

**26th Annual Report
2010 - 2011**



SALGUTI
Industries Ltd.
Adding Value



SALGUTI INDUSTRIES LIMITED

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

FACTORY (PLASTICS)

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

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

FACTORY (TEXTILES) :

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

WEBSITE

www.salguti.com

BANKERS

Andhra Bank, Bank of Baroda, Oriental Bank of Commerce

AUDITORS

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

SHARE TRANSFER AGENTS

Aarhi Consultants Pvt. Ltd. ,
1-2-285, Domalguda, Hyderabad - 500 029.
Ph : 040 - 27642217, 27638111 Fax : 040 - 27632184
E-mail : info@aarhiconsultants.com

LISTED ON :

Bombay Stock Exchange Limited (BSE), Mumbai



NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the Members of the company will be held on Tuesday, the 27th day of September, 2011 at 11.00 A.M. at Sundaraiah Vignana Kendram, (Mini Hall) Bagh Lingampalli, Hyderabad - 500 044 to consider the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2011 and Audited Profit and Loss Account for the year ended on that date together with the Director's Report and Auditor's Report.
2. To appoint a Director in place of Smt. S. Rajitha Reddy, who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a Director in place of Sri C. Karunakar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

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

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

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

S.VISHNU VARDHAN REDDY
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 2nd September, 2011

**NOTES**

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE THERE AT INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2) An instrument appointing proxy to be effective must be lodged at the Registered Office of the Company at least 48 hours before the meeting.
- 3) The Register of Members / Register of Beneficiaries and Share Transfer Books of the Company will remain closed from Saturday, 24th September 2011 to Tuesday, 27th September 2011 (both days inclusive).
- 4) Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
- 5) Members holding shares in physical form are requested to notify / send any change in their address to the Company's Share Transfer Agents, or to the Company at its registered office.
- 6) Members holding shares in dematerialization form are requested to notify/send any change in their address to the concerned depository participant(s).
- 7) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- 8) Corporate Members intend to send their authorized representatives to attend the meeting are requested to send a certified true copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting.
- 9) Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the company. Therefore, the shareholders willing to avail this facility may make nomination in form 2B.
- 10) Shareholders / proxies should bring duly filled attendance slips sent herewith for attending the meeting along with the copies of Annual Reports to the Annual General Meeting.

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

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



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

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

Your Directors recommend the above Resolution for your approval.

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

ADDITIONAL INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT:

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

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

2. Name : **Sri C. Karunakar**
Age : 41 years
Qualifications : M.Com.
Experience : Experience in Business Management
Other Directorships :



DIRECTORS' REPORT

To
The Members,
SALGUTI INDUSTRIES LIMITED

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

FINANCIAL RESULTS REVIEW AND PROSPECTS

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

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

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

DIVIDEND

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

FIXED DEPOSITS

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

EMPLOYEE PARTICULARS

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



DIRECTORS

Smt. Rajitha Reddy and Sri C. Karunakar, Directors, whose period of office determined by rotation is due to retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. In the preparation of the annual accounts for the year ended 31st March, 2011, the applicable accounting standards have been followed and there are no material departures.
- ii. We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2011 and of the profit of the company for the financial year ended 31st March 2011.
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. We have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

CODE OF CONDUCT

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

CEO/CFO CERTIFICATION

The Board has recognized Managing Director of the Company as CEO for the limited purpose of Compliance under the Listing Agreement. The CEO has certified, in terms of revised clause 49 of the listing agreement, to the Board that the financial statements present a true and fair view of the company's affairs and are in compliance with existing accounting standards, internal control and disclosures.

MANAGEMENT DISCUSSION AND ANALYSIS

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

STOCK EXCHANGE

The Company's present Equity shares are listed in Bombay Stock Exchange and the Company has paid the Listing Fees to the Stock Exchanges for the Financial Year 2011-12.



INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

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

AUDITORS

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

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

(a) Conservation of Energy:

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

(b) Research and Development and Technology Absorption:

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

(c) Foreign Exchange Earnings & Outgo:

- (i) Foreign exchange earnings : 33502.00 EURO
 (ii) Foreign Exchange out go : Rs. 9583667/-

PERSONNEL

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

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

ACKNOWLEDGEMENTS

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

On behalf of the Board

Place: Hyderabad
 Date: 2nd September, 2011

S.Vishnu Vardhan Reddy
 Managing Director

S.Rajita Reddy
 Whole-Time Director



THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

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

I. COMPANY'S PRODUCTS / SERVICES

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

II. INDUSTRY STRUCTURE AND DEVELOPMENT:

* **Plastic Sector:**

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

* **Textile Sector:**

The Textile industry occupies a r important place in the Economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. The textile industry encompasses a range of industrial units, which use a wide variety of natural and synthetic fibres to produce fabrics & garments.

