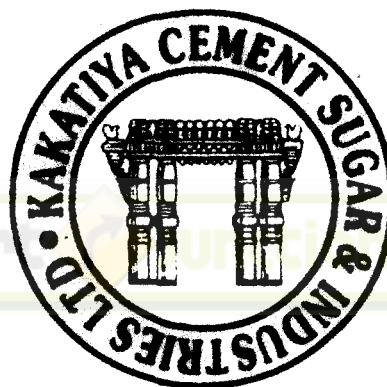


25th ANNUAL REPORT



**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 (upto 12.01.2004)
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
Director (As nominee of IREDA upto 15.07.2004)
Nominee of ICICI Bank
Director
Director
Director
Director
Director
Director

SENIOR EXECUTIVES

G. Bharadwaja
A. Siva Sankar Reddy
A. Satyanarayana

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
Somajiguda
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 FIFTH ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED will be held on Thursday, the 30th day of September, 2004 at 11.00 A.M at KLN Prasad Auditorium, FAPCCI Premises, Red Hills, Hyderabad - 500 004 to transact the following Business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2004, 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 J. Seshagiri Rao, 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 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.

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

Place : Hyderabad

Date : 19.08.2004

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. THE PROXY, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. A BLANK PROXY FORM IS CONTAINED IN THIS REPORT.
2. The Register of Members and Share Transfer Books will remain closed from 23.09.2004 to 30.09.2004 (both days inclusive).
3. Members, holding shares in physical form, are

advised to notify change in their address, if any, specifying full address with pin code, 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.

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 30th September, 2004 or whose names/beneficiary positions shall be submitted by the depositories, as appearing in their records on the specified date or to their mandates/Bankers.
5. 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, 1996. As per provisions of the 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, 1997 onwards, are requested to lodge their claim with the Company.
6. (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 2004-2005 has been paid to all the three Stock Exchanges i.e., HSE, BSE and NSE.
7. 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.
8. 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 forms part of this Notice.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

DIRECTORS' REPORT

To
Members

Your Directors have pleasure in presenting the 25th Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2004 are summarised below:-
(Rs. in Lacs)

PARTICULARS	2003 - 04	2002 - 03
Income (Sale and Other Income)	14632.03	13655.22
Profit before Depreciation		
Interest & Taxes	3038.87	3377.74
Depreciation	788.15	802.07
Interest	1521.36	1744.62
Provision for Taxation	57.44	151.15
Profit after Taxation	671.92	679.90
Profit brought forward from Previous year	1530.79	1096.29
APPROPRIATIONS		
Transfer to General Reserve	70.00	70.00
Proposed Dividend	155.48	155.48
Corporate Tax on Dividend	20.32	19.92
Balance carried over to Balance Sheet	1956.91	1530.79

Segment wise performance has been furnished under notes on accounts.

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2/- per equity share for the year ended 31.03.2004, 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 2,84,105 MT of cement as against 2,83,802 MT of cement for the previous year. The loss for the Division was Rs.96.21 lakhs as against Rs.242.37 lakhs loss for the previous year, due to better realisation of prices of cement.

Sugar Division:

The Sugar Division crushed 2,60,836 MT of sugarcane for the current season as against 4,56,307 MT for the previous season. The recovery rate was 9.89% compared to 10.29% for the previous season. The profit for the Division was Rs.83.40 lakhs as against Rs.126.27 lakhs for the previous year.

Power Division :

During the year under review, the Power Division has generated 12,71,44,727 KWH against 12,25,24,338 KWH of power for the previous year. The profit for the Division was Rs.684.73 lakhs as against Rs.796.00 lakhs for the previous year.

CURRENT YEAR OUTLOOK:

Cement Division:

In the first three months of the current year i.e. April-June, 2004, the production of cement was 76,853.190 MT as against 74,634.879 MT of the first three months of the previous year. Your Directors hope that similar price realisations will continue during the remaining part of the current year.

Sugar Division:

Sugarcane crop in the factory zone has been affected due to deficit rainfall for the last 2.3 years which may in turn cause shortage of sugarcane for the ensuing crushing season. However, a positive fall out of this situation aided in improving the realization of price of sugar and molasses, which is expected to continue in the near future.

Power Division:

The downward revision of tariff, by the APERC, on the power sales to APTRANSCO, will adversely affect the profitability of the Division. The matter, however, has been contested in the Courts and is pending.

FIXED DEPOSITS:

The aggregate amount of deposits accepted by the Company as on 31.03.2004 stood at Rs.285.95 lakhs. 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.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

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 ESP's 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 satisfactory 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.

