

23rd ANNUAL REPORT

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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
V.Venkateswara Rao
T.R.C. Bose
Jayan Velayudhan
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
Nominee of IREDA
Nominee of ICICI

SENIOR EXECUTIVES

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

Vice President (Cement Works)
General Manager (Sugar Works)
General 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

Andhra Bank
Industrial Finance Branch
Ameerpet
Hyderabad.

REGISTERED OFFICE

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

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 TWENTY THIRD ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED will be held on Monday, the 30th day of September, 2002 at 10.15 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, 2002, 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 V.B.R. Suryam who retires by rotation and being eligible offers himself 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 till the conclusion of the next Annual General Meeting and to authorise the payment of fees as may be fixed by the Audit Committee.

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, the following Resolution as an Ordinary Resolution :
 "RESOLVED THAT pursuant to the provisions of Sections 252 to 257 of the Companies Act, 1956 and other applicable provisions, if any, including those of the Articles of Association of the Company, Sri T.R.C.Bose, be and is hereby appointed as a Director on the Board of Directors of the Company, liable to retire by rotation of

Directors".

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

"RESOLVED THAT pursuant to the provisions of Section 252 to 257 of the Companies Act, 1956 and other applicable provisions, if any, including those of the Articles of Association of the Company, Sri Jayan Velayudhan, be and is hereby appointed as a Director on the Board of Directors of the Company, liable to retire by rotation of Directors".

8. To consider and if thought fit, to pass with or without modification, 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 appointment of Sri J.S.R.Prasad as Executive Director of the Company w.e.f. 01.05.2002 for a period of 5 years, on the terms and conditions mentioned hereunder:

PART-A

1. SALARY :
A salary of Rs.75,000/- per month.
2. COMMISSION :
Commission @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.75,000 per month.
3. PERQUISITES :
 - a) Housing :House Rent Allowance, subject to a ceiling of 60% of the Salary.
Reimbursement of related expenditure subject to 10% of the salary.
 - b) MEDICAL REIMBURSEMENT :
Reimbursement of expenses actually incurred



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

for self and family, subject to a ceiling of one month salary per year or three months salary over a period of three years.

- c) L.T.C. :Leave Travel Concession for self and 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. 1,000/- per annum, is allowed.

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.

3. OTHER BENEFITS :

Free use of Car with Driver on company's business. Residential Telephone shall be provided. All long distance personal calls shall be duly logged and paid for, by the Executive Director.

FURTHER RESOLVED THAT in the event of loss or inadequacy of profits in any financial year, the salary payable to Sri J.S.R.Prasad 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 Section 198 and 309 thereof.

- 9. 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 enhancement of the monthly salary payable to Sri P.Venkateswarlu, Managing Director and Sri P.Veeraiah, Jt. Managing Director as under w.e.f. 01.05.2002. the remaining terms and conditions pertaining to their respective appointments remaining the same for the balance period of their tenure."

Name of the Director	Present Salary Rs.	Proposed Salary Rs.
Sri P. Venkateswarlu Managing Director	81,000/-	99,000/-
Sri P. Veeraiah Jt. Managing Director	20,000/-	51,000/-

"FURTHER RESOLVED THAT in the event of loss or inadequacy of profits in any financial year, the salary payable to Sri P.Venkateswarlu and 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 Section 198 and 309 thereof".

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

Place : Hyderabad
Dated : 17.08.2002

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. Members are requested to notify immediately any change in their address to the Company's Registered Office with their Folio Number(s).



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

3. The Register of Members and Share Transfer Books will remain closed from 25.09.2002 to 30.09.2002 (both days inclusive).
4. Members, holding shares in physical form, are advised to notify change in their address, if any, specifying full address with pin code **and also Permanent Account Number (PAN) issued by the Income Tax authorities**, to the Company's Registered Office and those holding shares in dematerialised form, are to notify to the Depository Participant with whom the demat account is maintained.
5. 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 30th September, 2002 or whose names shall be submitted by the depositories, as appearing in their records on the specified date or to their mandatees/Bankers.
6. Shareholders desirous of payment of dividend without deduction of tax at source (TDS), may submit declaration in Form 15G, or certificate in Form 15H issued by the Income Tax authorities, as the case may be, wherever applicable, to the Company by the date of the AGM.
7. 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.
As per provisions of the 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 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.
8. 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.
 - (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 2002-2003 has been paid to all the three stock Exchanges i.e., HSE, BSE and NSE.
9. 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.
10. Accordingly, shareholders, who have not yet done so far, 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 become compulsory for all investors with effect from 26th June, 2001.
11. 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.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

12. Shareholders of erstwhile Sree Kailas Sugars and Chemicals Limited (which has been merged with the company) are advised to surrender their share certificates to the Company (if they have not done so far) for issue of share certificates/Demat entitlement letters.

