



Board of Directors

Smt. J.Triveni	Executive Chairperson (w.e.f.11.05.2010)
Sri. J.S.Rao	Managing Director (w.e.f.11.05.2010)
Sri. K.Harishchandra Prasad	Director
Sri. J.Sivaram Prasad	Director
Sri. E.Siva Sankaram	Director
Sri. Boddu Venkata Subbaiah	Director

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: keerthi_ltd@yahoo.co.in

Bankers

Canara Bank
Andhra Bank
Indian Bank

Auditors

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

Cost Auditors

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

Registrar & Share Transfer Agents

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

ISIN

INE145L01012



NOTICE

NOTICE is hereby given that the 27th Annual General Meeting of Shareholders of the Company will be held on Thursday, the 30th September, 2010 at 11:00 AM at the Registered Office of the Company situated at Mellacheruvu (Village & Mandal), Nalgonda District-508 246, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2010 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 E.Siva Sankaram, Director who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri J.Sivaram 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.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 316, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof that may hereafter be made by the Central Government) and subject to approval of the Central Government, if any, and based on the recommendations of the Remuneration Committee, approval of the shareholders be and is hereby accorded for the appointment of Mr.J.S.Rao as Managing Director for a period of 5 (Five) years with effect from 11th May, 2010 on the salary and perquisites as set out below;

1. **Period of Appointment:** The Appointment is for a period of 5 years with effect from 11th May, 2010.
2. **Salary:** Salary of ₹ 2,00,000/- per month which includes Basic, DA, HRA and all other allowances by whatever name called. There will be an increment of ₹ 25,000/- per annum thereafter every year for next five years.
3. **Commission:** 1% of net profits of the company computed in a manner laid down under section 198 of the Companies Act,1956.

4. Perquisites: Perquisites shall be restricted to 50% of an amount equivalent to annual salary and shall be valued in terms of the provisions of Income Tax Act, 1961.
 - i) Medical Reimbursement: Reimbursement of medical expenses incurred for self and family.
 - ii) Leave Travel Concession: Leave Travel Concession for self and family once in a year. Explanation: Family for (i) and (ii) above shall mean spouse, dependant children and dependant parents.
 - iii) Club Fees: Fees for two clubs and no admission and life membership fee shall be paid;
 - iv) Personal Accident Insurance: Personal Accident Insurance premium shall be as per the rules of the Company;
 - v) Reimbursement of expenses for utilities such as gas, electricity, water furnishings, air conditioning and repairs all of which may be hired or owned;
 - vi) Use of Company's car for official duties and telephones at residence (including long distance calls) shall not be considered as perquisites;
 - vii) Earned Leave: Encashment of leave at the end of the tenure is as per the rules of the Company.
 - viii) Contribution to the provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; and
 - ix) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.

The Perquisites mentioned above can be interchangeable within the overall ceiling.

5. Minimum Remuneration: Where, in any financial year, the Company has no profits or its profits are inadequate, during the currency of tenure of the Managing Director, the Company shall pay remuneration by way of salary and perquisites as specified above as minimum remuneration subject to such approvals, if any, as may be required under Schedule XIII of the Companies Act, 1956."

"RESOLVED FURTHER THAT Mrs. J. Triveni, Executive Chairman and Mr. K.Harishchandra Prasad, Director and of the Company be and are hereby individually authorised to take necessary steps as may be required for giving effect to this resolution."



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

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 316, Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof that may hereafter be made by the Central Government) and subject to approval of the shareholders and the Central Government, if any, and based on the recommendations of the Remuneration Committee, approval of the Board be and is hereby accorded for the appointment of Mrs.J.Triveni as Executive chairperson for a period of 5 (Five) years with effect from 11th May, 2010 on the salary and perquisites as set out below;

1. Period of Appointment: The Appointment is for a period of 5 years with effect from 11th May, 2010.
2. Salary: Salary of ₹ 2,00,000 per month which includes Basic, DA, HRA and all other allowances by whatever name called. There will be as increment of ₹ 25,000/- per annum thereafter every year for next five years.
3. Commission: 1% of net profits of the company computed in a manner laid down under section 198 of the Companies Act,1956.
4. Perquisites: Perquisites shall be restricted to 50% of an amount equivalent to annual salary and shall be valued in terms of the provisions of Income Tax Act, 1961.
 - i) Medical Reimbursement: Reimbursement of medical expenses incurred for self and family.
 - ii) Leave Travel Concession: Leave Travel Concession for self and family once in a year.
Explanation: Family for (i) and (ii) above shall mean spouse, dependant children and dependant parents.
 - iii) Club Fees: Fees for two clubs and no admission and life membership fee shall be paid;
 - iv) Personal Accident Insurance: Personal Accident Insurance premium shall be as per the rules of the Company;

- v) Reimbursement of expenses for utilities such as gas, electricity, water furnishings, air conditioning and repairs all of which may be hired or owned;
- vi) Use of Company's car for official duties and telephones at residence (including long distance calls) shall not be considered as perquisites;
- vii) Earned Leave: Encashment of leave at the end of the tenure is as per the rules of the Company.
- viii) Contribution to the provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; and
- ix) Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.

The Perquisites mentioned above can be interchangeable within the overall ceiling.

5. Minimum Remuneration : Where, in any financial year, the company has no profits or its profits are inadequate, during the currency of tenure of the Executive Chairman, the company shall pay remuneration by way of salary and perquisites as specified above as minimum remuneration subject to such approvals, if any, as may be required under Schedule XIII of the Companies Act, 1956.

"FURTHER RESOLVED THAT the duties of the Executive Chairperson so appointed as above shall be the overall supervision of the functioning of the Company and to perform all such duties that the Board may delegate to her from time to time."

"RESOLVED FURTHER THAT Mr K.Harishchandra Prasad and Mr J.S.R.Prasad directors of the Company be and are hereby individually authorised to take necessary steps as may be required for giving effect to this resolution."

By Order of the Board of Directors

Place: Hyderabad
Date: 30-08-2010

(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) 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 24th September, 2010 to 30th September, 2010 (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 Registered Office.

Explanatory Statement pursuant to provisions of section 173(2) of the Companies Act, 1956.

Item No. 5.

Sri.J.S.Rao was appointed as Director of the company in the year 1999, the contribution of Mr. J.S. Rao in bringing up the company to the present stage from where it was taken-over about a decade back is laudable. The company has achieved many mile-stones during the last one decade and Mr. J.S. Rao was behind every such achievement. In view of his significant contribution as Director of the Company, the Board of Directors have considered to appoint him as Managing Director of the company with effect from 11th May, 2010 for a period of five years.

According to Schedule XIII to the Companies Act, 1956, the appointment of Managing Director requires the approval of members in a General Meeting.

The terms and conditions of Sri.J.S.Rao's appointment as set out above may also be treated as an abstract of the terms of the draft Agreement between Sri.J.S.Rao and the Company.

None of the Directors except Sri.J.S.Rao, Smt.J.Triveni and Sri.J.Sivaram Prasad are concerned or interested in the resolution at Item No. 5 of the Notice.

The Board of Directors recommends the passing of the resolutions at Item No. 5 of the Notice.

Item No. 6.

Smt.J.Triveni was appointed as Managing Director of the company in the year 2000, under her leadership, the Company has recorded all round growth in its business, considering the significant contribution made by her and also her rich industrial experience which will help the company to scale to new heights, the Board of Directors have considered to appoint her as Executive Chairperson of the company with effect from 11th May, 2010 for a period of five years.

According to Schedule XIII to the Companies Act, 1956, the appointment of Executive Chairman requires the approval of members in a General Meeting.

The terms and conditions of Smt.J.Triveni's appointment as set out in the resolution may also be treated as an abstract of the terms of the draft Agreement between Smt.J.Triveni and the Company.

None of the Directors except Smt.J.Triveni, Sri.J.S.Rao and Sri.J.Sivaram Prasad are concerned or interested in the resolution at Item No. 6 of the Notice.

The Board of Directors recommends the passing of the resolutions at Item No. 6 of the Notice.



DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present your Company's 27th Annual Report for the Financial Year 2009-10 together with the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date.

FINANCIAL RESULTS:

		(Rs. lakhs)
	2009-10	2008-09 (9 months)
Operational Income	7789.61	7774.52
Operating Profit/(Loss)	1263.35	1764.97
Depreciation & Interest	354.05	272.89
Profit/(Loss) for the year	909.30	1492.08

OPERATIONS:

The performance of your company for the year under review was satisfactory in spite of steep fall in cement prices for last six months. Another reason was sluggish market demand coupled with excess supply of cement in the market which resulted in steep fall in cement prices. Due to the implementation of capacity expansion, the Company has shutdown its plant from the month of February 2010 for erecting the expanded cement capacity, which lead to the revenue loss for the last quarter of the year.

Cement Division: The production of Cement and Clinker were 2,80,107 MTS and 2,72,078 MTS respectively during the twelve months ended 31st March, 2010 as against 2,34,378 MTS and 2,23,183 MTS respectively during the previous year(nine months).

Wind Power: The Company has generated 31,42,779 KWH as against 24,99,271 KWH during the previous year (nine months).

Electronic Division: The company produced 3,349 sq.mts of PCB as against 3,343 sq.mts during the previous year(nine months).

