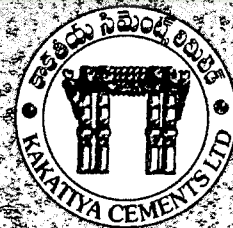


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YE	<input checked="" type="checkbox"/>		

ANNUAL REPORT

1997-98



KAKATIYA
CEMENTS LIMITED





KAKATIYA CEMENTS LIMITED

BOARD OF DIRECTORS

P. Venkateswarlu
P. Veeraiah
J.S.R. Prasad
A.C. Motwani
J. Seshagiri Rao
J. Lakshmi Nalini
C. Madhusudana Rao
V.B.R. Suryam
M. Narasimha Rao

Chairman & Managing Director
Joint Managing Director
Executive Director
Nominee of IDBI

SENIOR EXECUTIVES

C. Janardhan Reddy
G. Bharadwaja
A. Siva Sankar Reddy
A. Satyanarayana

General Manager(Cement Works)
General Manager(Sugar Works)
Dy. Gen. Manager (Fin.)
Company Secretary

AUDITORS

M/S. M. Anandam & Co.,
Chartered Accountants,
SECUNDERABAD.

COST AUDITORS

M/S. Narasimha Murthy & Co.,
Cost Accountants,
HYDERABAD.

BANKERS

State Bank of India
Industrial Finance Branch
Somajiguda
Hyderabad

Indian Bank
Himayatnagar
Hyderabad.

REGISTERED OFFICE

1-10-140/1, "GURUKRUPA"
Ashoknagar,
HYDERABAD-500 020.

FACTORIES

CEMENT:

Srinivasa Nagar
Mellacheruvu Mandal
Nalgonda Dist. A.P.

SUGAR:

Peruvancha Village
Kallur Mandal
Khammam Dist. A.P.



KAKATIYA CEMENTS LIMITED

NOTICE

NOTICE is hereby given that the NINETEENTH ANNUAL GENERAL MEETING of KAKATIYA CEMENTS LIMITED will be held on Thursday, the 31st Day of December, 1998 at 10.30 A.M. at Sri Tyagaraya Gana Sabha, Vivek Nagar, Chikkadapally, Hyderabad - 500 020 to transact the following Business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1998, the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Smt. J. Lakshmi Nalini, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Sri. C. Madhusudana Rao, who retires by rotation and being eligible offers himself for re-appointment.
5. To reappoint Auditors to hold office from the conclusion of this Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. M. ANANDAM & CO., Chartered Accountants, Secunderabad, the present auditors of the Company are eligible for reappointment and are willing for the same.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.
"RESOLVED THAT pursuant to the provisions of Section 252, 255 and 259 and other applicable provisions, if any, of the Companies Act, 1956, subject to approval of the Financial Institutions and

pursuant to Article 36 (c) of the Articles of Association of the Company Sri M. Narasimha Rao be and is hereby appointed Director of the Company".

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 252, 255 and 259 and other applicable provisions, if any, of the Companies Act, 1956, subject to approval of the Financial Institutions and pursuant to Article 36 (c) of the Articles of Association of the Company Sri P. Veeraiah be and is hereby appointed Director of the Company".

8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Special Resolution.

"RESOLVED THAT pursuant to the provisions of Sections 108, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments therein for the time being in force and subject to the limits specified in Schedule XIII of the said Act and subject to the approval of Financial Institutions, consent of the Company be and is hereby given for the appointment of Sri P. Veeraiah as Joint Managing Director of the Company for a period of Five Years with effect from 5th December, 1998 on the following terms and conditions".

PART - A

1. SALARY : A Salary of Rs.30,000/- (Rupees thirty thousand only) per month.
2. COMMISSION : Commission at 1% of the Net Profits of the Company as computed in the manner provided in Section 309(5) of the Companies Act, 1956, subject to a ceiling of Rs.1,80,000/- per annum.



KAKATIYA CEMENTS LIMITED

3. PERQUISITES :

(a) H.R.A. : House Rent Allowance, subject to a ceiling of 50% of the Salary. The expenditure incurred on Gas, electricity, Water & furnishings will be valued as per the Income Tax Rules, 1962. This will, however be subject to a ceiling of 10% of the Salary.

(b) MEDICAL REIMBURSEMENT : Reimbursement of expenses actually incurred for self & family, subject to a ceiling of 1 month salary per year or 3 months salary over a period of 3 years.

(c) L.T.C. : Leave Travel Concession for self & family to and from any place in India, once in a year, incurred in accordance with the Rules specified by the Company, in this regard.