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

Place : Hyderabad **A. SATYANARAYANA**
Date : 17.08.2002 Company Secretary

ANNEXURE TO THE NOTICE

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

Item No.6&7

Pursuant to the provisions of the Loan Agreements entered into with Indian Renewable Energy Development Agency Ltd. (IREDA) and erstwhile ICICI Ltd. (since merged with ICICI Bank Ltd.), these Financial Institutions have been empowered to nominate a Director on the Board of Directors of the Company. Accordingly, Sri T.R.C.Bose, Director (Projects), APTRANSCO Ltd. and Sri Jayan Velayudhan, Chief Manager, ICICI have been nominated by IREDA and ICICI, respectively. They have been appointed as Additional Directors, by the Board of Directors of the Company. Their appointments have to be regularized/formalized by being appointed as Directors by the Company in general meeting. The Company has received separate notices in writing, duly signed by a member, in accordance with the provisions of Section 257 of the Companies Act, proposing the names of the aforesaid persons for appointment as Directors of the Company.

The Board recommends the resolutions for

approval of the Members.

None of the Directors, except the appointees as aforesaid, is interested in these resolutions.

Item No. 8 & 9

The five-year tenure of Sri J.S.R. Prasad as Executive Director of the company ended on 30th April, 2002. Accordingly, the Board of Directors of the Company at its meeting held on 29th April, 2002 has re-appointed Sri J.S.R. Prasad as Executive Director for a further period of five years from 1st May, 2002 on the terms and conditions stated in the Resolution.

At the said Meeting, the Board of Directors, also enhanced remuneration payable to Sri P. Venka teswarlu, Managing Director and Sri P. Veeraiah, Joint Managing Director for the remaining term of their tenure. Both these resolutions are subject to approval of the Company in the general meeting. Sri P. Venka teswarlu, Sri J.S.R. Prasad and Sri P. Veeraiah, have been instrumental for the growth of the Company from time to time. It was due to their undivided attention and vigorous efforts, the Company has grown from a small cement company having capacity of 200 tpd to 600 tpd and further to 900 tpd and diversification of the operations of the Company into sugar and power.

The Board recommends the resolutions for approval of the Members.

Excepting the aforesaid Directors apart from Smt. J. Lakshmi Nalini, none of the Directors is interested in the Resolution.

Inspection of Documents :

The relevant documents may be inspected at the Regd. Office of the Company during any working day/hours.

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

Place : Hyderabad **A. SATYANARAYANA**
Date : 17.08.2002 Company Secretary


**KAKATIYA CEMENT SUGAR &
INDUSTRIES LIMITED**
DIRECTORS' REPORT

To
Members

Your Directors have pleasure in presenting the 23rd Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2002 are summarised below:-

(Rs. in Lacs)

Particulars	2001 - 2002			2000 - 2001		
	Cement Division	Sugar Division	Total	Cement Division	Sugar Division	Total
Income (Sale and Other Income)	6424.06	4734.19	11158.25	6112.58	4058.85	10171.43
Profit before Depreciation						
Interest & Taxes	1194.46	1036.73	2231.19	1153.23	1054.74	2207.97
Depreciation	328.42	240.31	568.73	320.56	218.06	538.62
Interest	503.67	520.13	1023.80	381.07	678.39	1059.46
Provision for Taxation	133.58	—	133.58	—	—	—
Profit after Taxation	228.79	276.29	505.08	451.60	158.29	609.89
Profit brought forward from Previous year	921.52	176.28	1097.80	698.09	17.99	716.08
Prior Period adjustments	1.11	—	1.11	0.07	—	0.07
APPROPRIATIONS						
Transfer to General Reserve	350.00	—	350.00	65.00	—	65.00
Proposed Dividend	155.48	—	155.48	148.00	—	148.00
Corporate Tax on Dividend	—	—	—	15.10	—	15.10
Balance carried over to Balance Sheet	643.72	452.57	1096.29	921.52	176.28	1097.80

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2/- per equity share for the year ended 31.3.2002, aggregating an amount Rs.155.48 Lacs, (subject to deduction of tax at source at the applicable rates).

PERFORMANCE OF THE YEAR UNDER REVIEW
CEMENT DIVISION:

During the year under review, the Cement

Division has produced 2,54,611.895 MT of cement as against 2,42,047.121 MT of cement for the previous year. The Profit for the division was Rs.228.79 lacs as against Rs.451.60 lacs for the previous year, due to lower realisation of prices of Cement.

