

29th Annual Report 2007 - 08



**KAKATIYA CEMENT
SUGAR & INDUSTRIES LTD.**

BOARD OF DIRECTORS:

P. Venkateswarlu

P. Veeraiah

J.S.R. Prasad

J. Seshagiri Rao

J. Lakshmi Nalini

C. Madhusudana Rao

V.B.R. Suryam

T.R.C. Bose

M. Narasimha Rao

P.V. Rao

Chairman & Managing Director

Joint Managing Director

Director

Director

Director

Director

Director

Director

Director

Director

SENIOR EXECUTIVES

P. Radha

A.M. Kulkarni

Y. Venkataramaiah

K.S. Rami Reddy

R. Ramakrishna

Chief Executive

General Manager (Cement Works)

General Manager (Sugar Works)

General Manager (F & A)

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 Finance Branch
Somajiguda, Hyderabad

REGISTERED OFFICE

1-10-140/1, "GURUKRUPA"
Ashok Nagar,
HYDERABAD-500 020

REGISTRARS

XL SOFTECH Systems Limited,
3, Sagar Society, Road No.2, Banjara Hills,
HYDERABAD-500 034

FACTORIES

CEMENT:

Srinivasa Nagar
Mellacheruvu Mandal
Nalgonda Dist. A.P.

SUGAR & POWER:

Peruvancha Village
Kallur Mandal
Khammam Dist. A.P.



**KAKATIYA CEMENT SUGAR &
INDUSTRIES LIMITED**

NOTICE

NOTICE is hereby given that the **TWENTY NINTH ANNUAL GENERAL MEETING of KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED** will be held on Thursday, the 25th day of September, 2008 at 11.00 A.M at Surana Udyog 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, 2008, the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Sri. T.R.C. Bose, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri. V. B.R. Suryam, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Smt. J. Lakshmi Nalini, who retires by rotation and being eligible, offers herself for re-appointment.
6. To appoint M/s. M. ANANDAM & CO., Chartered Accountants, as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as Special Resolution.
"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310,311 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof, for the time being in force, approval be and is hereby accorded to the re-appointment Sri P.Venkateswarlu as Managing Director of the Company w.e.f 1.10.2008 for a period of 5 years, on the following terms and conditions".

PART - A

1. SALARY :

Salary of Rs.3,26,000/- (Rupees Three lakhs twenty six thousand only) per month with an annual increment of Rs.6,000/-.

2. COMMISSION :

Commission @2% of the Net Profits of the Company as computed in the manner provided in Section 309(5) of the Companies Act, 1956.

3. PERQUISITES :

a) HOUSE RENT ALLOWANCE :

House Rent Allowance of Rs.25,000/- per month. The expenditure incurred on Gas, Electricity, Water and furnishing will be valued as per the Income Tax Rules, 1962.

b) MEDICAL REIMBURSEMENT:

Reimbursement of all actual medical and hospital expenses for self and family, subject to ceiling of one month salary in a year.

c) LEAVE TRAVEL CONCESSION:

Leave Travel Concession for self and family to and from any place in India, once in a year, subject to a ceiling of Rs.1,00,000/- per annum.

d) CLUB FEES:

Fees of Clubs, subject to a maximum of two clubs. However, admission and life membership fees shall not be included for this purpose.

PART - B

1. PROVIDENT FUND:

Company's contribution towards Provident Fund, at 12% of Salary.

2. GRATUITY:

Gratuity payable shall not exceed half a month salary for each completed year of service.

3. LEAVE ENCASHMENT:

Encashment of leave at the end of the tenure.

4. OTHER BENEFITS:

Free use of car with driver on company's business

5. RESIDENTIAL TELEPHONE:

Residential telephone shall be provided.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

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

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

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,310,311 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactments thereof, for the time being in force, approval be and is hereby accorded to the re-appointment Sri P. Veeraiah as Joint Managing Director of the Company w.e.f 5.12.2008 for a period of 5 years, on the following terms and conditions ".