III. OPPORTUNITIES AND THREATS

PLASTIC SECTOR:

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

(i) CEMENT PACKING:

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

(ii) FERTILIZER PACKING:

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

(iii) FOOD GRAINS:

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



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

TEXTILE SECTOR

Opportunities:

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

Threats:

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

IV. FUTUTE PLANS:

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

V. EXPANSION:

(i) PLASTICS:

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

(ii) TEXTILES SECTOR:

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



REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

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

2. Board of Directors

A. Composition

- a) The Company has 6 Directors with an Executive Chairman, Of 6 Directors, 3 (i.e.50%) are Non-Executive and Independent Directors. The composition of the Board is in conformity with clause 49 of the Listing Agreements entered into with the Stock Exchanges and meets the stipulated requirements.
- b) None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2011.
- c) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Composition and category of Directors on the Board for the year 2010-11 are given below:

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



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

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

During the Financial Year 2010 - 11 the Board of Directors met Five times on 29th April 2010, 30th July 2010, 30th August 2010, 29th October 2010 and 27th January 2011.

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

Attendance of Directors at Board Meetings during the year under review, and at the last Annual General Meeting (AGM) held on 27th September, 2010.

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM
Sri. S. Gopal Reddy	5	Yes
Sri S. Vishnu Vardhan Reddy	5	Yes
Smt. S. Rajita Reddy	5	Yes
Sri. V. R. Vasudevan	4	No
Sri. M. Laxmikar Reddy	5	Yes
Sri C. Karunakar	2	No

Board's Procedure

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

3. Audit Committee

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

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

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



- Reviewing with management the annual financial statements before submission to the Board, focusing on:
 - i Any changes in accounting policies and practices;
 - ii Qualification in draft audit report;
 - iii Significant adjustments arising out of audit;
 - iv The going concern concept;
 - v Compliance with accounting standards;
 - vi Compliance with stock exchange and legal requirements concerning financial statements;
 - vii Any related party transactions
 - Reviewing the company's financial and risk management's policies.
 - Disclosure of contingent liabilities.
 - Reviewing with management, external and internal auditors, the adequacy of internal control systems.
 - Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
 - Discussion with internal auditors of any significant findings and follow-up thereon.
 - Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - Reviewing compliances as regards the Company's Whistle Blower Policy.
- III) The previous Annual General Meeting of the Company was held on 27th September 2010 and Sri. M. Laxmika Reddy, Chairman of the Audit Committee, attended previous AGM.
- IV) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

Composition

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

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



- v) Five Audit Committee meetings were held during the year on 29th April 2010, 30th July 2010, 30th August 2010, 29th October 2010 and on 27th January 2011.

The necessary quorum was present at all the meetings.

Attendance during the year 2010-11 :

Name	Number of meetings held during the year	Number of meetings attended during the year
Sri. M. Laxmika Reddy	5	5
Sri. V. R. Vasudevan	5	4
Sri C. Karunakar	5	3

4. Remuneration Committee

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

However, the remuneration of the Managing / Whole time Director is subject to approval of the Board, and of the Company in the General Meeting and such approvals as may be necessary. The remuneration structure of Managing / Whole time Director comprises of salary only.

A. Composition

The Remuneration Committee consists of the following Directors:

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

B. Brief description of terms of reference

The Remuneration Committee shall function in accordance with the terms of reference made by the Board of Directors, which are given as follows:

1. To fix the remuneration packages of Executive Directors i.e., Managing Director, Whole time Directors, etc.,
2. To decide on the elements of remuneration package of all the Directors i.e., salary, benefits, bonuses, stock options, pension etc.”