SUGAR DIVISION:

The Sugar Division crushed 4,94,637 MT of sugarcane for the current season as against 3,27,420 MT for the previous season. The



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

recovery rate was 9.55% compared to 10.27% for the previous season. During the season under review, recovery rate has been lower in many parts of the country due to adverse climatic conditions. Sales for the year was Rs.4727.57 lakhs as against Rs.4040.27 lakhs for the previous year. The Profit for the division was Rs. 276.27 lacs as against Rs. 158.29 lacs for the previous year.

CURRENT YEAR OUTLOOK : **CEMENT DIVISION:**

In the first three months of the current year i.e. April-June, 2002, the production of cement was 79,734.107 MT., as against 72,149.904 MT of the first three months of the previous year. However, the realisation of prices in the first quarter has not been encouraging. Your Directors hope to achieve better price realisations during the remaining part of the current year.

SUGAR DIVISION :

In spite of various measures taken by the Government of India, the prices of sugar have not improved. However, as per the recent regulations of the government, ethanol (produced from molasses) will be allowed to be mixed with petrol to the extent of 5%. This would improve the demand for molasses, a by-product of sugar manufacturing, and ensure better price. With the introduction of futures trading, the industry is expected to be completely deregulated soon.

POWER DIVISION :

The power project has commenced commercial generation on schedule and synchronization with APTRANSCO grid has been smooth. The operations of the unit have stabilized.

FIXED DEPOSITS :

The aggregate amount of deposits accepted by the Company as on 31.03.2002 stood at Rs.252.78 lacs. There were no fixed deposits which were matured but not paid, other than

unclaimed deposits, as on that date.

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.

ENVIRONMENTAL PROTECTION:

CEMENT DIVISION:

The Company has extended green belt and modified the existing ESPs and also installed ESP for coolers for better control of dust pollution.

SUGAR & POWER DIVISION :

All the cogeneration power plant equipments have been designed with noise reduction filters, to ensure sound levels within the prescribed limits and guidelines of the APPCB.

The dust collection system is working satisfactorily and the ash collected at the bottom of the cyclones is disposed pneumatically. The power plant boiler is provided with ESPs and 70 mtrs., long chimney. The norms stipulated for particulate matter by A.P. Pollution Control Board are being achieved.

Effluent Treatment Plant (ETP): The effluents will be effectively treated before being let out as per the norms stipulated by the A.P. Pollution Control Board.

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



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

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 2002, with the approval of Central Government, M/s Narasimha Murthy & Co., Cost Accountants, Hyderabad have been appointed to conduct the Cost Audit.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

a. Industry Structure And

Developments :

Cement as well as Sugar industries in India are highly fragmented and scattered throughout the country. Both the Cement and Sugar industries have been facing a glut like conditions for last 3-4 years due to excess manufacturing capacities. On one hand, growth in demand has not been commensurate with growth in supply, resulting in not so encouraging price realizations. On the other, the costs of inputs most of which are controlled by the government, have gone up disproportionately. The Company is also engaged in power generation which again is regulated by the government. The power generation by the Company is more than its requirement which is being sold to the state owned power utility by way of a power purchase agreement, as sale of power to third parties is not allowed by the government, at present.

b. Opportunities and threats :

The ambitious golden quadrilateral project of the Government of India has already commenced. And the sustained economic development of the

country will give boost to the cement industry. Mixing of Ethanol with Petrol will boost demand for molasses, which is a positive factor for Sugar industry. However, excess capacities in both these industries are cause for concern.

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 :

Cement, Sugar and Power industries being core industries, there is no risk of product obsolescence nor steep fall in demand by way of product substitution or otherwise and therefore, your Directors do not foresee any major risks and concerns, except as discussed elsewhere in this Report, in the near future.

f. Internal control systems and their adequacy :

The Company has adequate internal control systems. Apart from this, the Company also has independent internal auditors, who conduct periodical audit and their report is taken into account by the Management as well as the Statutory Auditors.

g. Financial/operational performance:

This has been already discussed elsewhere in this Report.

h.Human Resources / Industrial Relations :

The Cement, Sugar and Power Divisions of the Company employ about 580 people. The Company enjoys very cordial industrial relations and there is very low employee/labour turnover in the Company. You will be glad to note that in the last more than twenty years of operations of the Company, there were no strikes, lockouts, lay-offs, retrenchments, etc.

The industrial relations continued to be cordial during the year under review. The Board wishes



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

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.

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.

DIRECTORS' RESPONSIBILITY STATEMENT :

The Board of Directors of the Company hereby declare and state 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, 2002 and Profit & Loss Account of the Company for the year ended as on 31st March, 2002.
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.

ACKNOWLEDGEMENTS :

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

Your Directors also thank the State Bank of India, Industrial Finance Branch, Somajiguda, Hyderabad, Andhra Bank, Specialised Corporate Finance Branch, Ameerpet, 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 : 17.08.2002 Chairman & Managing Director