

Kakatiya Textiles Limited



**23rd Annual Report
2004-2005**

Kakatiya Textiles Limited**BOARD OF DIRECTORS:**

Sri.J.S.Krishna Murthy	Chairman
Sri.J.V.Choudary	Managing Director
Sri.J.S.Rao	Director
Sri.S.S.R.Koteswara Rao	Director
Sri.P.Kutumba Rao	Director

AUDIT COMMITTEE:

Sri. S.S.R.Koteswara Rao	Chairman
Sri. J.S.Krishna Murthy	Member
Sri. P.Kutumba Rao	Member

AUDITORS:

M/s G.P.Associates
Chartered Accountants
105, Divya Shakti Complex, Ameerpet,
Hyderabad - 500 016

BANKERS:

State Bank of India
Saifabad Branch, Hyderabad

Andhra Bank
Sultan Bazar Branch, Hyderabad

SHARE TRANSFER AGENTS:

Ikon Visions (P) Ltd.,
33, Sanali Heavens, 8-3-948
Nagarjuna Nagar, Hyderabad - 500 079.

REGISTERED OFFICE & MILLS:

Nallabandagudem-508 206
Kodad Mandal, Nalgonda District, Andhra Pradesh.

CORPORATE OFFICE:

6-3-1090/C/1/A/101, "LOVELY MANSION"
Raj Bhavan Road, Somajiguda, Hyderabad 500 082.

23rd ANNUAL GENERAL MEETING

Date: 30th September, 2005 Day: Friday
Time: 11.00 A.M Venue : Registered Office

Kakatiya Textiles Limited**NOTICE**

NOTICE is hereby given that the 23rd Annual General Meeting of Shareholders of the Company will be held on Friday, the 30th September, 2005 at 11.00.AM at Nallabandagudem, Kodad Mandal, Nalgonda District, Andhra Pradesh, to transact the following business

ORDINARY BUSINESS:

1. To receive and adopt the Balance Sheet as at 31st March, 2005 and the Profit and Loss Account for the year ended on that date, the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri.J.S.Krishna Murthy, who retires by rotation, and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Sri.S.S.R.Koteswara Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider the appointment of M/s.G.P.Associates, Chartered Accountants, as Auditors to hold the office till the conclusion of the next Annual General Meeting at such remuneration and terms as may be mutually agreed to between the Board of Directors and Auditors.

By order of the Board

Place : Hyderabad
Date : 30th June, 2005

J.V.Choudary
Managing Director

NOTES

- (a) A member entitled to attend and vote at the meeting is entitled to appoint a Proxy instead of himself/herself and such proxy need not be a member of the Company. Proxy forms to be valid, shall be lodged at the Company's Registered office at Nallabandagudem, Kodad Mandal, Nalgonda District-508 206, not less than 48 hours before the meeting.
- (b) The Register of Members and Share Transfer Books of the Company will remain closed from 27th September, 2005 to 29th September, 2005 (both days inclusive).
- (c) Members are requested to intimate any change in their address quoting their Registered Folio Number.
- (d) Members/proxies should bring the Attendance Slip duly filled in for attending the meeting.
- (e) Shareholders are requested to kindly bring their copies of Annual Report to the Meeting and are also requested to send their queries, if any, on the accounts to the corporate office.
- (f) Members are requested to avail the facility of converting their physical shareholding into electronic mode of shareholdings (DEMAT) for their own convenience.



Kakatiya Textiles Limited

DIRECTORS' REPORT

Dear Members,

Your Directors present their 23rd Annual Report for the year 2004-05 together with the Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date.

1. FINANCIAL RESULTS:

	(Rs. In Lakhs)	
	2004-05	2003-04
1 Sales	—	—
2 Other Income/Job work Charges	585.29	465.12
3 Total Expenditure	1097.42	533.04
4 Gross Profit/(Loss) before Depreciation and Interest	(452.44)	(67.92)
5 Depreciation	—	—
6 Interest	63.55	4.56
7 Net Profit/(Loss)	(515.99)	(72.48)

2. PERFORMANCE:

The Company has earned a total income of Rs.585.29 lacs and incurred a loss of Rs.515.99 lacs, as compared to the turnover of Rs.465.12 lacs and net loss of Rs72.48 lacs for the year 2003-2004. Due to continuous losses, the Company has used the Mill for job work, rather than spinning on its own, during the year under review.

3. JOB CONTRACT:

As you are aware the Company has entered into Job Work contract with M/s. Kallam Brothers Cottons Private Limited. Kallam has invested an amount of Rs.120.00 lacs (present outstanding is Rs. 60.00 lacs) towards renovation/overhauling of the machinery. After the said repairs the condition of the machinery improved considerably and productivity levels have gone up. Your Directors are confident that the Company would do better in the current year and minimize the losses.

4. DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri.J.S.Krishna Murthy and Sri.S.S.R.Koteswara Rao, Directors, retires by rotation and, being eligible, offer themselves for reappointment.