FUTURE PROSPECTS:

CEMENT DIVISION:

Your Company initiated capacity expansion and de-bottlenecking programs to maintain growth and improve efficiencies. The trial production of the expanded capacity began in the month of August, 2010. With the expanded capacity of 900 TPD, your Company's total capacity will be 1800 TPD.

The last few years have been a golden period for cement manufacturers when the government increased spending on infrastructure development. High commercial activity and rising demand for housing on account of higher per capita income has kept cement

off take growth in double digits. The main factors behind increase in demand of cement were: 60 percent higher Public Sector Development Projects allocation, increasing number of real estate development projects for commercial and residential use, developing export market.

The sharp decline in cement prices were due to domestic competition among producers squeezing the profitability of the industry. Thus, your Directors are confident that the performance of the company would be much better in the current year.

ELECTRONIC DIVISION:

The division will definitely continue to strengthen the PCB edge, timely expansion, the PCB business to do fine and stronger. The Company is taking the necessary steps to streamline the operations and expects to improve the performance by increasing the sales volumes.

WIND POWER DIVISION:

Wind energy, with an average growth rate of 30%, is the fastest growing source of renewable energy in the world. India occupies the fifth place in the world in wind energy generation after USA, Germany, Spain, and China. New technological developments in wind energy design have contributed to the significant advances in wind energy penetration and to get optimum power from available wind. In this study, an attempt has been made to analyze and review the development and dissemination of wind energy in India.

SCHEME OF ARRANGEMENT

During the period under report, the Hon'ble High Court of Andhra Pradesh vide order dated 19th January, 2010, sanctioned the Scheme of Arrangement, whereupon the erstwhile Hyderabad Flextech Limited stands merged with the company. The said order was filed with Registrar of Companies and subsequently got approval for the same.

LISTING APPROVAL FOR NEW SHARES ISSUED PURSUANT TO THE SCHEME OF AMALGAMATION

The Bombay Stock Exchange has given listing permission for listing of 2,21,588 equity shares issued to shareholder of Hyderabad Flextech Limited pursuant to the Scheme of Amalgamation as approved by the Hon'ble High Court of Andhra Pradesh.

DEMAT OF SHARES:

The Equity Shares of your Company have been admitted by CDSL/NSDL for demat.

DIRECTORS:

In accordance with the provisions of Companies Act, 1956 and the Company's Articles of Association, Sri



E.Siva Sankaram and Sri J.Sivaram Prasad, Directors would retire by rotation 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 Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended on 31st March, 2010, 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, 2010 on a going concern basis.

REPLY TO AUDITOR'S QUALIFICATIONS:

Regarding Auditor's Qualification on confirmation of balance from Sundry Debtors, Sundry Creditors and for Loans and Advances, 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.

AUDITORS:

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

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Cement Division:

Industry Structure and Developments:

The Indian economic growth rate has been quite rapid compared to other emerging economies primarily due to higher reliance on domestic demand. The growth trajectory is expected to continue on the back of strong domestic demand and huge outlay on infrastructure planned by the Government. The long-term domestic outlook remains buoyant with the progressive reforms, increasing FDI, robust investments, growing incomes and aspirations. India being one of the major producers of cement and the demand is largely based on Infrastructure Projects, Urban development and housing, Roads and Buildings, Ports etc., However, the cost of the raw material and fuel namely Limestone, Coal, Power and Freight charges are all controlled 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 to in ups and downs. The Government spending on infrastructure is likely to benefit the revenue and earnings of all the cement companies across the country.

Opportunities and Threats:

The demand will be driven by Government's continued thrust on infrastructure development and to boost rural and housing sector. Infrastructure development is need of the nation, this along with rising housing provision will accelerate construction activity. Recovery of the global scenario could also provide impetus to economic growth and Cement demand.

Concerns of the Indian Cement Industry are high cost of Power and Coal, high freight cost, inadequate infrastructure, non availability of Wagons, poor quality of coal and heavy taxes/ royalty levies.

Electronic Division:

Industry Structure and Developments:

Your Company is one of the few companies specialized in manufacturing flexible printed circuit boards in India. The flexible PCBs being sold by the Company in India is an import substitute. The PCB industry purely depends on growth of electronic industry. The Electronic Industry is looking up and doing well, giving a scope for PCB industry to expand.

Opportunities and Threats:

Spreading into domestic market, as an import substitute,



is a major opportunity for the Company. However, due to fall in exports, there is a constraint on DTA eligibility. Therefore, the Company would have to make DTA sales by paying full Excise Duty, which is an additional burden on the margins. The company has been following this system through out the year under review.

Wind Power Division:

Industry Structure and Developments:

India began wind development in the 1990s, and development has only begun to take off in the last few years. Although a relative newcomer to the wind industry compared with Denmark or the US, a combination of domestic policy support for wind power and the rise of a leading global wind turbine manufacturer have led India to become the country with one of the largest installed wind power capacity in the world, and the wind energy leader in the developing world.

Opportunities and Threats:

However, fundamental risks in the Indian market remain, making international manufacturers somewhat reluctant to invest. In addition, India's relatively undeveloped national infrastructure meant that transport and installation of megawatt-scale wind power technology was impossible until recently. In addition, we have been undergoing power sector reforms of varying degrees, and the impact of such reforms on renewable energy is still somewhat uncertain.

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 unauthorized use of disposition. Further all transactions entered into by the company are duly authorized and recorded correctly. M/s. Pavuluri & Co., Chartered Accountants, Hyderabad have been working as the Internal Auditors of the company. The Internal Auditors are submitting 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.

ACKNOWLEDGEMENTS:

Your Directors are thankful to Canara Bank, Somajiguda Branch, Andhra Bank, SCF Branch and Indian Bank, Main Branch, Koti. 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.

Your directors also wish to place on record their appreciation of the services rendered and co-operation extended by the Workmen, Staff, Dealers, Customers and other concerned.

By Order of the Board of Directors

Place: Hyderabad
Date: 30-08-2010

(J. Triveni)
Executive Chairperson



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			Previous Year (9 months)		
	Cement Division	Electronic	Wind Power	Cement Division	Electronic	Wind Power
A. Power and Fuel Consumption:						
1 Electricity:						
a) Purchased Units (Nos)	3,04,17,028	3,91,746	NIL	2,47,08,000	3,05,136	NIL
Amount (Rs.)	10,11,93,972	17,36,169	NIL	7,81,56,373	13,39,251	NIL
Rate/unit (Rs.)	3.33	4.87	NIL	3.16	4.76	NIL
b) Own Generation:						
i) Through Generator Diesel Units (Nos.)	3,240	58,600	NIL	5,300	22,900	NIL
Units per Ltr. of Diesel Oil	2.70	7.71	NIL	2.61	7.16	NIL
Cost/Unit (Rs.)	15.29	4.78	NIL	11.95	5.36	NIL
ii) Through Steam Turbine/ Generator:	NIL	NIL	NIL	NIL	NIL	NIL
Units (Nos.)						
Units per Ltr. Of Fuel Oil Gas						
Cost/Unit (Rs.)						
2 Coal and Lignite used as fuel in Kiln:						
Quantity (M.T.)	57,116	NIL	NIL	47,669	NIL	NIL
Total Cost (Rs.)	16,50,10,798			14,04,52,180		
Average Rate/M.T. (Rs.)	2889	2946				
3 Furnace Oil	NIL	NIL	NIL	NIL	NIL	NIL
4 Others/Internal Generation	NIL	NIL	NIL	NIL	NIL	NIL
B. Consumption per unit production:						
Electricity (Units)	105.28	134.45	NIL	104.91	98.11	NIL
Furnace Oil	NIL	NIL	NIL	NIL	NIL	NIL
Coal	0.21	NIL	NIL	0.21	NIL	NIL
Others (Specify)	NIL	NIL	NIL	NIL	NIL	NIL



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 | |
| 4. Expenditure on R&D | NIL |
| a) Capital | |
| b) Recurring | |
| c) Total | |
| d) Total R&D expenditure as a percentage of total turnover | |

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 | NIL |
| 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 | |

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 | |
| 1) Total foreign exchange outgo and earned | |
| a) Foreign Exchange Outgo | Rs.119.58 lakhs |
| b) Foreign Exchange Earned | Rs. 15.51 lakhs |

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: 30-08-2010

J.S.Rao
Managing Director

**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. In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange is concerned, your Company is in full compliance with the norms and disclosures that have to be made and forms part of this Annual Report.

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Directors philosophy on Corporate Governance is to enhance the long-term economic value of the company, sustainable return to its stakeholders i.e., the society at large by adopting best corporate practices in fair and transparent manner by aligning interest of the company with that of its shareholders/other key stakeholders, employees and the Government.

2. BOARD OF DIRECTORS

The Board comprises 6 Directors of which two are Executive Chairman and Managing Director. The non-executive directors on the Board are experienced, competent and highly reputed persons from their respective fields. The non-executive directors take active part at the Board and Committee Meetings, which adds vision, strategic direction and value in the decision making process of the Board of Directors. The composition of the Board is in conformity with the amendments in the listing agreement.

a) Composition of the Board as on 30th August, 2010

S.No	Category	No. of Directors	Percentage of Total No. of Directors
1	Functional Directors	2	33.33
2	Non executive Independent Directors	3	50.00
3	Other Non Executive Directors	1	16.67
	Total Directors	6	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 - 2009-10:

The Company's Corporate Governance policy requires the Board to meet at least four times in a year. Six Board Meetings were held during the year under review.