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 2004, 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 were facing a glut like conditions in the last 4-5 years due to excess manufacturing capacities. However, the situation improved during the year under review. Demand for Cement improved, bringing the supply close to demand and a possible equilibrium position in the next one, two years. As far as Sugar is concerned, drought conditions in many parts of the country causing crop failure, brought about rather a positive effect by way of improvement in price realization on the existing stocks. However, the same cause may adversely affect future crushing operations due to non-availability of sufficient sugarcane. As far as Power operations are concerned, though the power plant is running optimally, reduction of tariff, on the power sales to APTRANSCO, by the APERC, will adversely affect the financial performance of the Division. However, the matter has been contested in the Courts of law and is pending.

b. Opportunities and threats :

The Government of India has already resolved to spend more on the infrastructure and rural development. 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 for the near term.

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



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

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 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, 2004 and Profit & Loss Account of the Company for the year ended as on 31st March, 2004.
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, United Bank of India and APIDC from time to time.

Your Directors also thank the State Bank of India, Industrial Finance Branch, Somajiguda, Hyderabad and Andhra Bank, Specialised Corporate Finance Branch, Somajiguda, 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
Date : 19.08.2004

P.VENKATESWARLU
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 | : | 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 the present. | |
| b) Total foreign exchange used | Rs.132.21 Lakhs |
| Total foreign exchange earned | Nil |

FORM-A

Form for disclosure of particulars with respect to Conservation of Energy

	CURRENT YEAR 2003-04			PREVIOUS YEAR 2002-03		
	CEMENT	SUGAR	POWER	CEMENT	SUGAR	POWER
A. POWER & FUEL CONSUMPTION						
1. ELECTRICITY						
a) Purchased (KWH)	2,82,62,160	84,79,094	—	2,69,63,798	1,38,49,037	—
Total Amount(Rs.)	10,44,74,826	3,09,86,953	—	9,80,78,100	4,81,29,045	—
Rate per Unit(Rs.)	3.70	3.65	—	3.63	3.47	—
b) OWN GENERATION						
1. Through Diesel						
Generators (Units)	43,668	—	—	9,83,427	10,500	—
Units per Ltr of Diesel	2.43	—	—	4.02	2.45	—
Furnace Oil						
Cost per Unit (Rs.)	6.73	—	—	3.25	8.65	—
2. FUEL						
a) COAL						
Quantity (MT)	48,704	—	29,932	51,241	—	29,133
Total Cost (Rs)	8,24,73,832	—	4,93,83,513	8,41,44,064	—	4,35,00,760
Average Rate(Rs)	1,693.27	—	1,649.86	1642.12	—	1493.17
b) DIESEL FURNACE OIL						
Quantity (Ltrs)	30,065	—	—	1,06,135	—	—
Total Cost (Rs.)	5,56,496	—	—	19,50,965	—	—
Average Rate (Rs.)	18.51	—	—	18.38	—	—



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

c) Bagasse					
Quantity (MT)	—	—	1,43,283	—	—
Total Cost (Rs.)	—	—	12,84,84,250	—	—
Average Rate (Rs.)	—	—	896.72	—	—

B. CONSUMPTION PER UNIT OF PRODUCTION

1. Electricity (KWH)					
Cement (MT)	99.963	—	—	96.528	—
Sugar (KGS)	—	0.33	—	—	0.26
Power(KWH)	—	—	0.102	—	0.085
2. Coal(MT)	0.19	—	—	0.18	—
(per tonne of clinker)					

FORM - B

Form for disclosure of particulars with respect to Absorption, Research & Development (R & D)

- Specific areas in which R & D carried out by the Company.
- Benefits derived as a result of the above R & D
- Future plan of action
- Expenditure on R & D
 - Capital
 - Recurring
 - Total
 - Total R & D expenditure as a percentage of total turnover

There is no separate Research and Development Wing as the scale of Company's operations are relatively small. However, the company has fairly good laboratory with adequate testing facility to ensure quality of various inputs and also finished products. Besides the company continuously endeavours to improve production process and product quality and encourages the technicians and workers to innovate.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

NOT APPLICABLE

For and behalf of the Board

PLACE: HYDERABAD

DATE : 19.08.2004

P.VENKATESWARLU
Chairman & Managing Director



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

CORPORATE GOVERNANCE REPORT : THE CORPORATE GOVERNANCE CODE & COMPANY'S PHILOSOPHY

The Company attaches immense importance to good Corporate Governance and the code of governance as formulated by the Stock Exchanges/SEBI and other authorities is in the right earnest. It will be the endeavour of the Board of Directors that the Company is so governed as to maximise the benefits of all stake holders i.e., shareholders, employees, customers, society and others. The Company has been implementing the clauses of Corporate Governance from time to time.

