

34th Annual Report 2012 - 13



**KAKATIYA CEMENT
SUGAR & INDUSTRIES LTD.**



**KAKATIYA CEMENT SUGAR &
INDUSTRIES LIMITED**

BOARD OF DIRECTORS:

Sri P Venkateswarlu

Sri P Veeraiah

Sri J S R Prasad

Sri J S Rao

Sri C Madhusudana Rao

Sri V B R Suryam

Sri T R C Bose

Sri B V Subbaiah

Sri A Chengappa

Sri K Venkat Rao

Chairman & Managing Director

Joint Managing Director

Director

Director

Director

Director

Director

Director

Director

Additional Director (w.e.f.27.05.2013)

SENIOR EXECUTIVES

Dr. P Radha

Sri R Ramakrishna

Sri M Bhavani Dattu

Sri B Peraiah

Sri M Stalin Babu

Sri K Muralidhar Chowdary

Chief Executive

Company Secretary

General Manager (Finance)

General Manager (Purchase)

Dy. General Manager (Cement Works)

Vice President (Sugar Works)

AUDITORS

M/s. M. Anandam & Co.,

Chartered Accountants,

SECUNDERABAD

COST AUDITORS

M/s. Narasimha Murthy & Co.,

Cost Accountants,

HYDERABAD

BANKERS

State Bank of India

Ashok Nagar Branch,

Hyderabad

Andhra Bank

Ashok Nagar Branch,

Hyderabad

REGISTERED OFFICE

1-10-140/1, "GURUKRUPA"

Ashok Nagar,

HYDERABAD-500 020

REGISTRARS

XL SOFTECH Systems Limited,

3, Sagar Society, Road No.2, Banjara Hills,

HYDERABAD-500 034

FACTORIES

CEMENT:

Srinivasa Nagar

Mellacheruvu Mandal

Nalgonda Dist. A.P.

SUGAR & POWER:

Peruvancha Village

Kallur Mandal

Khammam Dist. A.P.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the **THIRTY FOURTH ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED** will be held on Thursday, the 11th day of July, 2013 at 11.00 A.M at Sri Thyagaraya 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, 2013, the Balance Sheet as at 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 Sri J S R Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri V B R Suryam, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Sri A. Chengappa, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. M. ANANDAM & CO., Chartered Accountants, Firm Regn.No.000125S as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310,311 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof, for the time being in force, approval be and is hereby accorded to the re-appointment Sri P. Venkateswarlu as Managing Director of the Company w.e.f 1.08.2013 for a period of 5 years, on the following terms and conditions".

PART - A

1. **SALARY** : Salary of ₹ 4,00,000/- (Rupees Four lakhs only) per month with an annual increment of ₹ 25,000/-.
2. **COMMISSION** : Commission @ 2% of the Net Profits of the Company as computed in the manner provided in Section 309(5) of the Companies Act, 1956.
3. **PERQUISITES**
 - a) **HOUSE RENT ALLOWANCE** : House Rent Allowance of ₹ 25,000/- per month. The expenditure incurred on Gas, Electricity, Water and furnishing will be valued as per the Income Tax Rules, 1962.
 - b) **MEDICAL REIMBURSEMENT** : Reimbursement of actual medical and hospital expenses for self and family, subject to a ceiling of one month basic salary in a year.



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- c) **LEAVE TRAVEL CONCESSION** : Leave Travel Concession for self and family to and from any place in India, once in a year, subject to a ceiling of ₹ 1,00,000/- per annum.
- 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.

PART - B

1. **PROVIDENT FUND** : Company's contribution towards Provident Fund, at 12% of Salary.
2. **LEAVE ENCASHMENT** : Encashment of leave at the end of the tenure.
3. **OTHER BENEFITS** : Free use of car with driver on company's business.
4. **RESIDENTIAL TELEPHONE** : Residential telephone shall be provided.

"FURTHER RESOLVED THAT in the event of loss or inadequacy of profits in any financial year, the Salary payable to Sri P.Venkateswarlu, shall be as per the provisions of Schedule XIII to the Companies Act, 1956 as amended from time to time and/or within the limits allowed under Sections 198 and 309 thereof".

8. 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 Sections 198,269,309,310,311 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof, for the time being in force, approval be and is hereby accorded to the re-appointment Sri P. Veeraiah as Joint Managing Director of the Company w.e.f 1.12.2013 for a period of 5 years, on the following terms and conditions ".