Sl. No	Name of the Director	Designation As on 31.03.2010	Designation As on 30.08.2010	No. of Meetings attended	Whether attended the last AGM	No. of Directorships in other Boards as on 31.03.2010	No. of Memberships / Chairmanships in other Board Committee(s) as on 31.03.2010
1	Late Mr.J.S.Krishna Murthy	Chairman	Date of cessation 20.09.2009	NIL	NO	NA	NA
2	Mrs. J. Triveni	Managing Director	Executive Chairperson	6	YES	6	NIL
3	Mr. J.S.Rao	Director	Managing Director	6	YES	8	5
4	K.Harish Chandra Prasad	Director	Director	4	NO	11	2
5	Mr.J.S.R. Prasad	Director	Director	4	NO	9	4
6	Mr. E.Siva Sankaram	Director	Director	2	NO	NIL	NIL
7	Mr. B. V. Subbaiah	Director	Director	5	NO	1	1
8	Mr.J.V.Choudary	Director	Resigned w.e.f. 19.02.2010	NIL	NO	NA	NA

**Note:**

1. We deeply regret to inform the sad demise of our founder Chairman and Promoter-Director of the company, Sri.J.S.Krishna Murthy, on 20th September, 2009.
2. Mr. J V Choudary, Director vide his letter dated on 19.02.2010 tendered his resignation to the Office of Director of the company.
3. Mrs.J.Triveni was appointed as Executive Chairman of the company with effect from 11th May, 2010.
4. Mr.J.S.Rao was appointed as Managing Director of the Company with effect from 11th May, 2010.

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. E.Siva Sankaram and Sri J.Sivaram Prasad, Directors retire by rotation and are eligible for re-appointment.

GENERAL BODY MEETINGS

The last three Annual General Meetings were held as under:

S.No	Financial Year	Venue	Date and Time of AGM
1	2006-07	Mellacheruvu (Village & Mandal), Nalgonda District-508246 Andhra Pradesh.	28.09.2007 at 11.00 AM
2	2007-08	Mellacheruvu (Village & Mandal), Nalgonda District-508246 Andhra Pradesh.	29.12.2008 at 11.00 AM
3	2008-09	Mellacheruvu (Village & Mandal), Nalgonda District-508246 Andhra Pradesh.	29.09.2009 at 11.45 AM

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, 5 meetings of the committee took place and attendance thereat was as under:

Sl.No.	Name of the Director	No. of the Meetings Attended
1	Sri. E.Siva Sankaram	3
2	Sri. K.Harishchandra Prasad	4
3	Sri. B.V.Subbaiah	4
4	Sri. J.S.Rao [#]	5

[#] Shri J.S. Rao was Director of the Company upto 31st March, 2010 and has attended all the 5 Audit Committee Meetings as a Member of the Committee.

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:

Sl.No.	Name	Designation
1	Sri. B.V.Subbaiah	Chairman
2	Sri. J.S. Rao	Member
3	Smt. J.Triveni	Member

During the year under review the company has received ten complaints and resolved all the 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 16 (Notes to the 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.

Sl.No.	Name	Designation
1	Sri. K.Harishchandra Prasad	Chairman
2	Sri. E.Siva Sankaram	Member
3	Sri. B.V.Subbaiah	Member

The remuneration paid to the Executive and Whole-time Directors during the year 2009-10 are:

(Amt Rs.)

Name of Director	Salary	HRA	Perks	Total
Mrs. J.Triveni	7,20,000	Nil	3,27,240	10,47,240
Late Mr.J.S.Krishna Murthy	Nil	Nil	3,73,403	3,73,403
Mr J.S.Rao (Hyderabad Flextech Ltd)	4,63,226	Nil	1,31,817	5,95,043

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
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: | : | 27th Annual General Meeting |
| Date | : | 30th September, 2010 |
| Time | : | 11:00 A.M |
| Venue | : | Mellacheruvu (Village & Mandal),
Nalgonda Dist, 508246, Andhra Pradesh. |
| b) Financial Calendar | : | 1st April to 31st March |



- c) Date of Book closure : 24th September to 30th September, 2010
(Both days inclusive)
- d) Dividend payment date : Not applicable
- e) Registered Office & Factory (Cement Division) : Mellacheruvu (Village & Mandal),
Nalgonda Dist, 508246, Andhra Pradesh.
Phone: 08683-226028, Fax: 08683-226039
- f) Administrative Office & Factory (Electronic Division) : Plot No. 40, IDA Balanagar, Hyderabad-500037.
Phone No.040-23076538.
- g) Listing on Stock Exchange : The Bombay Stock Exchange
- h) Code/Symbol : BSE - 518011
- i) Market Price Data:

The Monthly high and low share quotation on Bombay Stock Exchange month-wise for the financial year 2009-10 are as follows:

Month Wise	Monthly High Price Rs.	Monthly Low Price Rs.
April, 2009	--	--
May, 2009	--	--
June, 2009	115.50	99.80
July, 2009	--	--
August, 2009	--	--
September, 2009	--	--
October, 2009	121.25	121.25
November, 2009	133.65	127.30
December, 2009	--	--
January, 2010	--	--
February, 2010	--	--
March, 2010	--	--

- j) Address of Registrars and Share Transfer Agents:
Registrars for Physical and Demat Services:
XL Softech System Limited
Plot No. 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad-500034.
Phone No. 040-23545913/14
- k) Share Transfer systems:
Transfer of Securities in physical form are registered and duly transferred share certificates are dispatched within thirty (30) days of receipt provided the transfer documents are in order.
- l) Shareholding Pattern as on 31st March, 2010:

Category	No. of Shares	Percentage
Promoter's Holding:		
Indian Promoters	60,18,186	77.21
Foreign Promoters	Nil	Nil
Persons acting in Concert	Nil	Nil
Institutional Investors:		
Mutual Funds and UTI	600	0.01
Banks, Financial Institutions, Insurance companies	1,74,486	2.24
Others:		
Private Body Corporate Bodies	66,610	0.85
Indian Public	14,47,881	18.57
NRIs / OCBs	87,387	1.12
Total	77,95,150	100.00



- l) Outstanding GDR's/ADR's/Warrants or any convertible instruments, conversion date and likely impact on equity:
The Company has not issued any of these instruments.
- m) As on 31st March 2010, out of the total shares NIL were dematerialized with the following depositories:
- i) National Securities Depositories Limited - NIL
 - ii) Central Depository Services (India) Limited - NIL
- n) Factory location
Cement Division:
Mellacheruvu, (Village & Mandal),
Nalgonda District-508246, Andhra Pradesh.
Electronic Division:
Plot No 40, IDA, Balanagar, Hyderabad-500037.
Wind Mill :
Billenahalli, Hassan District, Karnataka.
- o) Address for correspondence:
Shareholders can correspond at the Administrative Office of the Company
- p) Particulars of Directors seeking re-appointment at the forthcoming Annual General Meeting pursuant to Clause 49 of the Listing Agreement:

Name of Director	Mr. E. Siva Sankaram	J. Sivaram Prasad
Expertise in Specific Functional Areas	Retired Senior Banker with rich academic background and he has worked as General Manger in Andhra Bank. His expertise is in banking and finance areas.	Finance, Accounts and General Management
Date of Birth	06.02.1937	01-06-1960
Qualification	B.Com, F.C.A, CAIIB, LL.B	C.A.
List of other Companies in which Directorship is held as on 31st March, 2010	Nil	<ol style="list-style-type: none"> 1) Kaktiya Cement Sugar & Industries Limited 2) Kakatiya Finance and Leasing Company Limited 3) HMG Power Systems Private Limited 4) Hemurus Technologies Limited 5) Greensol Power Services Limited 6) QRE Greensol Power Transformer Company Private Limited 7) Greensol Power Systems Private Limited 8) Puissance Del'eau Power Systems Pvt Ltd 9) JSR Infra Holding India Pvt. Ltd.
Chairman / Member of the Committees of the Board of other Companies in which he is a Director as on 31st March, 2010	Nil	<ol style="list-style-type: none"> 1) Greensol Power Services Limited 2) QRE Greensol Power Transformer Company Private Limited 3) Greensol Power Systems Private Limited 4) Puissance Del'eau Power Systems Pvt Ltd

DECLARATION

As provided under clause 49 of the Listing Agreement with the Stock Exchanges(s), it is hereby declared that all the Board members and senior management personnel of the company have affirmed compliance with the code of conduct for the year ended 31.03.2010.

Place: Hyderabad
Date: 30-08-2010

(J.S.Rao)
Managing Director



Certification of Financial Results for the period ended 31st March, 2010

To
The Board of Directors
Keerthi Industries Limited
Hyderabad.

- ❖ We have reviewed the financial statements and cash flow statement for the said period and that to the best of our knowledge and belief:
 - ❖ these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ❖ these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- ❖ There are, to the best of their knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or violative of the company's code of conduct.
- ❖ We accept responsibility for establishing and maintaining internal controls and we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors, and to the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- ❖ There are no
 - ❖ significant changes in internal control during the period;
 - ❖ significant changes in accounting policies during the period and that the same have been disclosed in the notes to the financial statements; and
 - ❖ instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.
- ❖ We have fully complied with the Accounting manual of the Company and reviewed very carefully the checklists prepared by the Company.

