.Laxmika Reddy	4	4
Sri.V.R. Vasudevan	4	3
Sri. C. Karunakar	4	4

The Necessary quorum was present at all the meetings

4. Remuneration Committee

The Company has constituted Remuneration Committee to decide, fix the remuneration payable to the Managing / Whole Time Directors of the company.

However, the Remuneration of the Managing / Whole Time Directors is subject to approval of the board and of the company in the General Meeting and such approvals as may be necessary.

The Remuneration Committee consists of the following Directors.

S.No.	Name of the Director	Designation
1.	Sri.M.Laxmika Reddy	Chairman
2.	Sri V.R.Vasudevan	Member
3.	Sri. C. Karunakar	Member