PART - A

1. SALARY:

Salary of Rs.2,00,000/- (Rupees Two lakhs only) per month with an annual increment of Rs.6,000/-

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 of Rs.25,000/- per month.

b) MEDICAL REIMBURSEMENT :

Reimbursement of expenses actually incurred for self and family, subject to a ceiling of Rs.15,000/- per annum.

c) LEAVE TRAVEL CONCESSION:

Leave Travel Concession for self and family to and from any place in India, once in a year, subject to a ceiling of Rs.50,000/- per annum.

d) CLUB FEES:

Fees of Clubs, subject to a maximum of two clubs. However, admission and life membership fees shall not be included for this purpose.

e) MEDICAL INSURANCE PREMIUM:

Medi-claim Insurance policy for which the annual premium does not exceed Rs.6,000/- is allowed.

PART - B

1. PROVIDENT FUND:

Company's contribution towards Provident Fund, at 12% of Salary.

2. LEAVE ENCASHMENT:

Encashment of leave at the end of the tenure.

3. GRATUITY:

Gratuity payable shall not exceed half a month salary for each completed year of service.

4. OTHER BENEFITS:

Free use of car with driver on Company's business. Residential telephone shall be provided.

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

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

"RESOLVED that pursuant to the provisions of Section 314 (1)(b) of the Companies Act, 1956, Rule 10C, Companies (Central Government's) General Rules and Forms, 1956, Rule 4 of Director's Relatives (Office of Profit) Rules, 2003, and any other statutory modifications or re-enactments thereof, for the time being in force, approval be and is hereby accorded to revise the salary of Smt.P.Radha, Chief Executive of the Company with effect from 1st May, 2008, as under.

1	BASIC SALARY	35,000/-
2	FDA	3,163/-
3	HRA	2,500/-
4	OTHER ALLOWANCES	4,725/-
	TOTAL PER MONTH	<u>45,388/-</u>

Following perquisites as per company rules.



**KAKATIYA CEMENT SUGAR &
INDUSTRIES LIMITED**

1. Provident Fund contribution at 12% on Basic salary and FDA.
2. Bonus as applicable to other Executives of the company.
3. Annual Medical reimbursement for self and family as applicable to other Executives subject to a maximum of Rs.15,000/- per annum
4. Annual LTA as per Rules applicable to other Executives of the company subject to a maximum of one-month basic salary.
5. Annual increment of Rs.6,000/- subject to Salary limits prescribed under Section 314(b) of the Companies Act and other applicable Rules.

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

Place : Hyderabad
Date : 18.08.2008

R. Ramakrishna
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL ONLY INSTEAD OF HIMSELF/HERSELF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Share Transfer Books will remain closed from 23.09.2008 to 25.09.2008 (both days inclusive).
3. Members are requested to notify immediately any change in their addresses to the Company's Registered Office with their Folio Number(s).
4. The Dividend, after declaration, will be paid to those shareholders whose names stand on the Register of Members on 25th September 2008. The Dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares whose names appear in the list

5. furnished by the Depositories for this purpose as on 25th September 2008. The Dividend will be paid on and from October 15, 2008.
5. The Securities and Exchange Board of India (SEBI) has made it mandatory for all Companies to use the Bank Account details furnished by the Depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the Bank details, if available, on the payment instrument for distribution of dividend.
6. As per provisions of Section 205A of the Companies Act, 1956 the Company has already transferred to the Investors Education and Protection Fund, the amount of all unclaimed dividends declared up to and including the financial year ended 31st March 2000.

As per the provisions of Section 205A, the Company is required to transfer dividend, which remains unpaid or unclaimed for a period of 7 years, to the Investors Education and Protection Fund set up by the Central Government. Shareholders, who have not claimed their dividend for any year from the financial year ended March 31, 2001 onwards, are requested to lodge their claim with the Company.

7. (a) The Company's shares are listed with the Hyderabad Stock Exchange Limited (HSE), Bombay Stock Exchange Limited, Mumbai (BSE) and The National Stock Exchange of India Limited (NSE).
- (b) The Annual Listing Fee for the year 2008-2009 has been paid to the two Stock Exchanges i.e., BSE and NSE.
8. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item Nos.7, 8, and 9 annexed hereto and the information required pursuant to Corporate Governance clause of the Listing Agreement regarding Directors seeking re-appointment in the Annual General Meeting, is also being annexed hereto separately and both form part of this Notice.