(J. S.Rao)
Managing Director

Place: Hyderabad
Date: 30-08-2010



Practicing Company Secretary's Certificate on compliance of conditions of Corporate Governance as per Clause 49 of the Listing Agreement with the Stock Exchange

To
The Members of
Keerthi Industries Limited
Hyderabad.

We have examined the compliance of conditions of Corporate Governance by **KEERTHI INDUSTRIES LIMITED, HYDERABAD** for the year ended on 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management subject to the following:

- i) The total of the Independent Directors were less than 50%, as against the requirement of minimum 50%, as the Chairman was Executive Chairman for part of the year. However, the position stands complied from 20th September, 2009.
- ii) The CEO/CFO Certification is signed by only the CEO.

We certify that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Narender & Associates
Company Secretaries

G. Narender
Proprietor
Membership No.4898

Place: Hyderabad
Date: 30-08-2010



AUDITORS' REPORT

To

The Members of

KEERTHI INDUSTRIES LIMITED,

HYDERABAD.

1. We have audited the attached Balance Sheet of KEERTHI INDUSTRIES LIMITED, HYDERABAD (A.P) as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v) On the basis of written representations received from the Directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
5. **There are no confirmation of balances, by Sundry Debtors, Creditors and for Loans and Advances.**
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, **subject to our comment in Para 5 above**, read in conjunction with the Schedules annexed therewith give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2010;
 - b) in the case of the profit and loss account, of the Profit of the Company for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

for K.S.RAO & CO.

Chartered Accountants

Firm's Registration Number: 003109S

(P. Govardhana Reddy)

Partner

Membership Number: 029193

Place: Hyderabad

Date : 30th August, 2010



Annexure to the Auditor's Report: referred to in paragraph 3 of our report of even date,

Re: KEERTHI INDUSTRIES LIMITED, HYDERABAD.

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) All the assets have not been physically verified by the management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
c) During the year, the Company has not disposed off any of its fixed assets that would affect the going concern status of the Company.
2. a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a) The Company has not granted any unsecured loans to Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, clauses (iii) (a) to (d) of the said order are not applicable.
b) The Company had taken interest free unsecured loan from a Body Corporate covered in the register maintained under Section 301 of the Companies Act, 1956. Maximum amount involved and the year end balance was Rs.201.04 lakhs; and
c) In our opinion, the terms and conditions on which loans have been taken are not, prima-facie, prejudicial to the interest of the Company.
d) Time schedule for repayment has not been fixed. Hence we cannot offer any comment on the over dues.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. a) According to the information and explanations given to us by the Management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted deposits from the public. Hence the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company for the time being.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Cement Division of the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prime facie the prescribed accounts and records have been made and maintained. In respect of Electronics Division, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
9. a) According to the records, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess were in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.
c) According to the records of the Company and the information and explanations given to us, the dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess, which have not been deposited on account of any dispute are as follows:



STATEMENT OF DISPUTED DUES

S.No	Name of the Statute	Nature of Dues	Amount Rs.	Period to which the amount relates	Due date	Forum where dispute is pending
i)	AP General Sales Tax Act	Tax Liability on packing material	18,77,197	1990-91 & 1991-92	Not mentioned in demand	Sales Tax Appellate Authority
ii)	Central Sales Tax	Central Sales Tax	74,29,390	2003-04 & 2004-05	Not mentioned in demand	Appellate Dy.Commissioner
iii)	Commercial Tax Department Govt. of Karnataka	Central Sales Tax	6,20,112	1993-94	Not mentioned in demand	Honourable High Court of Karnataka
iv)	AP General Sales Tax Act	Central Sales Tax	30,25,213	Accounting year 2000-2001, the Order was passed in the year 2007-08	Not mentioned in demand	AP Sales Tax Tribunal.

10. The Company has no accumulated losses as at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and Banks.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have prima-facie not been used during the year for long-term investment.
18. During the year, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. During the year under report, the Company has not issued any debentures. Accordingly the provisions of clause 4(xix) of the above referred Order are not applicable to the Company. However, the Company is required to issue debentures pursuant to a Scheme of Arrangement u/s.391/394 of the Companies Act, sanctioned by the Hon'ble Andhra Pradesh High Court effective from 18.03.2010. In pursuance of this, the Company transferred Rs.7.70 Crores to debenture suspense and allotted debentures in the following year.
20. During the year, the Company has not made any public issue and therefore the question of disclosing the end use of money raised by public issue does not arise.
21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

for K.S. RAO & CO.
Chartered Accountants
Firm's Registration Number: 003109S

(P. Govardhana Reddy)
Partner
Membership Number: 029193

Place: Hyderabad
Date : 30th August, 2010

**BALANCE SHEET AS AT 31 ST MARCH 2010**

Particulars	Schedule	As at 31.03.2010		As at 31.03.2009	
		Rupees	Rupees	Rupees	Rupees
I. SOURCES OF FUNDS:					
1. Share Holders' Funds:					
a. Share Capital	A	184011380		184011380	
b. Share Appl. Deposit (pending allotment)		20000000		20000000	
c. Reserves & Surplus	B	337220762		295344249	
			541232142		499355629
2. Loan Funds:					
a. Secured Loans	C	639224707		3802392	
b. Unsecured Loans	D	277250479	916475186	283307829	287110221
3. Deferred Tax Liability			59668987		49201521
Total			1517376315		835667371
II. APPLICATION OF FUNDS:					
1. Fixed Assets:	E				
Gross Block		743958534		741376729	
Less: Depreciation		428551582		395957803	
		315406952		345418926	
Capital work in progress		926838907		335210949	
Net Block			1242245859		680629875
2. Investments	F		2006000		2006000
3. Current Assets, Loans & Advances :	G				
a. Inventories		81117945		56072540	
b. Sundry Debtors		31010349		15967532	
c. Cash and Bank Balances		106263595		27187642	
d. Loans and Advances		409153923		402217213	
		627545812		501444927	
Less: Current Liabilities & Provisions	H	354421356		348413431	
			273124456		153031496
Total			1517376315		835667371
NOTES ON ACCOUNTS	L				

Per our report of even date

for **K.S.Rao & Co.**
Chartered Accountants**(P. Govardhana Reddy)**
PartnerPlace : Hyderabad
Date : 30th August, 2010

For and on behalf of the Board

J. Triveni
Executive Chairperson**J. S. Rao**
Managing Director

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31 ST MARCH 2010**

Particulars	Schedule	Current Year (for 12 Months)		Previous Year (for 9 Months)	
		Rupees	Rupees	Rupees	Rupees
INCOME:					
Sales		778961577		777451653	
Less: Excise Duty		66898039	712063538	83814983	693636670
Other Income	I		5045560		5477951
Total			717109098		699114621
EXPENDITURE:					
Manufacturing, Administrative,	J				
Selling & Other expenses			527674901		437908950
Taxes and Duties			84679908		80808732
Interest:					
On Term Loans		—		2563	
On Others		2811074		2845798	
			2811074		2848361
(Increase)/Decrease in Stocks	K		(21580453)		3899693
Depreciation	E		32593779		24440978
Total			626179209		549906714
Profit for the year			90929889		149207907
Provision for Taxation:					
Tax for the year			38509615		54434689
Short provision of earlier year			70600		—
Fringe Benefit Tax of earlier year			5695		—
Fringe Benefit Tax			—		292497
Deferred Tax Liability			10467466		1040220
Profit after tax			41876513		93440501
Surplus brought forwarded			197888929		104448428
Surplus carried to Balance Sheet			239765442		197888929
Earning Per Share (Refer Note No. 19 of Schedule L)			4.18		9.33

NOTES ON ACCOUNTS

L

Per our report of even date

for **K.S.Rao & Co.**
Chartered Accountants**(P. Govardhana Reddy)**
PartnerPlace : Hyderabad
Date : 30th August,2010

For and on behalf of the Board

J. Triveni
Executive Chairperson**J. S. Rao**
Managing Director

**SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT FOR THE TWELVE MONTHS ENDED 31 ST MARCH,2010**

Particulars	As at 31.03.2010 Rupees	As at 31.03.2009 Rupees
A SHARE CAPITAL		
i) Authorised:		
2,73,00,000 Equity Shares of Rs.10/- each	273000000	273000000
10,70,000 - 9% Cumulative Redeemable Preference Shares of Rs.100/- each	107000000	107000000
	<u>380000000</u>	<u>380000000</u>
ii) Issued, Subscribed and paid up:		
77,95,150 Equity Shares of Rs.10/- each	77951500	77951500
7,70,100 - 9% Cumulative Redeemable Preference Shares of Rs.100/- each	77010000	77010000
Capital Suspense (Refer Note No.4(d) and (e) of Notes to Accounts)	29049880	29049880
	<u>184011380</u>	<u>184011380</u>
B RESERVES & SURPLUS		
i) Central Subsidy	1500000	1500000
ii) State Capital Subsidy (Transfer from Amalgamating Company)	2000000	2000000
iii) Capital Reserve (Amount received on Forfeited shares)	429000	429000
iv) Capital Reserve(Transferred from Amalgamating Company)	52336000	52336000
v) Capital reserve (on Amalgamation)	41190320	41190320
vi) Surplus-Balance in P & L A/c.	239765442	197888929
Total	<u>337220762</u>	<u>295344249</u>
C SECURED LOANS		
a) Term Loans		
i. Canara Bank	270000000	—
ii. Andhra Bank	270000000	—
iii. Indian Bank	72800000	—
iv. SBI, Industrial Finance Branch	—	8816
Interest Accrued and Due on the above	5796777	—
b) Working Capital Loan		
i. Canara Bank	19754930	3310877
c) Loan against Vehicle Hypothication	873000	—
d) Loan against hypothication of loading equipment	—	482699
Total	<u>639224707</u>	<u>3802392</u>
D UNSECURED LOANS		
Inter Corporate Deposit (Interest free)	20103571	20103571
Loan from a Director	19690459	25747809
Deferred Sales Tax Liability	160358649	160358649
Debenture Suspense	77097800	77097800
Total	<u>277250479</u>	<u>283307829</u>