The details of the salary and commission paid / payable for the Financial Year ended 31st March, 2011 to the Managing / Whole time Director are as under:

Name of the Director	Designation	Relationship with other Directors	Salary per annum (Rs. in Lakhs)	Commission
Sri S. Gopal Reddy	Chairman	Related to Smt. Rajitha Reddy & Sri. Vishnu Vardhan Reddy	NIL	NIL
Sri S. Vishnu Vardhan Reddy	Managing Director	Related to Smt.S.Rajitha Reddy & Sri. S.Gopal Reddy	1,20,000/-	NIL
Smt. S. Rajita Reddy	Whole Time Director	Related to Sri. S.Gopal Reddy and Sri.S.Vishnu vardhan Reddy	2,70,000/-	NIL

The Company does not have any stock option scheme to the Whole-time Directors. The appointments are made in accordance with the terms and conditions specified in the respective resolutions passed by the members in the General Meetings, which do not provide for severance fees.

5. Investors' Grievance Committee

A. Composition

Your Company has constituted an Investors' Grievance Committee consisting of the following Directors :

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

B. Powers

The Committee has been delegated with the following powers:

- to redress shareholder and investor complaints relating to transfer of shares, Dematerialization of Shares, non-receipt of balance sheet, non-receipt of declared dividend etc.



- to approve, transfer, transmission, and issue of duplicate / fresh share certificate(s)
- Consolidate and sub-division of share certificates etc.
- To redress, approve and dispose off any, other complaints, transactions and requests etc., received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and Share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form. During the period under review, 11 complaints were received from the shareholders, all of them have been resolved and there are no pending Complaints as on date of this report.

6. General Body Meetings

Financial Year	Date	Time	Venue	Special resolutions passed
25 th AGM 2009-2010	27.09.2010	11.00 AM	Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad – 500 044	Nil
24 th AGM 2008-2009	30.09.2009	4.00 PM	Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad – 500 044	Nil
23 rd AGM 2007-2008	27.09.2008	11.00 A.M	Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad – 500 044	a) Re-appointment of Sri S.Vishnu Vardhan Reddy as Managing Director of the Company and fixing the remuneration b) Re-appointment of Smt. S. Rajita Reddy as Whole Time Director of the Company and fixing the remuneration

7. Auditors' Certificate on Corporate Governance

Auditors' Certificate on Corporate Governance as required by revised Clause 49 of the Listing Agreement is given as an annexure to the Director's Report.

8. Disclosures

- The Company has not entered into any transaction of material nature with related parties i.e., Directors, Management, their relatives conflicting with the Company's interest.
- **Details of non-compliance**

There has been no non-compliance of any legal requirements nor have been any strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.



- **Whistle Blower policy**
We have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the Company. The mechanism provided direct access to the Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the Company. The Whistle Blower Policy has been posted on the Intranet of the Company.
- **Compliance with non-mandatory requirements of clause 49 of the listing agreement**
The Company has complied with the non –mandatory requirements relating to remuneration committee and Whistle Blower policy to the extent detailed above and has not complied with other non-mandatory requirements.

9. Means of Communication

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same and these results will also be published in prominent daily newspapers. These financial statements, press releases are also posted on the Company's website, at www.salguti.com. As the financial performance of the Company is well published, individual communication of half yearly results are not sent to the shareholders.

The Management Discussion and Analysis Report forms part of the annual report, which is posted to the shareholders of the Company.

10. General Shareholder Information:

The following information would be useful to the shareholders:

a) Twenty Sixth Annual General Meeting

Date and Time : 27.09.2011, at 11.00 A.M

Venue : Sundaraiah Vignana Kendram, (Mini Hall), Bagh Lingampally, Hyderabad – 500 044.

b) Financial Calendar 2011-12 (Tentative Schedule)

For the Quarter ended 30th June, 2011, the Company has already declared the Unaudited Financial Results on July 30, 2011.

Adoption of Quarterly results for the Quarter ending

- 30th September, 2011 : 1st/2nd Week of November, 2011
- 31st December, 2011 : 1st/2nd Week of February, 2012
- 31st March, 2012 : 1st/2nd Week of May, 2012

Annual General Meeting (Next year) : August / September, 2012

c) Book Closure Date

Saturday 24th September 2011 to Tuesday 27th September 2011 (both days inclusive)

d) Listing on Stock Exchanges : Bombay Stock Exchange Ltd

e) Stock Code

- Stock Code / ID : BSE : 526554 / SALGUTI
- Demat ISIN number : INE 159C01012

**Electronic Connectivity****National Securities Depository Limited**

Trade World, Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai – 400 013.