**KAKATIYA CEMENT SUGAR &
INDUSTRIES LIMITED**

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

ITEM NO. 7 & 8:

The current tenure of Sri P. Venkateswarlu and Sri P. Veeraiah as Managing Director and Joint Managing Director, are upto 30.09.2008 and 4.12.2008, respectively. Accordingly, the Board of Directors of the Company, at its meeting held on 18th August 2008, have reappointed them for a further period of five years on the terms and conditions contained in the resolutions. However, their appointment and terms as to remuneration, etc, is subject to approval of the shareholders by way of a Resolution. Accordingly, your approval is solicited.

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

ITEM NO. 9:

Smt. P. Radha was appointed as Chief Executive on 5.4.2007 and her appointment was approved by a Special Resolution at the 28th AGM of the company,

since the appointment to a place of profit attracted the provisions of Section 314(1)(b) of the Companies Act, 1956. She has completed one-year and subject to your approval her salary has been revised within the limits prescribed under Section 314(1)(b) of the Companies Act and other applicable provisions.

Since the salary revision attracts the provisions of Section 314(1)(b) of the Companies Act, 1956, your Directors recommend the resolution for your approval. Except Sri P.Venkateswarlu, Chairman and Managing Director and Sri P.Veeraiah, Joint Managing Director, 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 : 18.08.2008

R. Ramakrishna
Company Secretary



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 29th Annual Report together with the Audited Accounts for the year ended 31st March 2008.

FINANCIAL RESULTS

The Financial Results for the year ended 31st March, 2008 are summarised below:-

	(Rs. in Lakhs)	
Particulars	2007-08	2006-07
Income (Sale and other Income)	17342.42	14297.99
Profit before Depreciation, Interest & Taxes	3483.17	3311.75
Depreciation	779.54	777.06
Interest	592.33	461.99
Provision for Taxation	600.00	448.16
Provision for Deferred Taxation	(186.44)	(182.67)
F B T	7.46	13.36
Profit after Taxation	1690.28	1793.85
Profit brought forward from Previous year	5069.32	3673.75
APPROPRIATIONS		
Transfer to General Reserve	200.00	180.00
Proposed Dividend	186.57	186.57
Corporate Tax on Dividend	31.71	31.71
Balance carried over to Balance Sheet	6341.32	5069.32

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

DIVIDEND

Your Directors are pleased to recommend for your consideration a Dividend of Rs.2.40 per equity share for the year ended 31.03.2008, aggregating an amount of Rs.186.57 lakhs.

PERFORMANCE OF THE YEAR UNDER REVIEW

Cement Division:

During the year under review, the Cement Division has produced 2,55,340 MT of cement as against 2,17,256 MT of cement for the previous year. The profit for the Division was Rs.1716.30 lakhs as against Rs.767.53 lakhs for the previous year.

Sugar Division:

The Sugar Division crushed 4,41,768 MT of sugarcane for the current season as against 4,92,453 MT for the previous season. The recovery rate was 10.44% compared to 10.40% for the previous season. The loss for the Division was Rs.375.16 lakhs as against Rs.369.52 lakhs profit for the previous year.

Power Division:

During the year under review, the Power Division has generated 5,63,20,380 KWH against 7,64,43,187 KWH of power for the previous year. The Profit for the Division was Rs.770.16 lakhs as against Rs.935.65 lakhs for the previous year.

CURRENT YEAR OUTLOOK:

Cement Division:

In the first three months of the current year i.e. April - June, 2008, the production of cement was 54,864 MT as against 60,673 MT of the first three months of the previous year. Your Directors expect that current price realisations will improve further during the remaining part of the current year.

Sugar Division:

Sugarcane crop in the factory zone is likely to substantially drop due to lack of irrigation facilities consequent to proposed lining work of Wyra canals. These apart, continuous efforts are also being made to offer remunerative prices to farmers to make them switch back to sugar cane farming.

Power Division:

The matters relating to down ward revision of tariff by the APERC on the Power sales to APTRANSCO, and PLF ceiling, contested in the Courts by the Company are pending.