(Rupees)

E FIXED ASSETS

Sl. No.	Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at 31.03.2009	Additions	Deductions	As at 31.03.2010	Up to 31.03.2009	For the year	Deductions	Up to 31.03.2010	As at 31.03.2010	As at 31.03.2009
1	Land:										
	Freehold	61545314	—	—	61545314	—	—	—	—	61545314	61545314
	Lease hold Land (Wind Power)	1800000	—	—	1800000	120000	60000	—	180000	1620000	1680000
2	Buildings:										
	Factory	55497701	—	—	55497701	26420293	1861693	—	28281986	27215715	29077408
	Factory (Wind Power)	5755000	—	—	5755000	289511	192217	—	481728	5273272	5465489
	Non-Factory	5663398	—	—	5663398	1708816	92546	—	1801362	3862036	3954582
3	Plant & Machinery	452099280	625268	—	452724548	322512257	22399469	—	344911726	107812822	129587023
	Plant & Machinery (Wind Power)	86045000	—	—	86045000	6842770	4543176	—	11385946	74659054	79202230
4	Electrical Installations	49902643	299461	—	50202104	20921158	2150185	—	23071343	27130761	28981485
5	Furniture & Fixtures	5066253	0	—	5066253	4388398	275666	—	4664064	402189	677855
6	Office Equipment	3995787	151350	—	4147137	1988281	314728	—	2303009	1844128	2007506
7	Vehicles	3943379	1209206	—	5152585	2565595	328930	—	2894525	2258060	1377784
8	Other Assets	1794568	—	—	1794568	1792759	1767	—	1794526	42	1809
9	Data Processing Equipment	2852226	296520	—	3148746	2612315	156082	—	2768397	380349	239911
10	Power Line \$	1050710	—	—	1050710	942481	9960	—	952441	98269	108229
11	Effluent Treatment Plant	1948981	—	—	1948981	1296076	92577	—	1388653	560328	652905
12	Generators	1759219	—	—	1759219	1134956	83563	—	1218519	540700	624263
13	Lab Equipment	657270	—	—	657270	422137	31220	—	453357	208913	235133
	Total	741376729	2581805	—	743958534	395957803	32593779	—	428551582	315406952	345418926
	Add. Capital work in progress	335210949	592253226	625268	926838907	—	—	—	—	926838907	335210949
	Total	1076587678	594835031	625268	1670797441	395957803	32593779	—	428551582	1242245859	680629875
	Previous Year	843267159	233432898	112380	1076587677	371516825	24440978	—	395957803	680629874	471750334

\$ Cost incurred by the company. Ownership vests with Andhra Pradesh Electricity Board.



Particulars	As at 31.03.2010		As at 31.03.2009	
	Rupees	Rupees	Rupees	Rupees
F. INVESTMENTS				
(At Cost, Non-Trade, Long-Term, Unquoted)				
1,95,121 Units of ING Global Real Estate				
Fund Growth face value of Rs.10/- each		2000000		2000000
Long Term, Unquoted, Non-Trade		6000		6000
Total		2006000		2006000
G. CURRENT ASSETS, LOANS AND ADVANCES				
i) Inventories:				
a. Stores & Spares	26549449		26617577	
b. Raw Materials	16067551		13362386	
c. Coal	14138232		13722797	
d. Packing Materials	317724		736937	
e. Work-in-process - Clinker	19750879		410826	
Work-in-process - Electronics	259249		191962	
f. Finished Stock - Cement	2281991		135166	
Finished Stock - Electronics	433482		407194	
g. Material in transit	1319388		487695	
		81117945		56072540
ii) Sundry Debtors (Unsecured)				
Debts outstanding for a period exceeding six months	7612587		4627733	
other debts	23397762		11339799	
		31010349		15967532
iii) Cash and Bank Balances:				
a. Cash in Hand	1829804		335137	
b. Cash at Scheduled Banks:				
In Current Accounts	79151282		2309896	
In Fixed Deposit Accounts	25282509		24542609	
		106263595		27187642
iv) Loans and Advances				
(Unsecured, considered good, recoverable in cash or in kind or for value to be received)				
a. Advances for : purchases & expenses	20280256		13269959	
Capital items	131023877		149957195	
b. Other Advances	8001187		17693114	
c. Sales tax Paid under Protest	3074830		3074830	
d. Deposits recoverable	30245245		36578791	
e. Prepaid Expenses	2370935		1791985	
f. Interest accrued	2875709		3242147	
g. Balances with Central Excise	15158916		11645334	
h. Tax Deducted at Source	6426964		6294661	
i. Advance Tax - MAT	—		16569000	
j. Advance Income Tax	187975430		138939384	
k. Advance Fringe Benefit Tax	1720574		1558685	
l. Input VAT Receivable	—		675188	
m. Other Receivables	—		926940	
		409153923		402217213
TOTAL		627545812		501444927



Particulars	As at 31.03.2010		As at 31.03.2009	
	Rupees	Rupees	Rupees	Rupees
H. CURRENT LIABILITIES & PROVISIONS				
i) Current Liabilities:				
1. Total outstanding dues to Micro and Small Enterprises	—		—	
2. Total outstanding dues to other than Micro and Small Enterprises				
a) Creditors for Capital Works	27161342		45204228	
b) Creditors for others	66772986		72016218	
3. Other Finances	1414141		1120225	
4. State Bank of India - OSB	8996358		7363528	
5. Other Liabilities	—		4567015	
		104344827		130271214
Advances received against sales		59557549		49638032
Trade deposits		448214		473214
Total (i)		164350590		180382460
ii) Provisions:				
Minimum Alternative Tax		—		16454620
Fringe Benefit Tax		1797180		1812380
Income Tax		188273586		149763971
Total (ii)		190070766		168030971
Total (i+ii)		354421356		348413431
		Current Year		Previous Year
I. OTHER INCOME				
Interest Earned (Others)(TDS Rs.3,15,490)		3019757		4444332
Miscellaneous Receipts		1978020		1016718
Excess Provision Written back		47783		16901
Total		5045560		5477951
J. MANUFACTURING, ADMINISTRATIVE, SELLING AND OTHER EXPENSES				
A. Manufacturing Expenses:				
1. Raw Materials Consumed (including royalty & other levies)		88330380		61451722
2. Packing materials consumed		32276584		27677441
3. Stores & Spares consumed		26715227		24746573
4. Other Manufacturing Expenses		4080118		3314553
5. Power & Fuel				
a. Power	103260007		79681648	
b. Coal	165010798		140452180	
		268270805		220133828
6. Staff Cost:				
a. Salaries, Wages & Bonus	39736566		26102978	
b. Contribution to Provident & Other Funds	2540651		1693488	
c. Gratuity	2593695		698184	
d. Staff & Workmen Welfare Expenses	2913517		1988572	
		47784429		30483222



Particulars	Current Year		Previous Year	
	Rupees	Rupees	Rupees	Rupees
7. Repairs & Maintenance :				
a. Plant & Machinery	10855293		9977852	
b. Vehicles	1827620		1146383	
c. Others	202392		119079	
		12885305		11243314
B. Administrative Expenses :				
1. Remuneration to Managing Director & Executive Chairman	2015686		1330481	
2. Travelling & Conveyance	2603390		1372349	
3. Director's Sitting fee	13750		4000	
4. Printing & Stationery	644297		482346	
5. Legal & Professional charges	1749886		1509754	
6. Insurance	1133334		546154	
7. Auditors Remuneration :				
As Auditors	80000		61854	
Tax Audit Fee	25000		28094	
Certification Fee	46649		21236	
8. Rent	480000		450000	
9. Rates, Taxes & Licences	1469469		1028791	
10. Miscellaneous Expenses	7838969		6473245	
11. Prior period Items	141027		12185991	
12. Postage and Telephones	899738		621367	
13. Amalgamation Expenses	962860		445767	
		20104055		26561429
C. Selling & Other Expenses :				
1. Freight & Handling expenses	22120402		24605326	
2. Advertisement & Publicity	3177350		6472861	
3. Discounts & Commission	1332435		713227	
4. Business Promotion Expenses	40272		38895	
5. Others	557539		466559	
		27227998		32296868
Total		527674901		437908950
		Current Year		Previous Year
K. (INCREASE)/DECREASE IN STOCKS				
A) Opening Stock :				
Work in Process - Clinker	410826		3316058	
Work in Process - Electronics	191962		274678	
Finished Goods - Cement	135166		942161	
Finished Goods - Electronics	407194		511944	
Total	1145148		5044841	
B) Closing Stock :				
Work in Process- Clinker	19750879		410826	
Work in Process - Electronics	259249		191962	
Finished Goods - Cement	2281991		135166	
Finished Goods - Electronics	433482		407194	
Total	22725601		1145148	
(Increase)/Decrease in Stock (A-B)		(21580453)		3899693



L. NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES:

The following are the significant Accounting Policies adopted by the Company in the preparation and presentation of financial statements.

