

24th ANNUAL REPORT

2002 - 2003



**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
P.V. Rao

Chairman & Managing Director
Joint Managing Director
Executive Director
Nominee of IDBI
Nominee of IREDA
Nominee of ICICI Bank
Director
Director
Director
Director
Director
Director

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
Specialised Corporate Financial Branch
Ameerpet
Hyderabad.

REGISTERED OFFICE

1-10-140/1, "GURUKRUPA"
Ashoknagar,
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 TWENTY FOURTH ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED will be held on Saturday, the 27th day of September, 2003 at 11.00 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, 2003, 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 M. Narasimha Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Smt. J. Lakshmi Nalini, who retires by rotation and being eligible offers herself 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(s), the following Resolution as Special 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 of Sri P. Venkateswarlu as

Managing Director of the Company w.e.f 1.10.2003 for a period of 5 years, on the following terms and conditions."

PART-A

1. SALARY :

Salary of Rs.1,35,000/- (Rupees One lakh Thirty Five thousand only) per month with an annual increment of Rs.6000/-

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.

3. PERQUISITES :

a) House Rent Allowance:

House Rent Allowance, subject to a ceiling of 60% of the Salary. The expenditure incurred on Gas, Electricity, Water and furnishing will be valued as per the Income Tax Rules, 1962.

b) MEDICAL REIMBURSEMENT :

Reimbursement of expenses actually incurred 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) Leave Travel Concession : 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.

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 PREMIUM : Personal Accident Insurance of an amount the annual premium of which does not exceed Rs. 4,000/- is allowed.

PART - B

1. PROVIDENT FUND :

Company's contribution towards Provident Fund, subject to a ceiling of 12% of salary.



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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.

4. RESIDENTIAL TELEPHONE: Residential Telephone shall be provided. All long distance personal calls shall be duly logged and paid for, by the Managing Director.

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.

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 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 reappointment Sri P. Veeraiah as Joint Managing Director of the company w.e.f. 05.12.2003 for a period of 5 years, on the terms and conditions."

PART-A

1. SALARY :

Salary of Rs. 72,000/- (Rupees Seventy two thousand only) per month with an annual increment of Rs. 6000/-

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 ceiling of Rs. 3,60,000/- per annum.

3. PERQUISITES :

a) House Rent Allowance:

House Rent Allowance, subject to a ceiling of 60% of the Salary. The expenditure incurred on Gas, Electricity, Water and furnishing 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 and family, subject to a ceiling of one month salary per year or three months salary over a period of three years.

c) Leave Travel Concession :

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 PREMIUM :

Personal Accident Insurance of an amount of annual premium of which does not exceed Rs. 4,000/- 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.

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 Joint Managing Director.



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"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".

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 enhancement of the monthly salary and commission payable to Sri J.S.R. Prasad, Executive Director as under w.e.f. 01.10.2003, the remaining terms and conditions pertaining to his appointment remaining the same for the balance period of his tenure."

| Particulars | Present | Proposed |
|-------------|--|---|
| Salary | Rs. 75,000/- | Rs. 99,000/- per month with an annual increment Rs. 6,000/- |
| Commission | 1% of the net profit subject to Rs. 75,000/- per month | 1% of the net profit subject to Rs. 99,000/- per month |

"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 Sections 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 the sections 252 to 257 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.V. Rao be and is hereby appointed Director of the Company, liable to retire by rotation of Directors".

By Order of the Board

for **KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED**

Place : Hyderabad

Date : 31.07.2003

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. A BLANK PROXY FORM IS CONTAINED IN THIS REPORT.



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

3. The Register of Members and Share Transfer Books will remain closed from 20.09.2003 to 27.09.2003 (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 27th September, 2003 or whose names shall be submitted by the depositories, as appearing in their records on the specified date or to their mandatees / Bankers.

6. 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 - 500 095.

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.

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 2003-2004 has been paid to all the three stock Exchanges i.e., HSE, BSE and NSE.

8. Members desiring any information as regards Accounts are requested to write to the company at its Registered Office at least 10 days before the date of AGM, so as to enable the management to keep the information ready.

9. Members are requested to bring their copies of the Annual Report to the Meeting.

10. 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.

11. Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Items No.6 to 9 annexed hereto and the information required pursuant to Corporate Governance clause of the Listing Agreement regarding Directors seeking reappointment in the Annual General Meeting, is also being annexed hereto separately and both form part of this Notice.

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

Place : Hyderabad

Date : 31.07.2003

A. SATYANARAYANA
Company Secretary



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ANNEXURE TO THE NOTICE

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

Item No.6&7

The current tenures of Sri P. Venkateswarlu and Sri P. Veeraiah as Managing Director and Joint Managing Director, are upto 30.9.2003 and 4.12.2003, respectively. Accordingly, the Board of Directors of the Company, at its meeting held on 31st July, 2003, had 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 Smt. J. Lakshmi Nalini, no other Director is interested in these Resolutions.

Item No. 8

Sri J.S.R. Prasad was reappointed as Executive Director of the company for a five year period, commencing from 1st May, 2002. Under the able team-leadership of Shri J.S.R. Prasad, the Company has done exceedingly well, in terms of projects implementation and in general management. While most of the South based cement Companies declared losses during the last year, your company declared good profits. The board thought it fit to enhance the remuneration of Sri. J.S.R. Prasad by passing a resolution to this effect, at its meeting held

on 31st July, 2003. However, the enhancement comes into effect prospectively only. The proposed enhancement is subject to the approval of the shareholders by way of a Resolution. Accordingly, your approval is solicited.

