



# **Kakatiya Textiles Limited**



**24th Annual Report  
2005 - 2006**



# KAKATIYA TEXTILES LIMITED

**Chairman & Managing Director**

**Board of Directors**

**Sri L G Ramamurthi**

**Sri Sumanth Ramamurthi**

**Sri C S K Prabhu**

**Sri S S R Koteeswara Rao**

**Dr. I. Venkat Rao**

**Auditors**

**M/s K. Ravi & Co**

**Bankers**

**UTI Bank Ltd.**

**Share Transfer Agents**

**Intime Spectrum Registry Ltd.**

**Registered Office & Mill**

**Nallabandagudem - 508 206**

**Kodad Mandal, Nalgonda District**

**Andhra Pradesh**

**Phone : 08683 - 284223, 284226**

**Corporate Office**

**"Elgi Towers"**

**P.B. No. 7113**

**737-D, Green Fields**

**Puliakulam Road**

**Coimbatore - 641 045.**

**Phone : (0422) 2311711**

**Fax : (0422) 2311611, 2315111**

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**KAKATIYA TEXTILES LIMITED****Notice to the Members**

**NOTICE** is hereby given that the 24<sup>th</sup> Annual General Meeting of the Shareholders of the Company will be held on Friday the 29<sup>th</sup> September, 2006 at 4.00 PM 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 31<sup>st</sup> March, 2006 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 the place of Mr. S.S.R. Koteswara Rao, who is retiring by rotation and being eligible offers himself for reappointment.
3. To consider the appointment of M/s.K.Ravi & Co., Chartered Accountants, as Auditors to hold the office till the conclusion of the next Annual General Meeting and to fix their remuneration.

**Special Business**

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

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Mr. L.G. Ramamurthi, who was appointed as Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Mr. Sumanth Ramamurthi, who was

appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Mr. C.S.K. Prabhu, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, liable to retire by rotation.

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

"RESOLVED THAT in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 Dr. I. Venkat Rao, who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director as per provisions of Section 257 of the Companies Act, 1956 be and is hereby appointed as Director of the Company, liable to retire by rotation.

8. **To Consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**



## KAKATIYA TEXTILES LIMITED

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions read with Schedule XIII of the Companies Act, 1956, Mr. L.G. Ramamurthi, the Executive Chairman of Super Spinning Mills Ltd, be and is hereby appointed as Chairman & Managing Director of the Company for a period of 5 years from 30.06.2006 to 29.06.2011 without any remuneration, until otherwise resolved by the Board of Directors, with such powers and functions as the Board of Directors may from time to time require him to exercise.

and is hereby accorded to the Board of Directors of the Company for keeping the Registers of the Shareholders together with the Index of the Shareholders and copies of all returns prepared under sections 159 and 160 of the Companies Act, 1956, as also the copies of certificates and documents required to be annexed thereto under sections 160 and 161 of the Companies Act, 1956, at Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills compound, L.B.S. Marg, Bhandup (West), MUMBAI - 400 078 or its Branches, the new Share Transfer Agent of the Company."

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

"RESOLVED THAT consent of the Company be

Hyderabad  
30<sup>th</sup> June, 2006

By Order of the Board  
**L G Ramamurthi**  
Chairman & Managing Director

**Notes:**

**(a) EVERY MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY**

(b) The explanatory statement in respect of the special business pursuant to section 173 of the Companies Act, 1956 is annexed hereto.

(c) Instrument appointing a proxy should be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.

(d) The Register of Members and Share Transfer Books of the Company will remain closed from 26<sup>th</sup> September, 2006 to 29<sup>th</sup> September, 2006 (both days inclusive).

(e) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.

(f) Shareholders are requested to bring the copy of Annual Report to the Meeting and are also requested to send their queries, if any, on the accounts to the corporate office.

(g) Members are requested to avail the facility of converting their physical shareholding into electronic mode of shareholdings (DEMAT) for their own convenience.

(h) Brief note on Directors seeking re-appointment and appointment has been given in the Report on Corporate Governance.