(d) CLUB FEES : Fees of Clubs, subject to a maximum of two clubs. However, admission and life membership fees shall not be included for this purpose.

(e) PERSONAL ACCIDENT INSURANCE : Personal Accident Insurance of an amount the annual premium of which does not exceed Rs.4,000/- per annum, is allowed.

These perquisites will be restricted to an amount of Rs.4,50,000/- per annum.

PART - B

1. PROVIDENT FUND : Company's contribution towards Provident Fund, subject to a ceiling of 12% of salary.
2. GRATUITY : Gratuity payable shall not exceed half a month salary for each completed year of service, subject to a ceiling of Rs.2.50 Lakhs.
3. OTHER BENEFITS : Free use of Car with Driver on Company's business. Residential Telephone shall be pro-

vided. All long distance personal calls shall be duly logged and paid for, by the Joint Managing Director.

9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions of the Companies Act, 1956, the consent of the shareholders of the Company be and is hereby accorded to the alteration of the Company's Memorandum of Association by shifting the existing clause 43 under "Other Objects" to "Main Objects to be pursued by the Company upon its incorporation", which will be renumbered and read as Clause 4A after the existing Clause 4 and the existing clauses 44, 45 and 46 to be renumbered and read as clauses 43, 44 and 45 respectively".

10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED that in supersession of all the earlier resolutions passed by the company, consent of the Company be and is hereby accorded pursuant to Section 293(1)(d) and other applicable provisions if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time any 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 at its discretion think fit, notwithstanding that the money or moneys 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 sums already borrowed may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not



KAKATIYA CEMENTS LIMITED

set apart for any specific purposes, provided however that the sum or sums so borrowed and remaining outstanding shall not exceed Rs. 100 Crores (Rupees One Hundred crores only).

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED that consent of the company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors of the company of all the immovable properties of the company wheresoever situated present and future and/or conferring or to enter upon and take possession of the assets of the company in certain events, to or in favour of Public Financial Institutions such as Industrial Development Bank of India, Industrial Credit and Investment Corporation of India Ltd. and the Industrial Finance Corporation of India Ltd etc. or Banks or such other lenders, from whom the company may borrow funds, to secure repayment of loans of amounts upto Rs. 100.00 Crores (Rupees One Hundred crores only) or other amounts lent and advanced/agreed to be lent and advanced by such Public Financial Institutions or Banks or such other lenders to the company directly together with interest thereon at the agreed rate, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other moneys payable by the company to such Public Financial Institutions or Banks or such other lenders under the loan agreements entered into/to be entered into by the company from time to time.

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution,

the Board/Committee be and is hereby authorised to finalise, settle and execute such documents/deeds/writings/papers/arguments as may be required and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages/charges as aforesaid."

"RESOLVED FURTHER THAT Board of Directors of the company be and is hereby authorised to finalise with such Public Financial Institutions or Banks or such other lenders the terms and conditions of the loans availed/to be availed and the documents for creating mortgage and/or to charge and otherwise to do such acts and things as may be necessary for giving effect to the above resolution.

By Order of the Board
for KAKATIYA CEMENTS LIMITED

Place : Hyderabad (A. SATYANARAYANA)
Dated : 05.12.1998 Company Secretary

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll only instead of himself/ herself. Such proxy need not be a member of the Company. Proxies, in order to be effective, should be received by the Company at its Registered Office not less than 48 hours before the meeting.
2. The Register of Members and Share Transfer Books will remain closed from 29.12.98 to 31.12.98 (both days inclusive).
3. Members should notify change in their address, if any, specifying full address with pin code to the Company's Registered Office.
4. Payment of Dividend on Shares, if declared at the Meeting will be made within



KAKATIYA CEMENTS LIMITED

the statutory period to those members whose names would appear on the Company's Register of Members on 31st December, 1998 or to their mandates/ Bankers.

5. As per provisions of Section 205A of the Companies Act, 1956 the Company has already transferred to the General Reserve Account of the Central Government, the amount of all unclaimed dividends declared upto and including the financial year ended 31st March, 1995. Hence, to claim dividend upto the said period, the members are advised to approach the Registrar of Companies, Sultan Bazar, Hyderabad-500 195.
6. For any further information regarding the Accounts, advance intimation in writing may be given and the members should ensure that it reaches the Company at least TEN days before the date of Meeting.
7. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 are enclosed hereto.
8. Members are requested to bring their copies of the Annual Reports to the meeting.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6 :

Sri M. Narasimha Rao was appointed as Additional Director by the Board of Directors at its meeting held on 5th December, 1998. According to the provisions of Section 260 of the Companies Act, 1956, he holds Office upto the date of ensuing Annual General Meeting. As required under the Section 257 of the Companies Act, 1956, the Company has received a notice from a member signifying his intention to propose the appointment of Sri M. Narasimha Rao as Director

along with a deposit of Rs.500/= (Rupees five hundred only).

