

21st
ANNUAL REPORT
1999 - 2000

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KAKATIYA CEMENT
SUGAR & INDUSTRIES LTD.



KAKATIYA CEMENT SUGAR & INDUSTRIES 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
Himayat Nagar
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 CEMENT SUGAR & INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the TWENTY FIRST ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED will be held on Friday, the 29th day of September, 2000 at 11.30 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, 2000, 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 Sri C. Madhusudana Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Sri. M Narasimha 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 the following Resolution as an Ordinary 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 purpose 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 set apart for any specific purposes, provided however that the sum or sums so borrowed and remaining outstanding shall not exceed Rs.150 Crores (Rupees One Hundred and fifty crores only).

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary 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. 150.00 Crores (Rupees One Hundred



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and fifty 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 CEMENT SUGAR & INDUSTRIES LIMITED**

Place : Hyderabad
Dated : 28.08.2000

A. SATYANARAYANA
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 27.09.2000 to 29.09.2000 (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 the statutory period to those members whose names would appear on the Company's Register of Members on 29th September, 2000 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 Revenue 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.

As per provisions of the amended Section 205A, the Company is required to transfer dividend declared for the financial year ended 31st March, 1996 onwards 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 the financial year ended March 31, 1996 onwards are requested to lodge



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their claim with the Company. It may be noted that no claims will lie against the Company or the Investors Education and Protection Fund in respect of the said unclaimed dividend amount transferred to the Fund.

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. (a) The Company's shares are listed with the Hyderabad Stock Exchange Limited (HSE), The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE).
(b) The Annual Listing Fee for the year 2000-2001 has been paid to all the three stock Exchanges i.e., HSE, BSE and NSE.
8. The Company has entered into agreements with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL), who have allotted ISIN INE 437B01014 for the dematerialisation of the equity shares of the Company.

Accordingly, shareholders/investors can have their shares dematerialised by opening accounts with any of the participants of the aforesaid depositories.

As per Circular No. SMDRP/POLICY/CIR-/2000, Dated 29.5.2000, issued by the Securities and Exchange Board of India (SEBI), trading in the equity shares of the Company in dematerialised form has been made compulsory for all investors with effect from 26th March, 2001.

9. Members are requested to bring their copies of the Annual Report to the Meeting. Copies of the Annual Report will not be distributed at the Meeting.

ANNEXURE TO NOTICE:

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

Item No. 6 & 7

In view of the expansion of capacity of the cement plant and proposed diversification into power generation, the Company needs to borrow 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. A resolution under the provisions of Section 293(1)(d) is required when the borrowings exceed the paid-up capital and free reserves.

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 recommend 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.

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

Place : Hyderabad
Dated : 28.08.2000

A. SATYANARAYANA
Company Secretary



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

DIRECTORS' REPORT

To
Members

Your Directors have pleasure in presenting the 21st Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2000 are summarised below:-

Particulars	1999 - 2000			1998 - 99		
	Cement Division	Sugar Division	Total	Cement Division	Sugar Division	Total
Income (Sale and other Income)	4974.04	4521.89	9495.93	4646.74	1914.29	6561.03
Profit before Depreciation						
Interest & Taxes	747.93	837.46	1585.39	579.26	785.56	1364.82
Depreciation	227.79	203.37	431.16	230.41	178.34	408.75
Interest	312.03	567.24	879.27	203.98	471.99	675.97
Provision for Taxation	21.24	—	21.24	13.28	—	13.28
Profit after Taxation	186.87	66.85	253.72	131.59	135.23	266.82
Profit brought forward from Previous year	721.01	(84.31)	636.70	825.87	(219.54)	606.33
Prior Period adjustments	5.77	35.45	41.22	(1.09)	—	(1.09)
APPROPRIATIONS						
Transfer to General Reserve	35.00	—	35.00	30.00	—	30.00
Proposed Dividend	148.00	—	148.00	185.00	—	185.00
Corporate Tax on Dividend	32.56	—	32.56	20.35	—	20.35
Balance Carried over to Balance sheet	698.09	17.99	716.08	721.02	(84.31)	636.71

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2/- per equity share for the year ended 31.3.2000, absorbing Rs.180.56 Lacs, including tax on dividend payable by the company.

Y2K COMPLIANCE

The Company did not face any problem on account of Y2K. All the data processing systems and equipment were made Y2K compliant well in advance.

PERFORMANCE OF THE YEAR UNDER REVIEW

CEMENT DIVISION:

During the year under review, the Cement Division has produced 2,30,342.197 Mt of cement as against 2,18,989 Mt of cement for the previous year. The Profit for the division was Rs.213.88 lacs.

During the year under review, the Company has expanded installed capacity of the Cement Division from 1,98,000 TPA (600 TPD) to 2,97,000 TPA (900 TPD) to improve the economies of scale and avail of the relaxation extended by the Government of India relating to concession in excise duties.



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SUGAR DIVISION :

During the year under review, the Sugar Division crushed 3,60,446 MT of sugarcane and for the season it was 3,04,164 MT of sugarcane as against 3,25,075 MT for the previous season. The recovery rate was 10.39% compared to 10.20% for the previous season. Sales for the year was Rs.4465.95 lakhs as against Rs. 1799.41 lakhs for the previous year. The Profit for the division was Rs.102.30 lacs.