PART - A

1. **SALARY** : Salary of ₹ 2,50,000/- (Rupees Two lakhs Fifty Thousand only) per month with an annual increment of ₹ 20,000/-
2. **COMMISSION** : Commission @ 2% of the Net Profits of the Company as computed in the manner provided in Section 309(5) of the Companies Act, 1956.
3. **PERQUISITES**
- a) **HOUSE RENT ALLOWANCE** : House Rent Allowance of ₹ 25,000/- per month.
- b) **MEDICAL REIMBURSEMENT** : Reimbursement of expenses actually incurred for self and family, subject to a ceiling of ₹ 15,000/- per annum.
- c) **LEAVE TRAVEL CONCESSION** : Leave Travel Concession for self and family to and from any place in India, once in a year, subject to a ceiling of ₹ 50,000/- per annum.
- 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.



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PART - B

1. **PROVIDENT FUND** : Company's contribution towards Provident Fund, at 12% of Salary.
2. **LEAVE ENCASHMENT** : Encashment of leave at the end of the tenure.
3. **GRATUITY** : Gratuity payable as per Payment of Gratuity Act, 1972.
4. **OTHER BENEFITS** : Free use of car with driver on Company's business. Residential telephone shall be provided.

"FURTHER RESOLVED THAT in the event of loss or inadequacy of profits in any financial year, the Salary payable to Sri P. Veeraiah, shall be as per the provisions of Schedule XIII to the Companies Act, 1956 as amended from time to time and/or within the limits allowed under Sections 198 and 309 thereof".

9. To consider and if thought fit, to pass, with or without modifications, the following resolution as Ordinary Resolution.

"RESOLVED THAT Mr. K.Venkat Rao be and is hereby appointed as Director of the Company, liable to retire by rotation."

By Order of the Board
for **KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED**

Place : Hyderabad
Date : 27.05.2013

R. Ramakrishna
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.
2. The Register of Members and Share Transfer Books will remain closed from 01-07-2013 to 11-07-2013 (both days inclusive).
3. Members are requested to notify immediately any change in their addresses to the Company's Registered Office with their Folio Number(s).
4. The Dividend, after declaration, will be paid to those shareholders whose names stand on the Register of Members on 11th July 2013. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares whose names appear in the list furnished by the Depositories for this purpose as on 11th July 2013. The Dividend will be paid on or before August 8, 2013.
5. The Securities and Exchange Board of India (SEBI) has made it mandatory for all Companies to use the Bank Account details furnished by the Depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the Bank details, if available, on the payment instrument for distribution of dividend.
6. As per provisions of Section 205A of the Companies Act, 1956 the Company has already transferred to the Investors Education and Protection Fund, the amount of all unclaimed dividends declared up to and including the financial year ended 31st March 2005. The amount of unclaimed dividends for the financial year ended 31st March 2006 will be transferred to the Investors Education and Protection Fund by October 15th 2013.



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7. As per the provisions of Section 205A, the Company is required to transfer dividend, which remains unpaid or unclaimed for a period of 7 years, to the Investors Education and Protection Fund set up by the Central Government. Shareholders, who have not claimed their dividend for any year from the financial year ended March 31, 2007 onwards, are requested to lodge their claim with the Company.
8. (a) The Company's shares are listed with the The National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited, Mumbai(BSE).
(b) The Annual Listing Fee for the year 2013-2014 has been paid to these two Stock Exchanges.
9. All the shareholders are requested to intimate their e-mail address to the Company or to the depository for sending by e-mail the Notice and Annual Report pursuant to the Circular 18/2011 issued by the Ministry of Corporate Affairs.
10. As per SEBI circular No.CIR/MRD/DP/10/2013 dated March 21, 2013, dividend payments to investors are made electronically through ECS. Shareholders are requested to update bank details with the depositories to ensure that dividend is credited promptly. Those shareholders who hold shares in physical form are requested to communicate their bank account number, Name of the Bank and address to: kcsilcs@gmail.com.

ANNEXURE TO NOTICE:

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

ITEM NO. 7 & 8:

The current tenure of Sri P. Venkateswarlu and Sri P. Veeraiah as Managing Director and Joint Managing Director, are upto 30.09.2013 and 4.12.2013, respectively. Accordingly, the Board of Directors of the Company, at its meeting held on 27th May 2013, have reappointed them for a further period of five years on the terms and conditions contained in the resolutions. However, their appointment and terms as to remuneration, etc, is subject to approval of the shareholders by way of a Resolution. Accordingly, your approval is solicited.

Excepting the aforesaid Directors, apart from Sri J S R Prasad, and Sri J S Rao no other Director is interested in these Resolutions.

ITEM NO. 9:

Mr. K.Venkat Rao was appointed as an Additional Director of the Company at the Board Meeting held on 27.05.2013 and as per the provisions of the Section 260 of Companies Act, 1956 he holds office as a Director up to the date of this Annual General Meeting. Company has received Notice from a member along with deposit of ₹ 500/- as required by Section 257 of the Companies Act 1956, signifying his intention to propose Mr. K.Venkat Rao as a Director. According to Article 51 of the Articles of Association of the Company the director shall be liable to retire by rotation.

None of the Directors of the Company are interested in the said resolution.