Sri M. Narasimha Rao is presently the Chairman of Andhra Pradesh Federation of Co-operative Sugar Factories, nominated by the Government of Andhra Pradesh. He had earlier worked as Managing Director of many Co-operative Sugar Factories around our factory. He is well versed with the area, the farmers and their farming methods. With this appointment the Board of Directors of the Company will be broad based having valuable experience of a Sugar Expert.

Your Directors commend the resolution for your approval. Except Sri M. Narasimha Rao, none of the Directors are concerned or interested in the resolution.

ITEM NO. 7 & 8

Sri P. Veeraiah was appointed as an Additional Director by the Board of Directors at its meeting held on 5th December, 1998 and the Board also appointed him as Joint Managing Director of the Company at the said meeting. According to the provisions of the Section 260 of the Companies Act, 1956, he holds office of Additional Director upto the date of ensuing Annual General Meeting. As required under Sec. 257 of the Companies Act, 1956, the Company has received a notice from a member signifying his intention to propose the appointment of Sri P. Veeraiah as a Director along with a deposit of Rs.500/= (Rupees five hundred only).

Sri P. Veeraiah has been looking after the operations of the Sugar Unit, as Director of the erstwhile Sree Kailas Sugars and Chemicals Limited (SKSCL) for the last two years. With this appointment he will continue to work as Joint Managing Director on the terms and conditions mentioned in the resolution. Your Directors commend the resolution for your approval.

None of the Directors is interested in the resolution except Sri P. Veeraiah himself and



KAKATIYA CEMENTS LIMITED

Sri P. Venkateswarlu and Smt. J. Lakshmi Nalini, who are related to Sri P. Veeraiah.

ITEM NO. 9:

Pursuant to the Merger of Sree Kailas Sugars and Chemicals Limited with the Company, a resolution was passed by the shareholders at the Extraordinary General Meeting held on 28.09.1998, to change the name of the Company from KAKATIYA CEMENTS LIMITED to KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED. To enable the Company to obtain permission from Government/Registrar of Companies, for the proposed name, we need to alter the objects clause as proposed.

Your Directors commend proposal for your approval. None of the Directors have any interest in this resolution except as the member of the Company.

ITEM NO. 10 & 11

Consequent to the merger of Sree Kailas Sugars and Chemicals Ltd., with the Company, the operations of the merged Company will increase substantially. Moreover, sugar, being a capital intensive industry, the Company may have to borrow large amounts

from the financial institutions and/or banks. The Company will be approaching financial institutions and/or banks from time to time for sourcing its financial requirements.

The financial assistance from the financial institutions and/or banks or such other lenders has to be secured by way of charge on all the movable and immovable properties of the company, present and future. Since the mortgage by the company of the immovable properties as aforesaid in favour of Financial Institutions and/or banks or such other lenders may be regarded as disposal of company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) and 293(1)(d) of the Companies Act, 1956 for creation of the said mortgage/charge.

Your Directors commend the resolutions for your approval. None of the Directors of the company is interested in these resolutions except the institutional nominees in their official capacity.

for and on behalf of the Board

Place: Hyderabad
Date : 5.12.1998

A. SATYANARAYANA
Company Secretary



KAKATIYA CEMENTS LIMITED

DIRECTORS' REPORT

To
Members

Your Directors have pleasure in presenting the 19th Annual Report together with the Audited Accounts for the year ended 31st March, 1998.

Your Directors wish to inform that as per the Scheme of Rehabilitation/Merger sanctioned by the Board for Industrial and Financial Reconstruction (BIFR), the erstwhile Sree Kailas Sugars and Chemicals Limited (SKSCL), has been merged with the Company with effect from 1st April, 1997, which is the

transfer date for merger. Pursuant to the sanction of BIFR of a Scheme of Merger, the assets and liabilities of erstwhile SKSCL as on 31.3.97, as adjusted are incorporated in the accounts of your company presented herewith.