- a) Financial statements are based on historical cost.
- b) Fixed Assets:
Tangible fixed assets are stated at cost net of depreciation provided.
- c) Depreciation:
 - i) Depreciation is provided on Straight Line method on the assets other than office equipment, furniture & fixtures and vehicles in Cement Division, on which depreciation is provided on written Down Value Method in accordance with Schedule XIV to the Companies Act, 1956.
 - ii) Upfront lease amount in respect of land is amortised over the period of lease.
- d) Inventories:
 - i) Finished goods and Work in process are valued at cost or net realisable value whichever is lower.
 - ii) Raw materials, packing materials, Coal are valued at cost on FIFO basis and Stores & Spares are valued at cost on weighted average basis, Raw materials in Electronics division are valued at weighted average cost.
- e) Sales:
Sales are inclusive of excise duty and sales tax collected.
- f) Retirement benefits:
 - i) Provident fund contributions are remitted to Provident Fund Commissioner and the Contributions are charged to revenue.
 - ii) Provision for gratuity and leave encashment is made on the basis of actuarial valuation in accordance with A S -15 "Employee Benefits".
- g) Contingent Liabilities:
All contingent liabilities are indicated by way of a note and will be paid/provided on Crystallisation.
- h) Internal Consumption:
Internal consumption of the Cement Division's end product is accounted at cost and is included in sales.

2. Current year figures are for 12 months whereas those of previous year were for 9 months. Further Current year figures also include those of electronics division pursuant to amalgamation of erstwhile Hyderabad Flextech Ltd with the company. Hence, current year figures are not directly comparable with those of the previous year.

- 3. a) Contingent Liabilities not provided for in respect of:
 - i) Gratuity payable to erstwhile managing director Rs.3,38,341(Previous year Rs.3,38,341) as the company disputed this and the matter is pending in the court of law.
 - ii) Karnataka Sales Tax demand of Rs.6,20,112/- (up to Previous year Rs.6,20,112/-) for the accounting year 1993-94 as the company preferred an appeal in the Hon'ble High Court of Karnataka.
 - iii) A.P. General Sales Tax liability of Rs.18,77,197/- (up to Previous year Rs.18,77,197/-) on packing materials purchased during the accounting years 1990-91 and 1991-92 as the Company preferred appeals before Appellate Authorities and the same are pending.
 - iv) Demand from Central Excise Authorities for Rs.44.36 lakhs(Previous year Nil) against alleged irregular availment of Cenvat Credit on inputs by Cement Division ,as the Company's legal counsel opined that the demand is not sustainable.

v)	Current Year Rs.in lacs	Previous Year Rs.in.lacs
Bank Guarantee	149.29	149.29
b) Estimated amount of contracts to be executed on capital on account of Project expansion of Cement Division Rs.542.11 lacs (previous year Rs.4393.39 lacs) (Net of advances).		
c) Arrears of fixed Cumulative Dividends-9% cumulative dividend for the current year is Rs.93,45,960/- (up to Previous year Rs.6,77,89,275/-) including erstwhile Hyderabad Flextech Limited dividend for the current year Rs 24,15,060/- (up to previous year Rs.1,88,16,000/-).		



- d) In the year 2003-04, Central Power Distribution Company of Andhra Pradesh had levied Voltage Surcharge of Rs.1,30,29,457/- for getting the energy through general lines over and above the contracted load instead of dedicated lines. As getting the energy through specified line is not within the control of the company, the company challenged the levy before Hon'ble High Court of Andhra Pradesh and the High Court was pleased to grant staying the collection of the said levy. However during the year under report APCPDCL has revised its demand and demanded only Rs.72,06,311 which was fully paid by the company under protest and shown under loans and advances, the said amount was not provided for in the books. The appeal is pending.
- e) In the year 2004-05, the Commercial Tax Department of Andhra Pradesh passed orders raising a demand for the interstate sales made in 2001-02 and 2002-03 levying 16% rate of tax instead of 4% for the non-submission of C-Forms. The Company has provided in the books of accounts the difference in tax of Rs.1,20,93,803 and filed appeals before the Appellate Authorities for grant of time for submission of C-Forms. The appeals are pending. However the Company has paid Rs.1,20,93,803 (up to Previous year Rs.1,20,93,803) against these demands.
- f) In the year 2006-07, the Commercial Tax Department of Andhra Pradesh passed orders raising a demand for the interstate sales made in 2003-04 and 2004-05 levying 16% rate of tax instead of 4% for the non-submission of C-Forms. The Company has provided in the books of accounts the difference in tax of Rs.84,41,444 and Rs.1,18,49,917 for the years 2003-04 and 2004-05 respectively and filed appeals before the Appellate Authorities for grant of time for submission of C-Forms. The appeals are pending. However the Company has paid Rs.1,28,61,971 (up to Previous year Rs.1,28,61,971) against these demands.
- g) In the year 2007-08 A P Commercial Tax Department had revised the CST Assessment for the year 2000-2001 and demanded Rs.39,25,213. The company got stayed the demand through on order of Hon'ble High Court of A.P. and deposited Rs.19,08,835/- being 50% of the demand. As the matter is pending in appeal before the A P Sales Tax Appellate Tribunal, no provision is made in the accounts for the disputed tax of Rs.39,25,213/-.
- h) Company had availed VAT input credit of Rs. 11,65,995 on coal purchased during the period April'05 to August'05 and utilised the said amount against its VAT liability on sales. Government of Andhra Pradesh Vide G.O.Ms. No.2201 Revenue Dated 29.12.2005 withdrawn the Input Tax Credit on coal purchases retrospectively from 01.04.2005. Pursuant to the notification the Commercial Tax Authorities raised a demand in the year 2005-06 for the payment of said Rs. 11, 65,995. The Company disputed the said demand and filed appeal before the Deputy Commissioner (Appeals). However the Company had paid entire demand Rs.11,65,995/- and treated as deposit with sales tax authorities.
- i) No liability is provided amounting to Rs. 4,05,133/- payable towards excise duty against duty free imported raw-materials by Electronics Division which were not utilized in production before 31.03.2009, in view of company's applications to the authorities concerned to extend the time for utilization of said raw-materials in production upto 31.3.2010, which is pending.
- j) In the year 2007-08 a supplier filed a suit and obtained an ex-parte decree against the Company from District Court Cuddalore, Tamilnadu demanding Rs. 39.50 lacs against the liability of Rs. 23.59 lacs towards Lignite supplied in earlier years. Company disputed the liability of Rs. 39.5 lacs and deposited Rs. 5.00 lacs in court as directed and appealed to with draw the ex-parte order and the matter is pending.
4. a) Pursuant to the sanction of the Scheme of Amalgamation of erstwhile Hyderabad Flextech Ltd(HFL) with the company by the Honourable High Court of Andhra Pradesh, the assets and liabilities of the erstwhile Hyderabad Flextech Limited (HFL), have been merged with the Company with effect from 1st April, 2007 and to give the effect of the merger a new division "Electronics Division" is set up and effect has been given in the accounts as per the scheme.
- b) The amalgamation has been accounted for under the "merger method" as prescribed by Accounting Standard 14 (AS-14) as notified by the Government of India. Accordingly the assets, liabilities and other reserves of the erstwhile HFL as at 1st April, 2007 have been taken over at their book values. As a result reserves of the erstwhile HFL aggregating to Rs. 5.43 Crores have been added to the reserves of the Company and the debit balance in the Profit and Loss Account of HFL has been reduced from the balance in the Profit and Loss Account of the Company. The difference of Rs. 4.12 Crores between the value of net assets taken over to the Amalgamation Reserve of the Company.
- c) Pursuant to the Scheme, referred to in (a) above, 20,00,000 equity shares of Rs.10/- each allotted to the promoters in 2002 on preferential basis, whose listing has been declined by the Bombay Stock Exchange, have been cancelled. In view of the same the company is required to allot 9% Optionally convertible unsecured debentures 7,70,978 of Rs.100/- each in pursuance of this the company has transferred Rs.7,70,97,800/- to debenture suspense by transferring 2,00,00,000/- by from the above said equity and by debiting 5,70,97,800/- to capital



reserve (on Amalgamation). The said debentures since been allotted on 11th May, 2010. These debentures are to be redeemed within 18 months from the date of allotment.