Excepting the aforesaid Director apart from Sri P. Venkateswarlu, Sri P. Veeraiah, Smt. J. Lakshmi Nalini, no other Director is interested in this Resolution.

Item No. 9

Sri P.V. Rao was appointed as Additional Director by the Board of Directors at its meeting held on 26th April, 2003. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of this 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 intension to propose the appointment of Sri P.V. Rao as Director along with a deposit of Rs.500/- (Rupees Five hundred only).

Your Directors recommend the resolution for your approval. Except Sri P.V. Rao, none of the Directors are concerned or interested in the resolution.

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

Place : Hyderabad
Date : 31.07.2003

A. SATYANARAYANA
Company Secretary



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DIRECTORS' REPORT

To
Members

Your Directors have pleasure in presenting the 24th Annual Report together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2003 are summarised below:-

(Rs. in Lacs)

| Particulars | 2002 - 2003 | | | | 2001 - 2002 | | |
|---|-----------------|----------------|----------------|----------|-----------------|----------------|----------|
| | Cement Division | Sugar Division | Power Division | Total | Cement Division | Sugar Division | Total |
| Income (Sale and Other Income) | 4411.67 | 5905.55 | 3338.00 | 13655.22 | 5699.75 | 4378.24 | 10077.99 |
| Profit before Depreciation | | | | | | | |
| Interest & Taxes | 326.72 | 1342.86 | 1707.88 | 3377.46 | 1194.46 | 1036.73 | 2231.19 |
| Depreciation | 315.56 | 239.74 | 246.77 | 802.07 | 328.42 | 240.31 | 568.73 |
| Interest | 253.81 | 976.85 | 513.96 | 1744.62 | 503.67 | 520.13 | 1023.80 |
| Provision for Taxation | 0.00 | 0.00 | 151.15 | 151.15 | 133.58 | 0.00 | 133.58 |
| Profit after Taxation | (242.65) | 126.27 | 796.00 | 679.62 | 228.79 | 276.29 | 505.08 |
| Profit brought forward from Previous year | 643.74 | 452.55 | 0.00 | 1096.29 | 921.52 | 176.28 | 1097.80 |
| Prior Period adjustments | 0.28 | 0.00 | 0.00 | 0.28 | (1.11) | 0.00 | (1.11) |
| APPROPRIATIONS | | | | | | | |
| Transfer to General Reserve | 0.00 | 0.00 | 70.00 | 70.00 | 350.00 | 0.00 | 350.00 |
| Proposed Dividend | 155.48 | 0.00 | 0.00 | 155.48 | 155.48 | 0.00 | 155.48 |
| Corporate Tax on Dividend | 19.92 | 0.00 | 0.00 | 19.92 | 0.00 | 0.00 | 0.00 |
| Balance carried over to Balance Sheet | 225.97 | 578.82 | 726.00 | 1530.79 | 643.72 | 452.57 | 1096.29 |

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2/- per equity share for the year ended 31.3.2003, aggregating an amount of Rs.155.48 Lakhs.

PERFORMANCE OF THE YEAR UNDER REVIEW

CEMENT DIVISION:

During the year under review, the Cement Division has produced 2,83,802.326 MT of cement as against 2,54,611.895 MT of

cement for the previous year. The loss for the division was Rs.242.37 lacs as against Rs.227.68 lacs profit for the previous year, due to lower realisation of prices of Cement.

SUGAR DIVISION:

The Sugar Division crushed 4,56,307 MT of sugarcane for the current season as against 4,94,637 MT for the previous season. The recovery rate was 10.29% compared to 9.55% for the previous season. Sales for the year was Rs.6281.25 lakhs as against Rs.4727.57 lakhs



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for the previous year. The Profit for the division was Rs. 126.27 lacs as against Rs. 276.29 lacs for the previous year.

POWER DIVISION :

The 17 MW Bagasse based Cogeneration Plant commenced its commercial operations w.e.f. 12th April, 2002, thus completing about an year of commercial operations.

During the year under review, the Power Division has generated 12,25,24,338 KWH of power. The profit for the Division was Rs. 796.00 Lacs.

CURRENT YEAR OUTLOOK :

CEMENT DIVISION:

In the first three months of the current year i.e. April-June, 2003, the production of cement was 74,634.879 MT. as against 79,734.107 MT of the first three months of the previous year. Further, 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 for most part of the year. However, as per the recent regulations of the government, for creation of buffer stock of sugar, sugar prices have started improving, which would be reflected in the financial statements of the current year only.

POWER DIVISION :

Good performance of the Power Division is expected to continue, with the continuing encouraging policies of the Government, both at the Centre and the State levels.

FIXED DEPOSITS :

The aggregate amount of deposits accepted by the Company as on 31.03.2003 stood at Rs.250.31 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 DIVISIONS :

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.



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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 2003, 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 4-5 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 coupled with providing of incentives for

housing are expected to give boost to the cement industry. Mixing of Ethanol with Petrol has improved demand for molasses, which is a positive factor for Sugar industry, which is expected to grow further. 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 :

The 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; in the near future except as discussed elsewhere in this Report,

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 Company employs about 550 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