The delay in finalisation of accounts and holding of Annual General Meeting is due to the merger of SKSCL with the Company pursuant to the Orders of the BIFR, dt. 4.12.1998 and the merged accounts could not therefore be adopted before 30.09.98. Permission was however obtained from the Registrar of Companies for holding the Annual General Meeting upto 31.12.1998.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 1998 are summarised below:-

Particulars	1997-98			(Rs.in lacs)
	Cement Division	Sugar Division	Total	1996-97 Cement Division
Income (Sale and other Income)	5113.74	733.74	5847.48	5347.82
Profit before Depreciation & Interest	1095.63	197.89	1293.52	1170.18
Depreciation	236.37	152.57	388.94	185.65
Interest	153.21	264.86	418.07	103.04
Provision for Taxation	-	-	-	177.02
Profit after Taxation	706.05	(219.54)	486.51	704.47
Profit brought forward from Previous year	2290.83	-	2290.83	1861.28
Debit balance in P&L A/c of merging company adjusted	(1902.55)	-	(1902.55)	-
Prior Period adjustments	(1.96)	-	(1.96)	(0.42)
APPROPRIATIONS				
Transfer to General Reserve	63.00	-	63.00	71.00
Proposed Dividend	185.00	-	185.00	185.00
Corporate Tax on Dividend	18.50	-	18.50	18.50
Balance Carried over to balance sheet	825.87	(219.54)	606.33	2290.83

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2.50 per equity share for the year ended 31.3.1998, absorbing Rs. 203.50 Lacs, including tax on dividend payable by the company.

MERGER OF SREE KAILAS SUGARS AND CHEMICALS LTD. WITH THE COMPANY

Pursuant to the Order Dt. 4.12.98 of the BIFR, the erstwhile Sree Kailas Sugars and Chemicals Limited (SKSCL) has been merged



KAKATIYA CEMENTS LIMITED

with your Company with effect from 1.4.97. The said SKSCL is engaged in manufacture of sugar, whose factory is situated at Kallur in Khammam District of Andhra Pradesh. In consideration of the said merger, shares of your Company will be issued to the shareholders of the said SKSCL in the ratio of 25:1, at a later date. It may be recalled that at the Extraordinary General Meeting of the Company held on 28th September, 1998, the shareholders have unanimously passed a Special Resolution approving the merger of SKSCL with the Company. Pursuant to Section 72A of the Income Tax Act, 1961, your Company would be entitled to carry forward unabsorbed business losses and accumulated depreciation of the said SKSCL. The present Balance Sheet and Profit & Loss Account have been drawn, taking into account all the Assets and Liabilities and Profits and Losses of the said SKSCL, pursuant to the Order of BIFR. The operations of the said SKSCL, which have become part of the business of your Company will henceforth be known as Sugar Division and the existing operations will be known as Cement Division.

PERFORMANCE OF THE YEAR UNDER REVIEW

CEMENT DIVISION:

During the year under review, the Cement Division has produced only 209590 Mt of cement as against 219880 Mt of cement for the previous year and could achieve the capacity utilisation of 105.85%. The Profit for the division was Rs.704.09 lacs.

SUGAR DIVISION :

During the year under review, the Sugar Division crushed 88,631 MT of sugar cane as against 76,608 MT for the previous year. The recovery rate was 9.7% compared to 9.8% for the previous year. Sales for the year was Rs.683.53 lacs as against Rs.996.15 lakhs for the previous year. The Division incurred a loss of Rs.219.54 lacs for the year.

CURRENT YEAR OUTLOOK :

CEMENT DIVISION:

In the first eight months of the current year i.e. April-November, 1998, though the production of cement was 146293 MT, as against 144208 MT of the first eight months of the previous year, realisation of prices of cement have come down. Your Directors hope to achieve better performance during the remaining part of the current year, in view of the recently announced policies of the Government for acceleration of construction work and other infrastructural activities.

SUGAR DIVISION :

As a result of the concerted efforts for development of sugar cane, it is hoped that the division will achieve much higher capacity utilisation during the current year. In the draft Rehabilitation Scheme, 65% capacity utilisation has been projected for the current year. However, we are hopeful of surpassing the projections with wide margins.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Smt. J. Lakshmi Nalini and Sri C. Madhusudhana Rao retire by rotation and are eligible for reappointment.

Sri M. Narasimha Rao, who has rich experience in sugar industry and who has been nominated as the Chairman of Andhra Pradesh Federation of Co-operative Sugar Factories, has been inducted on the Board. Sri P. Veeraiah, who has been looking after the operations of the sugar factory, as Director of the erstwhile SKSCL has also been inducted on the Board.

INDUSTRIAL RELATIONS :

The industrial relations continued to be cordial during the year under review. The Board wishes to place on record its appreciation to all employees for their untiring efforts and cooperation for the high level performance and growth of the Company.