- d) 2,21,588 Equity Shares of Rs.10/- each fully paid-up are to be issued to the equity share holders of the amalgamating company, without payment being received in cash, whose names are registered in the register of members as on record date i.e. 10 th June 2010 pending allotment as on 31.03.2010, the face value of 2,21,588 shares has been shown as Capital suspense. Shares since been allotted on 11 th June 2010.
 - e) 2,68,340 9% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid-up are to be issued to the Preference Share holders of amalgamating company without payment being received in cash on the same terms and conditions on which they were originally issued. Pending allotment as on 31.03.2010 the face value of 2,68,340 shares has been shown as Capital suspense. Shares since been allotted on 11 th June 2010.
5. A.P. State Government had paid capital investment subsidy of Rs.20.00 lakhs to erstwhile Hyderabad Flextech Ltd with a basic stipulation that the unit should be in continuous production for 20 years. On Amalgamation this is transferred to the company and shown in Electronics Division.
6. 9% Cumulative Redeemable Preference Shares 5,00,000 Nos. allotted on 24.10.2001 and 2,70,100 Nos. allotted on 31.10.2002 are redeemable at par at the end of 11th ,12th and 13th year from the date of allotment and the amount payable per share is Rs.30, Rs.35 and Rs.35 respectively.
7. Secured Loans:
- (i) Term loans are secured by an equitable mortgage of immovable properties and a charge by way of hypothecation of all the movable properties (save and except Book Debts) including movable machinery, spares, tools and accessories both present and future subject to prior charges created in favour of respective bank on specific movable assets for Working Capital loans sanctioned together with interest and commitment charges.
 - (ii) Working Capital Loans are secured by hypothecation of raw-materials, work-in-process, finished goods, stores and spares and receivables both present and future and also by a second charge on the immovable properties and other fixed assets of the company.
- Further the the Term Loan and Working Capital Loans are guaranteed by two of the directors of the company individually and by the Corporate guarantee of M/s. Hyderabad Bottling Company Limited.
8. Consequent to the introduction of VAT from 01.04.2005, the Tax Holiday, being the sales tax incentive, against expanded capacity, has been converted into Deferment and the Company got entitlement to defer tax collections up to Rs.1590.43 lacs over a period of ten years effective 01.04.2005 and repayable after fourteen years from the end of the relevant financial year.

Due dates for repayment are given below.

<u>Due date</u>	<u>Amount (Rs. in lacs)</u>
01.04.2020	308.18
01.04.2021	491.73
01.04.2022	591.70
01.04.2023	198.82

9. Electronics Division is allowed to defer its Sales Tax Liability on Domestic sales up to Rs.528 lakhs during the period 01.09.1994 to 31.08.2004. Accordingly, Sales Tax collected on DTA Sales up to 31.08.2004 of Rs.13.15 lakhs is shown as unsecured loan. Repayment dues and the accounting years in which they are due are as given below:

<u>Accounting year</u>	<u>Amount (Rs.)</u>
2011-12	1,41,078
2012-13	5,62,609
2013-14	3,89,545
2014-15	2,22,128

10. In the year 2007-08 Company paid Rs.1.47 crores to the land owners in the vicinity of the Cement factory for surrendering their Pattadar pass Books, for acres 98 and 15 guntas, to the Revenue authorities, Government of A.P. to facilitate granting of the lease rights in favour of the company, in respect of the said surrendered lands for lime stone mining. Company's application for lease rights in this regard is under process. The said amount of Rs.1.47 crores is shown as advance for mining lease rights.
11. Up front lease amount of Rs.18,00,000/- paid to Karnataka Forest Dept. towards Wind mill land lease is amortised over the lease period of 30 years. Accordingly Rs.60,000/- for the current year is amortised(up to Previous year Rs.1,20,000/-).



12. The National Savings Certificate VIII issue (shown under investments) has been pledged with Sales Tax Department towards Sales Tax Deposit.
13. Fixed deposit receipts are with the bankers with a lien marked in their favor of the overdraft/ bank guarantee limits sanctioned by them.
14. There were no outstanding payable to micro and small enterprises as on 31.03.2010.
15. Managerial remuneration:

	Current Year Rupees (for 12 Months)	Previous Year Rupees (for 9 Months)
i) Managing Directors		
Remuneration	11,83,226	9,00,000
Perquisites	4,59,057	4,41,608
ii) Executive Chairman: perquisites	3,73,403 (Part of the year up to September)	3,32,396

16. Additional information as required under Part II of Schedule VI to the Companies Act, 1956.

	Current Year (for 12 Months)			Previous Year (for 9Months)		
	Cement Division	Wind Mill	Electronics Division	Cement Division	Wind Mill	Electronics Division
a) Licensed & Installed Capacity (As certified by the Managing Director this being the Technical matter not verified by the auditors.)	2,97,000 (TPA)	1.5 (MW)	37,000 (Sq.Mtrs)	2,97,000 (TPA)	1.5 (MW)	37,000 (Sq.Mtrs)

- b) i) Cement Division: Production, Opening Stock, Closing Stock's:

	Current Year (for 12 Months) Quantity M.T.	Previous Year (for 9Months) Quantity M.T.
Production	2,80,107	2,34,378
Opening Stock	80	564
Closing Stock	1202	80

- ii) Electronics Division: Production, Opening Stock, Closing Stock's:

	(Sq.Mtrs)	(Sq.Mtrs)
Production	3,349.48	3,343.58
Opening Stock	53.35	132.55
Closing Stock	154.01	53.35

	Current Year (for 12 Months)		Previous Year (for 9Months)	
	Quantity M.T.	Value in Rupees	Quantity M.T.	Value in Rupees
iii) Turnover:				
Clinker	7,731	1,46,76,589	5,809	1,69,13,708
Cement	* 2,78,978	72,80,56,456	2,34,856	72,92,49,315
Wind Mill	31,42,779 (Kwh)	1,06,72,632	24,99,271 (Kwh)	84,90,993
Flexible PCB's	3,248.82 (Sq.Mtrs)	2,55,55,900	3,422.78 (Sq.Mtrs)	2,27,97,637

*(Including internal consumption of 1,476 MT's and excluding samples of 7 MT's)
(Previous year internal consumption of 4,495 MT's and excluding samples of 6 MT's)



c) Details of Raw materials consumed:

	Current Year (for 12 Months)		Previous Year (for 9 Months)	
	Qty. M.T.	Rs. in Lakhs	Qty. M.T.	Rs. In Lakhs
i) Limestone	370228	423.16	303735	322.82
ii) Clay	9527	10.74	12892	7.34
iii) Gypsum	10611	158.10	7666	111.68
iv) Fly Ash	19250	104.63	9160	48.53
v) Laterite	6282	24.97	3158	7.24
vi) Iron ore	1421	6.99	1899	9.52
vii) Purchased				
Clinker	406	8.62	—	—
Base Laminates				
Copper Sheet without Laminates(Sq.Mtrs)	3232.06	83.74	3540.10	70.94
Coverlays, Stiffners(Sq.Mtrs)	1077.40	8.26	1026.38	6.11
Copper clad laminates(Sq.Mtrs)	138.57	1.22	—	—
Consumbles	—	24.06	—	21.32
Chemicals	—	15.17	—	8.48
Gold Potassium Cynide & GoldReplinsher chemicals	—	13.64	—	0.54
Total:		883.30		614.52

d) Value of Materials and spares consumed :

	Current Year (for 12 Months)		Previous Year (for 9 Months)	
	Value Rs.in Lakhs	%	Value Rs.in Lakhs	%
i. Raw Materials:				
Indigenous	883.30	100	614.52	100
ii. Stores & spares				
Indigenous	267.15	100	247.47	100
iii. Packing Material				
Indigenous	322.77	100	276.77	100

Analysis of Materials and Stores consumed (Electronics Division):

	Current Year (for 12 Months)		Previous Year (for 9 Months)	
	Percentage	Value(Rs. in lacs)	Percentage	Value (Rs. in lacs)
i. imported	76.51	111.78	72.48	86.82
ii. Indigenous	23.49	51.76	27.52	32.95
	100.00	163.54	100.00	119.77

e) Foreign Exchange Earnings and Expenditure:

	Current Year (for 12 Months)	Previous Year (for 9 Months)
	Rs.in lacs	Rs.in lacs
a) Value of Imports calculated on CIF basis		
i) Project equipment	8.84	328.67
ii) Raw Materials	97.12	90.73
iii) Spares	—	7.30
b) Expenditure in foreign currency on account of Traveling	13.62	—
c) Earnings in foreign Exchange:		
Export of goods calculated on F.O.B basis	15.51	6.33



17. Segment Reporting:

(Rs. in lacs)

	Current Year (for 12 Months)				*Previous Year (for 9 Months)			
	Cement Division	Wind Mill	Electronics Division	Total	Cement Division	Wind Mill	Electronics Division	Total
Primary Disclosures:								
External Sales	7427.33	106.73	255.56	7789.62	7461.63	84.91	227.98	7774.52
Inter-segment Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	7427.33	106.73	255.56	7789.62	7461.63	84.91	227.98	7774.52
Segment Result:	961.78	106.73	(181.56)	886.95	1476.72	84.91	(95.85)	1465.78
Less : Interest Expenses	20.27	0.00	7.84	28.11	23.17	0.00	5.32	28.49
Add : Interest Received	28.61	0.00	21.85	50.46	40.35	0.00	14.43	54.78
Less : Income Taxes	490.53	0.00	0.00	490.53	557.28	0.00	0.39	557.67
Profit	479.59	106.73	(167.55)	418.77	936.62	84.91	(87.13)	934.40
Segment Assets	16618.65	836.20	1263.13	18717.98	9711.26	903.18	1226.37	11840.81
Total Assets	16618.65	836.20	1263.13	18717.98	9711.26	903.18	1226.37	11840.81
Segment Liabilities	17454.85	0.00	1263.13	18717.98	10614.44	0.00	1226.37	11840.81
Total Liabilities	17454.85	0.00	1263.13	18717.98	10614.44	0.00	1226.37	11840.81
Depreciation	159.26	47.95	118.73	325.94	119.95	35.97	88.49	244.41
Non cash expenses other than Depreciation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*Previous year figures are reported in the Annual Report of erstwhile Hyderabad Flextech Limited.