Your Directors recommend the resolution for approval.

By Order of the Board
for **KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED**

Place : Hyderabad
Date : 27.05.2013

R. Ramakrishna
Company Secretary



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 34th Annual Report together with the Audited Accounts for the year ended 31st March 2013.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2013 are summarised below:

	(₹ in Lakhs)	
Particulars	2012-13	2011-12
Income (Sale and other Income)	18729.13	17297.96
Profit before Depreciation, Interest & Taxes	3124.45	3680.52
Depreciation	730.07	736.31
Interest	6.21	9.59
Provision for Taxation	937.74	1034.34
Provision for Deferred Taxation	(160.61)	(154.36)
Profit after Taxation	1611.04	2054.64
Profit brought forward from Previous year	10363.32	8762.62
APPROPRIATIONS		
Transfer to General Reserve	210.00	210.00
Proposed Dividend	209.89	209.89
Corporate Tax on Dividend	35.68	34.05
Balance carried over to Balance Sheet	11518.79	10363.32

Segment-wise performance has been furnished under Notes on Accounts.

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of ₹ 2.70 per equity share for the year ended 31.03.2013, as against ₹ 2.70 per equity share in the previous year aggregating an amount of ₹ 245.56 lakhs including Dividend Distribution Tax.

PERFORMANCE OF THE YEAR UNDER REVIEW

Cement Division:

During the year under review, the Cement Division

has produced 2,69,966 MT of cement as against 2,66,968 MT of cement for the previous year. The profit for the Division was ₹ 1971.20 lakhs as against ₹ 3114.05 for the previous year.

Sugar Division:

The Sugar Division crushed 2,73,281 MT of sugarcane for the current season as against 2,24,189 MT for the previous season. The recovery rate was 10.08% compared to 9.50% for the previous season. The Profit for the Division was ₹ 749.80 lakhs as against loss of ₹ 242.44 lakhs for the previous year.

Power Division:

During the year under review, the Power Division has generated 6,78,57,924 KWH against 6,72,82,462 KWH of power for the previous year. The Loss for the Division was ₹ 326.44 lakhs as against profit of ₹ 63.02 lakhs for the previous year.

CURRENT YEAR OUTLOOK:

Cement Division:

The outlook for cement industry is challenging in terms of thinning margins due to rising inputs, pressure on capping selling prices due to supply - demand equation and overall sluggishness in housing and infrastructure projects. However, the management is confident of sustained performance by maintaining its customer base for the coming year.

Sugar Division:

Sugarcane crop in the factory zone is likely to improve and estimated to crush around 275,000 lakh MT during the crushing season 2013-14

Power Division:

The matters relating to down ward revision of tariff by the APERC on the Power sales to APTRANSCO, and PLF ceiling, contested in the Courts by the Company are pending. Viable performance is contingent upon revised tariff which is awaited from APERC.

INSURANCE:

All the properties of the Company including its buildings, Plant and Machinery and Stocks wherever required have been adequately insured.



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PARTICULARS OF EMPLOYEES:

The information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, as amended, forms part of this Report. However, the report and accounts are being sent to all the shareholders of the company excluding the above information. Those shareholders, who desire to obtain these particulars, would be provided the same upon receiving such request.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Board of Directors of the Company hereby declares and states that -

1. In the preparation of annual accounts, the applicable accounting standards have been followed and there were no material departures therefrom.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the status of the Company as on 31st March, 2013 and Profit & Loss Account of the Company for the year ended as on 31st March, 2013.
3. 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 preventing and detecting fraud and other irregularities.
4. The accounts were prepared on a going concern basis.

ENVIRONMENTAL PROTECTION:

The Company consciously makes efforts to preserve the environment and control the pollution from time to time.

Planting of saplings and seedlings in and around the factories and colonies is being done on a continuous basis, so as to develop green belt around the plant to improve the environment.

AUDITORS:

M/s. M. ANANDAM & CO., Chartered Accountants, Secunderabad, the Auditors of the Company retire at the conclusion of this Annual General Meeting and they are eligible for re-appointment.

COST AUDIT:

For the year ended 31st March 2013, with the approval of Central Government, M/s. Narasimha Murthy & Co., Cost Accountants, Hyderabad have been appointed to conduct the Cost Audit. In respect of financial year 2011-2012 Cost Audit Report was filed on 04.01.2013. In respect of 2012-2013 it will be filed before the due date i.e. 30th September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

a. Industry Structure And Developments:

With the expansion of several cement units in AP and new entrants the gap between demand and supply is considerably narrowing, which is likely to put pressure on pricing. However, with efficient Management and sustained demand the outlook for next year is likely to be encouraging.