BOARD OF DIRECTORS :

The Board of Directors of the Company is composed of eleven (11) directors, out of which three (3) are whole-time directors and one is nominee of financial institution. The proportion of independent Directors is more than 50% as the Company has full-time Chairman. During the year under review, there were in all four (4) meetings of the Board of Directors and the maximum time gap between any two board meetings was three months and the following is the attendance of the Directors:

S.No.	Name of the Director	No. of meetings attended	Whether attended the last Annual General meeting	No. of Directorships in other Boards	No. of Memberships in other Board Committees
01.	P. Venkateswarlu	4	Yes	1	Nil
02.	P. Veeraiah	4	Yes	1	Nil
03.	J.S.R.Prasad	4	Yes	2	4
04.	V.Venkateswara Rao	4	Yes	2	Nil
05.	T.R.C. Bose	4	Yes	Nil	Nil
06.	Jayan Velayudhan*	2	No	Nil	Nil
07.	J. Seshagiri Rao	2	No	4	3
08.	J. Lakshmi Nalini	4	No	Nil	Nil
09.	C. Madhusudana Rao	2	Yes	6	2
10.	V.B.R.Suryam	3	Yes	Nil	Nil
11.	M.Narasimha Rao	3	No	2	Nil
12.	P.V. Rao	4	No	N.A.	N.A.

* IICI Bank Ltd had withdrawn the nomination of Sri. Jayan Velayudhan w.e.f 12.01.2004

The dates of Board Meeting held during the year under review are : 26.04.2003, 31.07.2003, 31.10.2003, and 28.01.2004.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Sri. J. Seshagiri Rao and Sri. V.B.R. Suryam retire by rotation and are eligible for reappointment.

Particulars, required to be furnished under clause 49 of the Listing Agreement, of Directors who are proposed to be appointed/reappointed at the ensuing AGM

Sri J. Seshagiri Rao:

Sri J. Seshagiri Rao, aged 51 years, is Managing

director of Hyderabad Flextech and is on the Board of Suvarna Cements Ltd. He has been President of Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI). He has been associated with the Company since its inception.

Sri V.B.R. Suryam:

Sri V.B.R. Suryam, aged 72 years, is a Cement Technologist. He was associated with many Cement Companies including ACC, Rasi Cement and is endowed with wide expertise in cement Industry.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

GENERAL BODY MEETINGS:

The last three Annual General Meetings were held as under :

S.No.	Location	Date and Time	Whether any special resolutions were passed	Postal Ballots
01.	Sri Tyagaraya Gana Sabha, Chikkadapally, Hyderabad	27.09.2001 11.00a.m.	No	N.A.
02.	-----do-----	30.09.2002 10.15 a.m.	No	N.A.
03.	-----do-----	27.09.2003 11.00 a.m.	No	N.A.

SHAREHOLDERS/INVESTORS

GRIEVANCES :

The Company accords utmost attention for resolving shareholders/investors grievances complaints. Complaints received from shareholders/investors directly or through Stock Exchanges or SEBI are replied to immediately. There are no outstanding unresolved complaints.

SHAREHOLDERS GRIEVANCE COMMITTEE:

The Board of Directors of the Company constituted Shareholders Grievance Committee consisting of the following Directors, to deal with complaints regarding transfer/ transmission of shares; non-receipt of share certificates, dividends, annual reports and such other matters:

Sri C. Madhusudana Rao - Chairman
Sri T. R. C Bose - Member
Sri M. Narasimha Rao - Member

During the year the Company has received 47 complaints and all have been resolved and there is no pending complaint.

AUDIT COMMITTEE:

The Board of Directors of the Company constituted Audit Committee consisting of the following Directors, with the role and responsibilities duly defined and in accordance with the applicable statutory and other requirements. During the year, in all, 4 meetings of the Committee took place and attendance thereat is as under:

Name of the Director	No. of Meetings attended
Sri C. Madhusudana Rao Chairman	3
Sri T.R.C. Bose Member	4
Sri M. Narasimha Rao Member	3
Sri J. Seshagiri Rao Member	3

REMUNERATION OF DIRECTORS & REMUNERATION COMMITTEE:

Other than the whole-time Directors, no other Director receives any remuneration from the Company excepting Sitting Fees for attending the Board Meetings. The details of remuneration paid to the whole-time Directors is mentioned in Schedule XII (Notes to Accounts) to the Balance Sheet of the Company.

The Board of Directors of the Company constituted Remuneration Committee consisting of the following Directors, with the role and responsibilities duly defined and in accordance with the applicable statutory and other requirements.

Sri C. Madhusudana Rao	-	Chairman
Sri T.R.C. Bose	-	Member
Sri M. Narasimha Rao	-	Member