18. AS -18 Related party disclosures:

Related party disclosures as required by AS-18 are given below:

i) Particulars of Associate Companies :

Name of the Related Party

Nature of Relationship

- a. Hyderabad Bottling Co.Ltd
- b. Triveni Capital Leasing & Investments Pvt Limited
- c. I O U Projects Limited

Associate Companies

ii) Key Management Personnel

- Mrs. J. Triveni : Managing Director
- Mr. J.S.Rao : Managing Director of erstwhile Hyderabad Flextech Ltd
- Late Mr. J. S. Krishna Murthy : Executive Chairman (since deceased 19.09.2009)

iii) Transaction with Associate Companies

	Current Year Rs. in lacs	Previous year Rs. in lacs	Receivable (Payable) as on 31.03.10 Rs. in lacs	Receivable (Payable) as on 31.03.10 Rs. in lacs
a) Advance for Expenses	—	1.49	—	34.30
b) Inter Corporate Deposits	—	—	(201.04)	(201.04)
c) Supply of cement	0.60	—	0.60	—

iv) Details of transactions in respect of persons referred to in item (ii) above

	Current Year Rs. in lacs	Previous Year Rs. in lacs
a) Remuneration	11.83	9.00
Contribution to PF	1.44	1.08
Other perquisites	8.32	7.74
b) Rent		
Rent for premises leased to Company	1.20	0.90



<p>c) Unsecured loan</p> <p>Outstanding at beginning of the year</p> <p>Received during the year</p> <p>Adjustment/Repayment during the year</p> <p>Outstanding at the end of the year</p> <p>19. Earning per share: A.S-20 Particulars</p> <p>Net Profit after tax (A)</p> <p>No. of Shares including un-allotted Share application money (B)</p> <p>Basic & Diluted earning per share of Rs.10 each (A)/(B)</p> <p>20. Deferred Tax: In accordance with accounting standard 22, "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company worked out taxes on income resulting deferred tax liability of Rs.596.69 lacs as at 31.03.2010. The components of deferred tax assets and deferred tax liabilities are given hereunder.</p> <p>a. Deferred Tax Liability: Depreciation</p> <p>b. Deferred Tax Asset relating to Disallowance U/S 43 B of IT Act' 1961 and other disallowances</p> <p>Deferred Tax Liability</p> <p>21. Defined Benefit Scheme in accordance with A S-15 "Employee Benefits" issued by ICAI. As per actuarial valuation as on 31.03.2010 and recognised in financial statements in respect of employee defined benefit scheme.</p> <p>Current Service Cost</p> <p>Interest Cost on benefit obligation</p> <p>Expected return on plan assets</p> <p>Net Actuarial(gain)/loss recognised in the year</p> <p>Net Benefit expense</p> <p>Actual return on plan assets</p> <p>Details of provision for Change in the present value of the defined benefit obligation are as follows :</p> <p>Opening defined benefit obligation</p> <p>Interest cost</p> <p>Current services cost</p> <p>Benefits paid</p> <p>Actuarial(gains)/losses on obligation</p> <p>Closing defined benefit obligation</p> <p>22. Previous year figures have been regrouped wherever necessary.</p>	<p>Current Year Rs.</p> <p>2,57,47,809</p> <p>—</p> <p>60,57,350</p> <p>1,96,90,459</p> <p>Current Year (12 Months) (Rs. in lacs)</p> <p>418.77</p> <p>10016738</p> <p>4.18</p> <p>As at 31.03.2010 (Rs. in lacs)</p> <p>1793.51</p> <p>38.02</p> <p>1755.49</p> <p>596.69</p> <p>Gratuity</p> <p>3,26,104</p> <p>4,99,144</p> <p>NIL</p> <p>25,34,616</p> <p>33,59,864</p> <p>NIL</p> <p>62,39,302</p> <p>4,99,144</p> <p>3,26,104</p> <p>(1,92,396)</p> <p>25,34,616</p> <p>94,06,770</p>	<p>Previous year Rs.</p> <p>2,49,47,809</p> <p>39,00,000</p> <p>31,00,000</p> <p>2,57,47,809</p> <p>Previous Year (9 Months) (Rs. in lacs)</p> <p>934.41</p> <p>10016738</p> <p>9.33</p> <p>As at 31.03.2009 (Rs. in lacs)</p> <p>1466.38</p> <p>18.85</p> <p>1447.53</p> <p>492.01</p> <p>Leave encashment</p> <p>1,21,163</p> <p>1,74,171</p> <p>NIL</p> <p>2,17,004</p> <p>5,12,338</p> <p>NIL</p> <p>21,77,146</p> <p>1,74,171</p> <p>1,21,163</p> <p>(1,05,746)</p> <p>2,17,004</p> <p>25,83,738</p>
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Per our report of even date

For K.S. Rao & Co.
Chartered Accountants

(P. Govardhana Reddy)
Partner

Place: Hyderabad
Date: 30th August, 2010.

Signatures to Schedule 'A' to 'L'
For and on behalf of the Board

J.S.Rao
Managing Director

J. Triveni
Executive Chairperson

**CASH FLOW STATEMENT FOR THE TWELVE MONTHS ENDED 31 ST MARCH,2010**

(Rs.In Lakhs)

	Year ended 12 months 31 st March, 2010	Year Ended 9 Months 31st March,2009*
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Extraordinary Items	418.77	934.80
Adjustments for:		
Depreciation	325.94	244.41
Deffered Tax	104.67	10.40
Interest	28.11	28.48
Interest Earned	(30.20)	(44.44)
Operating Profit before working capital changes	847.29	1173.65
Changes in working capital:		
Inventories	(250.45)	60.17
Trade and other receivables	(412.80)	(277.40)
Trade and other payables	60.08	943.00
Cash generated from operations	244.12	1899.42
Interest paid	(28.11)	(28.48)
Taxes paid	0.00	(0.50)
Net Cash Flow from Operating Activity (A)	216.01	1870.44
B. CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	33.86	45.57
Purchase of Fixed Assets	(32.07)	(9.18)
Capital Work in progress	(5720.69)	(2822.35)
Net Cash used in Investing Activities (B)	(5718.90)	(2785.96)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Un-Secured Loans	(60.57)	206.83
Proceeds from Term Loans	6354.22	(557.99)
Net Cash used in Financing Activities (C)	6293.65	(351.16)
D. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		
	790.76	(1266.68)
Cash and Cash Equivalents as at the commencement of the year	271.88	1538.56
Cash and Cash Equivalents as at the close of the year	1062.64	271.88

*After giving effect of Merger

Per our report of even date

for **K.S.Rao & Co.**
Chartered Accountants**(P. Govardhana Reddy)**
PartnerPlace : Hyderabad
Date : 30th August,2010

For and on behalf of the Board

J. Triveni
Executive Chairperson**J. S. Rao**
Managing Director



Keerthi Industries Limited

KEERTHI INDUSTRIES LIMITED

27th ANNUAL GENERAL MEETING

Registered Office: Mellacheruvu (Village & Mandal), Nalgonda District,
Andhra Pradesh-508 246.

PROXY FORM

D.P.Id* _____

Folio No _____

Client Id* _____

I/We _____ of _____

being Member/ Members of Keerthi Industries Limited, hereby appoint Mr./ Ms. _____

of _____ or failing him/ her, Mr./ Ms. _____

of _____ as my/our proxy to attend and vote for me/us on my/

our behalf at the 27th Annual General Meeting of the Company to be held on Thursday, the 30th September, 2010 at 11.00

A.M. at the Registered Office of the Company at Mellacheruvu (Village & Mandal), Nalgonda District, Andhra Pradesh-508 246

and at any adjournment(s) thereof.

Signature : _____

Date : _____

Affix
Revenue
Stamp of
Re. 1.00

Note: The Proxy form duly completed must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting. A proxy need not be a member.

----- TEAR OFF HERE -----

KEERTHI INDUSTRIES LIMITED

27th ANNUAL GENERAL MEETING

Registered Office: Mellacheruvu (Village & Mandal), Nalgonda District,
Andhra Pradesh-508 246.

ATTENDANCE SLIP

Please complete this attendance slip and hand over it over at the entrance of the meeting hall joint shareholders may obtain additional attendance slips on request.

D.P.Id* _____

Folio No _____

Client Id* _____

Name & Address of the Shareholder _____

I hereby record my presence at the 27th Annual General Meeting of the Company to be held at the Regd.office & Factory : Mellacheruvu (Village & Mandal), Nalgonda District, Andhra Pradesh-508 246 at 11.00 A.M on 30th day of September, 2010

Signature of the Shareholder or Proxy

PRINTED MATER

BOOK POST

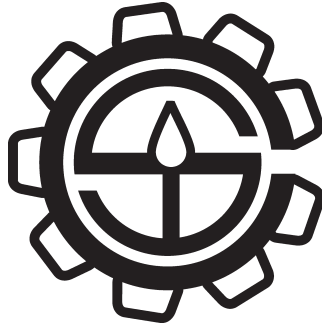
If undelivered, Please return to :

KEERTHI INDUSTRIES LIMITED

Administrative Office :

Plot No.40, I.D.A, Balanagar,

Hyderabad - 500 037.



Keerthi

Industries Limited

(Formerly known as Suvarna Cements Limited)

27th

Annual Report 2009-2010