Sugar being an agro-based industry needs good rainfall and irrigation facilities. As mentioned last year, the lining work of Wyra canal continues to be in slow progress thereby affecting the irrigation facilities and this is likely to continue until its completion. However with the expectation of a reasonably good monsoon, we are optimistic about the availability of sugar cane and we are hopeful of sustaining last year's performance in terms of crushing quantity. As far as Power operations are concerned, with sustained performance in sugar cane crushing and adequate availability of bagasse, we look forward to sustained generation of power. However much depends upon the outcome of APERC's decision on revision of tariff.



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b. Opportunities and threats:

Though the scenario for infrastructure is not very encouraging with slump in housing and slowing down of infrastructure projects and other bottlenecks in terms of rising input costs, pressure on margin, etc, with the forecasted demand for cement for the year 2013-2014 , outlook for cement industry though challenging appears positive.

c. Segment or product-wise performance:

Segment-wise or product-wise performance has already been furnished elsewhere in this Report.

d. Outlook:

Division-wise outlook has already been furnished elsewhere in this Report.

e. Risks and concerns:

The Cement, Sugar and Power industries being core industries, there is no risk of product obsolescence or steep fall in demand by way of product substitution or otherwise and therefore, your Directors do not foresee any major risks and concerns, in the near future except as discussed elsewhere in this Report.

f. Internal control systems and their adequacy:

The Company has adequate internal control system. Apart from this, the Company also has independent internal auditors, who conduct periodical audit and their report is taken into account by the Audit Committee for its review and suggest remedial actions wherever required.

g. Financial Performance with respect to operational performance:

This has been already discussed elsewhere in this Report.

h. Human Resources/Industrial Relations:

The Company enjoys cordial industrial relations with employees and believes that human resources are an invaluable asset. The Board wishes to place on record its appreciation to all employees for their efforts

and cooperation for the performance and growth of business during the year.

i. Social Responsibility:

During the financial year ended 31st March 2013 your Company supplied cement at concessional price to the State Government as part of its Indiramma Housing Welfare Scheme.

j. CAUTIONARY STATEMENT:

Statements in this "Management Discussion & Analysis" may be considered to be "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, increased installed capacity, finished goods prices, raw materials availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes, besides other factors, such as litigations and labour negotiations.

ACKNOWLEDGEMENTS:

Your Directors appreciate the support and the cooperation received from the State Government, NEDCAP, APTRANSCO and the Central Government for the Company's growth and development.

Your Directors would like to convey the deep appreciation to all the employees and workers of the Company for their sustained effort and wholehearted co-operation throughout the year.

Your Directors thank the Distributors, Dealers and Suppliers for their continuous support and active involvement.

Finally your Directors record their deep sense of gratitude to all the Shareholders for the abundant confidence reposed in the Board of Directors.

For and on behalf of the Board

P. Venkateswarlu
Chairman &
Managing Director

Place : Hyderabad
Date : 27.05.2013



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

ANNEXURE TO DIRECTORS' REPORT:

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

- a) Energy Conservation Measures adopted : NIL
- b) Additional Investments and Proposal for reduction of Consumption of energy : NIL
- c) Impact of the above measures : NIL
- d) Total Energy Consumption and Energy Consumption per unit of production : FORM "A" Enclosed.

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption FORM "B" Enclosed

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a) Activities relating to exports, initiatives taken to increase exports, development of new export market for product & services and export plans : Exports are not contemplated at present.
- Total foreign exchange used : Nil
- Total foreign exchange earned : Nil

FORM-A

Form for Disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR 2012-13			PREVIOUS YEAR 2011-12		
	CEMENT	SUGAR	POWER	CEMENT	SUGAR	POWER
A. POWER & FUEL CONSUMPTION						
1. ELECTRICITY						
(a) Purchased (KWH)	3,09,59,196	82,56,786	—	2,77,87,526	68,17,156	--
Total Amount (₹)	12,25,70,872	2,88,75,955	—	11,18,68,951	2,50,47,927	--
Rate per Unit (₹)	3.96	3.50	—	4.02	3.67	--
(b) OWN GENERATION						
Through Diesel						
Generators (Units)	4,80,124	—	—	14,389	--	--
Total Amount (₹)	63,45,174	—	—	3,34,262	--	--
Cost per Unit (₹)	13.21	—	—	23.23	--	--
2. FUEL						
(a) COAL						
Quantity (MT)	62,123	—	55,932	55,635	--	53,811
Total Cost (₹)	28,94,76,296	—	19,56,15,302	24,66,17,239	--	17,55,99,140
Average Rate (₹)	4,659.73	—	3,497.00	4,432.77	--	3,263.26
(b) Bagasse/Steam						
Quantity (MT)	—	1,13,498	82,507	--	87,717	67,238
Total Cost (₹)	—	3,31,41,416	7,42,56,300	--	2,57,88,798	6,05,14,200
Average Rate (₹)	—	292.00	900.00	--	294.00	900.00