5. PREFERENCE SHARES:

5,00,000 9% cumulative Redemable preference shares of Rs.100/- each of aggregating of Rs. 500

lacs matured in January'2005. As the company has been suffering with continuous losses, the period of redemption is extended by another 5 years, upto January, 2010, with the consent of the preference shareholders.

6. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for the year under review.
- (iii) That 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 for preventing and detecting fraud and other irregularities; and
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2005 on a going concern basis.

7. REPLIES TO THE QUALIFICATIONS OF THE AUDITOR.

(A) Statutory Dues:

Your Directors would like to clarify that due to liquidity problems there has been some delay in remittance of provident fund, Tax Deducted at source, Gratuity, Excise Duty and other Statutory Dues. Efforts are being made to remit the same at the earliest.

(B) Bank Dues:

Due to losses suffered by the company, dues of principle and interest on account of short-term loan from Bank have not been

Kakatiya Textiles Limited



paid. The company has proposed one time settlement of dues to the Banks and the discussions are going on in that direction.

8. AUDITORS:

M/s.G.P.Associates. Chartered Accountants, Hyderabad, the present Auditors, retire at the ensuing Annual General Meeting, and eligible for re-appointment.

9. PERSONNEL:

Employer-Employee relations remained cordial during the year under review. Your Directors place on record their sincere appreciation of the contribution made by the employees of the Company at all levels. As regards, information pursuant to Section 217(2AA) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended), there are no employees governed by the said provisions.

10. ADDITIONAL INFORMATION:

Information pursuant to Section 217(e)&(2A) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed herewith.

11. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and Developments:

Textile industry in India is highly fragmented and scattered throughout the country. This industry was facing glut like conditions up to 2003-2004 due to excess spinning capacities and volatility in the cotton prices. However, the Industry has turned into a positive mood and most of the textile mills are doing well for the last one year. Thus, there would be a significant growth and development of the industry.

Opportunities and Threats:

Entering into Job Work contract with M/s. Kallam Brothers Cotton Private Limited is considered to be an opportunity for the Company in turning around its performance as Kallam has invested substantial funds for renovation/overhauling of the machinery. The frequent upward change in cotton rates and falling yarn realization is considered to be a threat.

Segment or product-wise performance:

Segment or product-wise performance is not required to be given as the Company has been carrying on business in only one product.

Out look:

Having completed major renovation/overhauling work of the Mill, your Directors are confident that the performance of the Company would be much better and losses would be totally curtailed in the current year.

Risks and concerns:

The machinery is 12 – 14 years old on an average. In fact, it needs major replacement of certain of the machinery, apart from the renovation completed in last year. Further, to be more cost effective, the mill needs to be modernised to match the latest technology and efficient levels.

Internal control systems and their adequacy:

The company has adequate internal control systems. The Management as well as Statutory Auditors take the periodical reports of officer(s) incharge of internal control system into account.

Financial/operational performance:

This has been already discussed elsewhere in this Report.

Human Resources/Industrial Relations:

The company employ about 300 people. The company enjoys very cordial industrial relations and there is very low employee/labour turnover in the company. You will be happy to note that ever since the inception of the company, there were no strikes, lockouts, lay-offs, retrenchments, etc.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to thank all the Central and State Government authorities for their wholehearted co-operation and support in the Company's operations. Your Directors further wish to place on record their appreciation for the invaluable support given by the Bankers to the Company, State Bank of India and Andhra Bank.

On behalf of the Board

Place : Hyderabad
Date : 30th June, 2005

J.S.KRISHNA MURTHY
CHAIRMAN

Kakatiya Textiles Limited**ANNEXURE TO DIRECTORS' REPORT:****PARTICULARS OF CONSERVATION OF ENERGY:**

- A. Energy conservation measures : A thorough Energy Consumption audit conducted to check the waste of power by avoiding unnecessary use of Power in the Mill. Further, the Company has added required additional capacitors to conserve the energy as per the Energy Consumption Audit Report suggestions.
- B. Additional Investments and proposals if any being implemented for reduction of consumption of energy. : Renovation of certain equipment has been taken up during last year, which has reduced the Consumption of power.
- C. Impact of the Measures at (A) & (B) above for reduction of energy consumption as consequent impact on the cost of production of goods. : Due to the above measures, there will be a reduction in consumption of energy in the process of manufacture, which would reduce the cost of production of goods.

FORM-A

Form for disclosure of particulars with respect to conservation of Energy:

POWER & FUEL CONSUMPTION

		<u>Current Year</u>	<u>Previous Year</u>
1. ELECTRICITY:			
a) PURCHASE			
Units	(KWH)	65,56,250	52,25,116
Total Amount	(Rs.)	2,16,73,566	2,16,37,389
Rate/Unit	(Rs.)	-	4.14
b) OWN GENERATION THROUGH DIESEL GENERATOR			
Units	(KWH)	15036	8,214
Units Per Ltr. of Diesel oil	(KWH)	-	2.62
Cost/Unit	(Rs.)	115783	8.43
2. HUSK:			
Quantity	(Kgs)	Nil	Nil
Total cost	(Rs.)	Nil	Nil
Average cost	(Rs.)	Nil	Nil
3. CONSUMPTION PER UNIT OF PRODUCTION:			
Cotton Yarn (40s average count)	(Kgs.)	16,27,406	10,70,827
Electricity consumed	(KWH)	-	52,33,330
Consumption per Unit of production	(KWH)	-	4.88

FORM-B**RESEARCH & DEVELOPMENT:**

The Company is a Member of the South India Textile Research Association (SITRA), which has been undertaking research on various issues on behalf of Member Mills. The Company has been taking advantage of the same from time to time.