(i) The Company have appointed M/s Intime Spectrum Registry Ltd., Mumbai as Registrar and share transfer agent of the company for carrying out both physical and electronic share transfers. All the members are requested to forward their share transfer deed(s) and other communications directly to its Branch Office at the following address:

M/s Intime Spectrum Registry Ltd  
"SURYA", 35, Mayflower Avenue  
Behind Senthil Nagar  
Sowripalayam Road  
Coimbatore - 641 028  
Tamil Nadu  
Phone (0422) 2314792



## KAKATIYA TEXTILES LIMITED

### EXPLANATORY STATEMENT: (Pursuant to Section 173(2) of the Companies Act, 1956)

#### Item No.4 & 8

Mr. L.G. Ramamurthi was appointed by the Board of Directors as an Additional Director of the Company with effect from 30<sup>th</sup> June, 2006. As per Section 260 of the Companies Act, 1956, he will hold office of Director up to the date of ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Mr. L.G. Ramamurthi, for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with required deposit amount.

*The Board at its meeting held on 30<sup>th</sup> June, 2006, also appointed Mr. L G Ramamurthi as Chairman & Managing Director of the Company for a period of five years with effect from 30<sup>th</sup> June, 2006 without any remuneration, on the terms and conditions set out in the resolution in Item No.8. As per Section 269 read with Schedule XIII of the Companies Act, 1956, the appointment shall be subject to the approval of the shareholders of the company in general meeting. Hence, the resolution is placed for your approval.*

Mr. L G Ramamurthi is the Executive Chairman of M/s. Super Spinning Mills Ltd.

None of the Directors except Mr L G Ramamurthi & Mr. Sumanth Ramamurthi, is interested in this resolution.

The terms of the remuneration as said out in the resolution may be regarded as an abstract of the terms of contract and memoranda of interest for the purpose of Section 302 of the Companies Act, 1956.

#### Item No.5

Mr. Sumanth Ramamurthi was appointed by the Board of Directors as an Additional Director of the Company with effect from 30<sup>th</sup> June, 2006. As per Section 260 of the Companies Act, 1956, he will hold office of Director up to the date of ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Mr. Sumanth Ramamurthi, for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with required deposit amount.

None of the Directors except Mr L G Ramamurthi & Mr. Sumanth Ramamurthi, is interested in this resolution

#### Item No.6

Mr. C.S.K. Prabhu, was appointed by the Board of Directors as an Additional Director of the Company with effect from 30<sup>th</sup> June, 2006. As per Section 260 of the Companies Act, 1956, he will hold office of Director up to the date of ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Mr. C.S.K. Prabhu, for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with required deposit amount.

None of the Directors except Mr C S K Prabhu, is interested in this resolution.

#### Item No.7

Dr. I. Venkat Rao was appointed by the Board of Directors as an Additional Director of the Company with effect from 30<sup>th</sup> June, 2006. As per Section 260 of the Companies Act, 1956, he will hold office of Director up to the date of ensuing Annual General Meeting. The Company has received notice in writing from a member proposing the candidature of Dr. I. Venkat Rao, for the office of Director under the provisions of Section 257 of the Companies Act, 1956 along with required deposit amount.

None of the Directors except Dr. I. Venkat Rao, is interested in this resolution.

#### Item No.9

The Board has appointed Intime Spectrum Registry Limited as the Company's Share Transfer Agent in place of M/s. Ikon Visions Private Limited at the Board Meeting held on 31<sup>st</sup> January, 2006. As it involves change of place of maintaining the Share Transfer books and Register of Members from 33, Sanali Heavens, Ameerpet, Hyderabad to C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078 or its Branches, the approval of shareholders would be required in accordance with the provisions of the Companies Act, 1956.

Therefore, your Directors commend the resolution for your approval.

None of the Directors of the company is interested or concerned in the resolution

Hyderabad  
30<sup>th</sup> June, 2006

By Order of the Board  
**L G Ramamurthi**  
Chairman & Managing Director



## Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors present their 24th Annual Report of the company for the year 2005-06 together with the Balance Sheet as at 31<sup>st</sup> March, 2006 and the Profit & Loss Account for the year ended on that date.