Central Depository Services (India) Limited

Phiroze Jeejeebhoy Towers, 28th Floor
Dalal Street, Mumbai – 400 023.

f) Stock Market Data

The monthly high / low prices of shares of the Company from April, 2010 to March, 2011 at Bombay^o Stock Exchange Limited:

Scrip Code: 526554 Company Name: SALGUTI. For the period: April 2010 to March 2011

During the period under review, the shares of the Company were not traded. Hence, the monthly data could not be provided.

g) Transfer Agents

Aarathi Consultants Pvt. Ltd.
Unit : Salguti Industries Ltd.
1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarthiconsultants.com

h) Share Transfer System

SEBI has vide its circular dated 27-12-2002, directed that all work relating to share registry, both physical and demat should be maintained at a single point. Accordingly, the Share Transfers, both physical and demat form, are done by the Registrar and Share Transfer Agents i.e., M/s. Aarathi Consultants Private Limited, Domalguda, Hyderabad. The requests received for transfer of shares in physical form are generally completed within the stipulated time.


11. (A) Shareholding pattern as on 31st March 2011 :

Category code	Category of Shareholder	No. of Shareholders	Total Number of shares	Number of shares held in demat form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a Percentage of (A+B) 1	As a Percentage of (A+B+C)	Number of Shares	As a Percentage
		(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)= (VIII)/ (IV)8100
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
a.	Individuals/Hindu Undivided Family	53	1721725	236500	22.84	22.84	0	0
b.	Central / State Government(s)	0	0	0	0	0	0	0
c.	Bodies Corporate	12	2371875	240000	31.47	31.47	0	0
d.	Financial Institutions/Banks	0	0	0	0	0	0	0
	Others :-	0	0	0	0	0	0	0
e.	Mutual Funds	0	0	0	0	0	0	0
f.	Trusts	0	0	0	0	0	0	0
	Sub Total (A)(1)	65	4093600	476500	54.32	54.32	0	0
(2)	Foreign							
a.	Individuals (Non Resident Individuals/Foreign Individuals)	0	0	0	0	0	0	0
b.	Bodies Corporate	0	0	0	0	0	0	0
c.	Institutions	0	0	0	0	0	0	0
	Others :-	0	0	0	0	0	0	0
d.	Overseas Corporate Bodies	0	0	0	0	0	0	0
	Sub Total (A)(2)	0	0	0	0	0	0	0
	Total Shareholding of Promoter and Promoter Group	0	0	0	0	0	0	0
	(A)=(A)(1)+(A)(2)	65	4093600	476500	54.32	54.32	0	0
(B)	Public Shareholding							
(1)	Institutions							
a.	Mutual Funds/UTI	0	0	0	0	0	0	0
b.	Financial Institutions/Banks	0	0	0	0	0	0	0



c.	Central Government / State Government(s)	1	250000	250000	3.32	3.32	0	0
d.	Venture Capital Funds	0	0	0	0	0	0	0
e.	Insurance Companies	0	0	0	0	0	0	0
f.	Foreign Institutional Investors	0	0	0	0	0	0	0
g.	Foreign Venture Capital Investors	0	0	0	0	0	0	0
	Others :-	0	0	0	0	0	0	0
h.	Foreign Companies	0	0	0	0	0	0	0
	Total (B)(1)	1	250000	250000	3.32	3.32	0	0
(2)	Non-Institutions							
a.	Bodies Corporate	24	316600	5200	4.2	4.2	0	0
b.	Individuals							
	i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	3518	2613600	228900	34.68	34.68	0	0
	ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	9	259000	38000	3.44	3.44	0	0
c.	Any Others :-	0	0	0	0	0	0	0
	i) Non Resident Individuals	5	4000	2000	0.05	0.05	0	0
	ii) Overseas Corporate Bodies	0	0	0	0	0	0	0
	iii) Trusts	0	0	0	0	0	0	0
	iv) Employees	0	0	0	0	0	0	0
	v) Clearing Members	0	0	0	0	0	0	0
	vi) Foreign Nationals	0	0	0	0	0	0	0
	Sub Total (B)(2)	3556	3193100	274000	42.37	42.37	0	0
	Total Public Shareholding (B)=(B)(1)+(B)(2)	3557	3443100	524000	45.68	45.68	0	0
	Total (A)+(B)	3622	7536700	1000500	100	100	0	0
(C)	Shares held by Custodians and against Depository Receipts							
	have been issued	0	0	0	0	0	0	0
1	Shareholding of Promoter and Promoter Group	0	0	0	0	0	0	0
2	Public Shareholding	0	0	0	0	0	0	0
	Grand Total (A)+(B)+(C)	3622	7536700	1000500	100	100	0	0