CURRENT YEAR OUTLOOK :

CEMENT DIVISION:

In the first four months of the current year i.e. April-July, 2000, the production of cement was 67,043.251 MT., as against 88,538 MT of the first four months of the previous year due to sluggish market conditions. There was also tremendous pressure on the realisation of prices in the first quarter. Your Directors hope to achieve better price realisations during the remaining part of the current year, in view of the recovery in cement prices noted from the second quarter onwards.

SUGAR DIVISION :

As a result of various measures taken by the Government of India, such as, increase in the import duty on imports of sugar and imposition of release restrictions on the imported sugar at par with the sugar produced domestically, the prices of sugar have improved slightly. Your Directors foresee better prospects for the Indian sugar industry in the current year.

POWER PROJECT:

The operations of Sugar Division have stabilised at 100% capacity for the last two years. With a view to achieve operational synergies, the Company is establishing a Cogeneration Power Project of the capacity of 17 MW based on bagasse. The main raw material i.e. bagasse being available in house for most part of the year and cane trash and such other bio-degradable materials being available at the nearby places, the Company hopes to achieve optimum utilisation

of its resources. Part of the power generated by the proposed plant will be utilised for the sugar plant, some portion will be wheeled to the cement plant of the Company and balance sold to APTRANSCO. The Company has been sanctioned loan from Indian Renewable Energy Development Agency Limited (IREDA) through Asian Development Bank (ADB) Line of credit. The power project has obtained most of the permissions/clearances from the concerned authorities. The project is expected to be commissioned by March, 2002.

FIXED DEPOSITS:

The aggregate amount of deposits accepted by the Company as on 31.03.2000 stood at 100.09 lakhs. There were no fixed deposits which were matured but not claimed as on that date.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri C. Madhusudana Rao and Sri M. Narasimha Rao retire by rotation and are eligible for reappointment.

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 efforts and cooperation to the high level of performance and growth of business during the year.

INSURANCE :

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

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (FORMING PART OF THE DIRECTORS' REPORT)

As none of the employees has drawn more remuneration than the limits prescribed under the above Rules, no statement is enclosed.



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ENVIRONMENTAL PROTECTION:

CEMENT DIVISION:

The Company has extended green belt and is in the process of modifying the existing ESPs for better control of dust pollution.

SUGAR DIVISION:

The performance of the dust collection system introduced in the last season is found satisfactory and the ash collected at the bottom of the cyclones is disposed pneumatically. The existing boilers will be replaced with cogeneration power plant boiler and as the same is provided with ESPs and 70 mtrs long chimney. The norms stipulated for particulate matter by A.P. Pollution Control Board shall be achieved.

Effluent Treatment Plant (ETP): The existing ETP has been upgraded and will be put to use during the ensuing season. It is expected that the effluents will be effectively treated before being let out as per the norms stipulated by the A.P. Pollution Control Board.

While planting of saplings and seedlings in and around the factory and colony is in progress, it is proposed to develop a green belt around the plant to improve the environment during the coming season.

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 :

The Central Government had ordered audit of cost accounts relating to manufacture of cement. For

the year ended 31st March 2000, with the approval of Central Government, M/s. Narasimha Murthy & Co., Cost Accountants, Hyderabad have been appointed to conduct the Cost Audit.

ACKNOWLEDGEMENTS :

Your Directors wish to express their thanks for the assistance received from IDBI, ICICI, IFCI, IREDA and APIDC from time to time.

Your Directors also thank the State Bank of India, Industrial Finance Branch, Somajiguda, Hyderabad and Indian Bank, Himayatnagar Branch, Hyderabad for extending the support towards working capital to meet the requirements of its operations.

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

Place: Hyderabad

P. VENKATESWARLU

Date : 28.08.2000 Chairman & Managing Director



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:

The Company continues to accord high priority for conservation of energy. The diesel generator sets have been converted to run on furnace oil, at a substantial cost.

- b) Additional Investments and Proposal for reduction of Consumption of energy :

The Company is going to implement cogeneration power project based on bagasse and utilise the power thus produced for the cement and sugar plants. The generation cost is going to be cheaper than the APSEB rates.

- c) Impact of the above measures : The benefit and significance of the measures is evident from lower consumption of energy and reduction in the cost of energy.

- d) Total Energy Consumption and Energy Consumption per unit of production : FORM "A" Enclosed

B). TECHNOLOGY ABSORPTION

- a) 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 the present

- b) Total foreign exchange used and earned: NIL

FORM-A

Form for disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR		PREVIOUS YEAR	
	CEMENT	SUGAR	CEMENT	SUGAR
A. POWER & FUEL CONSUMPTION				
1. ELECTRICITY				
a) Purchased (KWH)	1,14,04,615	7,24,233	1,36,28,565	6,93,480
Total Amount(Rs.)	4,63,14,795	31,56,858	5,25,06,495	27,83,562
Rate per Unit(Rs.)	4.06	4.36	3.85	4.01
b) OWN GENERATION				
1. Through Generators (Units)	1,52,66,513	2,27,080	1,18,50,757	1,62,700
Units per Ltr of Fuel Oil	3.47	2.48	3.47	3.375
Cost per Unit (Rs.)	2.60	5.04	2.68	2.86
2. THROUGH STEAM TURBINE				
Units	—	75,68,880	—	51,42,775
Cost/Units(Rs.)	—	0.51	—	0.55
2. FUEL				
a) COAL				
Quantity (MT)	46,138	—	47,510	—
Total Cost (Rs)	6,90,52,782	—	6,74,76,277	—
Average Rate(Rs)	1,496.65	—	1420.25	—