FORM-C**FOREIGN EXCHANGE**

Foreign Exchange Earnings	- NIL -	- NIL -
Foreign Exchange Outflow	- NIL -	1,29,281

On behalf of the Board

Place : Hyderabad
Date : 30th June, 2005

J.S.KRISHNA MURTHY
CHAIRMAN

Kakatiya Textiles Limited**REPORT ON CORPORATE GOVERNANCE :**

Your Directors are pleased to inform the members that your company had complied with the provisions of the Listing Agreement pertaining to Corporate Governance, the details of which are given below:

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

2. BOARD OF DIRECTORS

The Board of Directors of the company consisting of executive and non-executive directors. The present strength of the Board of Directors of the company is five, out of which one is the Managing Director. The proportion of the Independent Directors is more than 1/3rd as the company has no full time Chairman.

Composition of the Board

S.No	Category	No. of Directors	Percentage of Total No. of Directors
1	Functional Directors	1	20
2	Non executive Independent Directors	2	40
3	Other Non Executive Directors	2	40
	Total Directors	5	100

BOARD MEETINGS AND ATTENDANCE RECORD - 2004-05:

The Company's Corporate Governance policy requires the Board to meet at least 4 times in year. The dates of the Board Meetings held during the year under review were: 30th April, 2004, 30th June, 2004, 31st July, 2004, 30th October, 2004, 31st January, 2005 and 25th March, 2005

Sl. No	Name of the Director	Designation	No. of Meetings attended	Whether attended the last AGM	No. of Directorships in other Boards as on 31.03.2005	No. of Memberships/ Chairmanships in other Board Committee(s) as on 31.03.2005
1	Mr.J.S.Krishnamurthy	Chairman	6	Yes	6	7
2	Mr.J.V.Choudary	Managing Director	6	Yes	3	2
3	Mr.J.S.Rao	Director	6	Yes	8	7
4	Mr.S.S.R.Koteswara Rao	Director	1	—	1	—
5	Mr.P.Kutumba Rao	Director	3	—	11	—

The annual calendar of meetings is agreed upon at the beginning of each year. Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for consideration of the Board.

In accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association, Mr.J.S.Krishna Murthy and Mr. S.S.R.Koteswara Rao, Directors retire by rotation and are eligible for re-appointment.

Kakatiya Textiles Limited**3. GENERAL BODY MEETINGS**

The last three Annual General Meetings were held as under:

S.No	Venue	Date and Time of AGM	Whether any Special Resolutions were passed	Postal Ballots
1	Nallabandagudem Village, Kodad Mandal, Nalgonda Dist.	28.09.2002 12.00 Noon	No	NA
2	Nallabandagudem Village, Kodad Mandal, Nalgonda Dist.	30.09.2003 11.30 A.M.	No	NA
3	Nallabandagudem Village, Kodad Mandal, Nalgonda Dist.	30.09.2004 11.00 A.M.	No	NA

4. AUDIT COMMITTEE

The Board of Directors of the Company an constituted Audit Committee consisting of the following Directors, with the role and responsibility duly defined and in accordance with the applicable statutory and other requirements. During the year, in all, 3 meetings of the committee took place and attendance thereat was under:

<u>Name of the Director</u>	<u>No. of Meetings attended</u>
Sri.S.S.R.Koteswara Rao, Chairman	3
Sri.P.Kutumba Rao, Member	3
Sri.J.S.Krishna Murthy, Member	3

5. SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE

The Board of Directors of the company constituted Shareholders/Investors' Grievances Committee for utmost attention for resolving shareholders/ Investors grievances / complaints received from shareholders/ Investors directly or through Stock exchanges or SEBI and are replied to immediately. There are no outstanding or unresolved complaints. The Board of Directors of the company constituted Shareholders Grievance Committee consisting of the following Directors, to deal with complaints regarding transmission of shares, non receipt of share certificates, dividends, annual reports and such other matters:

Sri J.S.Krishna Murthy	:	Chairman
Sri.J.S.Rao	:	Member
Sri.J.V.Choudary	:	Member

During the year the company received 9 complaints and all have been resolved and there is no pending complaint

6. REMUNERATION COMMITTEE

No Director receives any remuneration from the company excepting sitting fees for attending the Board Meetings. The details of remuneration paid to the Managing Director during previous year is mentioned in Schedule 18. (Notes to the Accounts) to the Balance Sheet of the Company.

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

Sri.S.S.R.Koteswara Rao	-	Chairman
Sri.P.Kutumba Rao	-	Member
Sri.J.S.Krishna Murthy	-	Member