**(B) Distribution of Shareholding as on 31.03.2011**

Range (Rs)	No. of Shareholders	% of Total Shareholders	Shares Amount	% of Total Shares Amount
1 - 5000	2518	70	5934000	7.87
5,001 - 10000	315	9	2752000	3.65
10,001 - 20000	367	10	6589000	8.74
20,001 - 30000	153	4	3945000	5.23
30,001 - 40000	180	5	5974000	7.93
40,001 - 50000	21	1	1050000	1.39
50,001 - 100000	22	1	1502000	1.99
1,00,001 and above	46	1	47621000	63.19
Total	3622	100.00	75367000	100.00

11. Dematerialization of Shares and Liquidity

Trading in Company's shares is permitted only in dematerialized form for all investors. The ISIN allotted to the Company's scrip is INE 159C01012. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. The list of depository participants is available with the National Securities Depository Limited (NSDL) at www.nsdl.co.in.

Particulars	No. of Shares	% Share Capital
NSDL	698072	9.26
CDSL	302428	4.01
PHYSICAL	6536200	86.73
Total	7536700	100.00

12. Address for Correspondence**Registered office**

: 1-2-288/6/4,
Domalguda,
Hyderabad -500 029.
Phone:040-27635939, 27630629

Transfer Agent

: Aarathi Consultants Pvt. Ltd.
1-2-285, Domalguda, Hyderabad- 500 029.
Tel: (040) 27642217/27638111
Fax: (040) 27632184
Email: info@aarathiconsultants.com

On behalf of the Board

Place: Hyderabad
Date: 2nd September, 2011

S.Vishnu Vardhan Reddy
Managing Director

S.Rajita Reddy
Whole-Time Director



CERTIFICATE FROM MANAGING DIRECTOR FOR COMPLIANCE WITH CODE OF CONDUCT FOR BOARD AND SENIOR MANAGEMENT

This is to certify that M/s. Salguti Industries Limited has put in place the Code of Conduct for the Board of Directors and Senior Management. This code is applicable to all the Directors of the Company and the Members of Senior Management, which includes the employees of the Company who are one level below the Whole time Directors and all the functional heads. The Directors and Members of Senior Management have affirmed compliance with the Code of Conduct for the Board of Directors and Senior Management as on March 31, 2011. The Company has complied with the provisions of the Listing Agreement in this respect.

For SALGUTI INDUSTRIES LIMITED

Date: Hyderabad
Place: 2nd September, 2011

S. Vishnu Vardhan Reddy
Managing Director

CERTIFICATE BY THE CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

I, S. Vishnu Vardhan Reddy, Managing Director of M/s. Salguti Industries Limited certify :

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31st March 2011 and to the best of our knowledge and belief;
 - a. These statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, **and**
 - b. These statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the company's code of conduct.
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the audit committee, deficiencies in the design or the operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take and rectify the identified deficiencies and,
4. That we have informed the auditors and the audit committee of:
 - a) Significant changes in the internal control during the year;
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c) Instances of significant fraud of which we have become aware and the involvement of any employee having a significant role in the company's internal control system.

Place : Hyderabad
Date : 2nd September, 2011

S. Vishnu Vardhan Reddy
Managing Director



COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of
Salguti Industries Limited
Hyderabad

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of Salguti Industries Limited ("the company") for the year ended 31st March, 2011 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on "Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, 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 the efficiency or effectiveness with which the management has conducted the affairs of the company.

For P. Murali & Co.,
Chartered Accountants

Place: Hyderabad
Date: 2nd September, 2011

P. Murali Mohana Rao
Partner
Membership No. 23412



AUDITORS' REPORT

To,
The Members,
SALGUTI INDUSTRIES LIMITED

We have audited the attached Balance Sheet of SALGUTI INDUSTRIES LIMITED as at 31st March, 2011 and also the Profit & Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period ended on that date. 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.

We conducted our audit in accordance with 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 statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report)(Amendment) Order 2004, issued by the Central Government of India in terms of the 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.

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 & Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet & Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed Director in terms of clause(g) of sub-section 274 of the Companies Act, 1956;