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FIXED DEPOSITS:

The aggregate amount of deposits accepted by the Company as on 31.03.2008 stood at Rs.263.08 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.

PARTICULARS OF EMPLOYEES :

The particulars required pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars Of Employees) Rules 1975, are attached and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. In the preparation of annual accounts, the applicable accounting standards have been followed and there were no material departures therefrom.
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the status of the Company as on 31st March, 2008 and Profit & Loss Account of the Company for the year ended as on 31st March, 2008.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.
4. The accounts were prepared on a going concern basis.

ENVIRONMENTAL PROTECTION:

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

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

AUDITORS:

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

COST AUDIT:

The Central Government had ordered audit of cost accounts relating to manufacture of cement. For the year ended 31st March 2008, 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:

Implementation of major irrigation projects, setting up of special economic zones, National and State high ways, housing projects etc has caused to increase in demand further for cement for the year 2008-09. Due to demand supply gap the prices are expected to improve further.

Cement as well as Sugar industries in India are fragmented and scattered throughout the country and have been experiencing consolidations and achieving considerable growth rates and improved price realizations.

Sugar being an agro-based industry needs good irrigation facilities. Irrigation facilities in the factory Zone has suffered due to proposed lining work of Wyra canals last year and that is likely to hamper sugar cane production in the coming seasons. These apart, continuous efforts are also being made to offer remunerative prices to farmers to make them switch back to sugar cane farming. As far as Power operations are concerned, the drop in cane sugar crushing is adversely affect the availability of bagasse which is the primary fuel used for production of power.



KAKATIYA CEMENT SUGAR & INDUSTRIES LIMITED

b. Opportunities and threats:

With the continued emphasis by the Government on infrastructure sector and housing sector, the demand for the cement is expected to remain strong.

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

g. Financial Performance with respect to operational performance:

This has been already discussed elsewhere in this Report.

h. Human Resources / Industrial Relations:

Presently the Company enjoys cordial industrial relations with employees and believes that human resources are an invaluable asset. The Board wishes to place on record its appreciation to all employees for their efforts and cooperation for the performance and growth of business during the year.

i. Social Responsibility:

During the financial year ended 31st March, 2008 your company supplied cement at concessional price to the State Government as part of its Indiramma Housing Welfare Scheme.

j. CAUTIONARY STATEMENT:

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

ACKNOWLEDGEMENTS:

Your Directors wish to express their thanks for the assistance received from United Bank of India.

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 : 18.08.2008

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.

c. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption FORM "B" Enclosed

B. 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.

(Rs. In lacs)

Total foreign exchange used	: 139.46
Total foreign exchange earned	: Nil

FORM-A

Form for Disclosure of particulars with respect to Conservation of Energy

(Rs. in lakhs)

	CURRENT YEAR 2007-08			PREVIOUS YEAR 2006-07		
	CEMENT	SUGAR	POWER	CEMENT	SUGAR	POWER
A. POWER & FUEL CONSUMPTION						
1 ELECTRICITY						
(a) Purchased (KWH)	2,88,34,600	1,41,63,154	--	2,44,38,538	1,47,65,453	--
Total Amount (Rs.)	10,63,57,294	5,11,74,630	--	9,16,32,744	5,32,08,079	--
Rate per Unit (Rs.)	3.69	3.61	--	3.75	3.60	--
(b) OWN GENERATION						
Through Diesel						
Generators (Units)	2,80,640	--	--	23282	--	--
Total Amount (Rs.)	33,21,468	--	--	3.52	--	--
Cost per Unit (Rs.)	11.83	--	--	9.10	--	--
2 FUEL						
(a) COAL						
Quantity (MT)	58,701	--	10,214	42,343	--	23,307
Total Cost (Rs.)	14,82,42,183	--	1,47,35,729	8,88,09,992	--	3,63,79,483
Average Rate (Rs.)	2,525.37	--	1,442.70	2,097.39	--	1,560.88
(b) DIESEL/ LDO						
Quantity (Ltrs.)	31,637	--	--	30,227	--	--
Total Cost (Rs.)	10,81,368	--	--	10,17,914	--	--
Average Rate (Rs.)	34.18	--	--	33.68	--	--