### Financial Results

Particulars	2005-06	(Rs.lacs) 2004-05
Job work Charges / other Income	505.77	585.30
Total Expenditure	561.40	1033.87
Gross Profit / (Loss) before Depreciation and Interest	(556.27)	(448.58)
Depreciation	—	—
Interest	78.81	63.55
Net Profit / (Loss)	(134.44)	(512.13)

### Performance

The Company has earned a total income of Rs.505.77 lacs and incurred a loss of Rs.134.44 lacs, as compared to the turnover of Rs.585.30 lacs and net loss of Rs.512.13 lacs for the year 2004-2005. Due to continuous losses, the Company has used the Mill for job work, rather than spinning on its own, during most part of the year under review.

### Job Contract

As you are aware the Company has entered into Job Work contract with M/s. Kallam Brothers Cottons Private Limited for a period of three years. The job work contract with Kallam has ceased with effect from 1<sup>st</sup> January, 2006.

### Take-over Offer By Mr. L G Ramamurthi & Group

The promoter Directors of the company have entered into an Agreement with Mr. L G Ramamurthi, Mr.Sumanth Ramamurthi and their group (hereafter 'the Acquirer') to off-load their stake in the company. Accordingly, the Acquirer has given a public announcement to purchase 20% shareholding from the public in accordance with SEBI Take-over Code. The process of public offer was just completed by the Acquirer and, accordingly, the Management has changed with effect from 30<sup>th</sup> June, 2006.

Mr.L.G.Ramamurthi is the Executive Chairman and Promoter of M/s.Super Spinning Mills Limited and

runs other business like Elgi Electric and Industries Ltd. based at Coimbatore.

### Directors

Mr. L.G. Ramamurthi, Mr.Sumanth Ramamurthi, Mr. C.S.K. Prabhu and Dr.I.Venkat Rao have been appointed as Additional Directors of the Company. The company has received notices from the shareholders of the company proposing the candidature of the above to the office of Director(s) for consideration at the ensuing Annual General Meeting.

The Board has appointed Mr. L. G. Ramamurthi, as Chairman & Managing Director with effect from 30<sup>th</sup> June 2006 without any remuneration and the approval from the shareholders is sought at the ensuing Annual General Meeting.

### 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 31<sup>st</sup> March, 2006, 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 judgments 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 31<sup>st</sup> March, 2006 on a going concern basis.





## KAKATIYA TEXTILES LIMITED

### Reply to the Qualifications of Auditors

Non-provision of depreciation:

The company could not provide for depreciation for the year 2005-06 due to accumulated losses.

### Auditors

M/s.G.P.Associates. Chartered Accountants, Hyderabad, the present Auditors, have expressed their unwillingness to continue as Auditors of the company. Accordingly, it is proposed to appoint M/s.K.Ravi & Co., Chartered Accountants as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

### 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.

### 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.

## 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 till two years back 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 two years. Thus, there would be 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 13 – 15 years old on an average. In fact, it needs major replacement of certain parts of the machinery, apart from the renovation recently completed. 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 takes the periodical reports of officer(s) in charge 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, retrenchments, etc.

### Acknowledgement

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.

Hyderabad  
30<sup>th</sup> June, 2006

On behalf of the Board  
**J S Krishnamurthy**  
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 of taken up during the year under review, which would reduce the Consumption of power.

**C. Impact of the Measures at (A) & (B) above 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**

<b>POWER &amp; FUEL CONSUMPTION</b>		<b>Current Year</b>	<b>Previous Year</b>
<b>1. ELECTRICITY:</b>			
a) PURCHASE			
Units	(KWH)	<b>68,21,340</b>	65,56,250
Total Amount	(Rs.)	<b>2,25,16,831</b>	2,16,73,566
Rate/Unit	(Rs.)	<b>3.30</b>	3.31
b) OWN GENERATION			
THROUGH DIESEL GENERATOR	(KWH)	<b>14,269</b>	15036
Units	(KWH)	<b>2.76</b>	2.92
Units Per Ltr. of Diesel oil	(Rs.)	<b>8.43</b>	8.26
Cost/Unit			
<b>2. HUSK:</b>			
Quantity	(Kgs)	<b>Nil</b>	Nil
Total cost	(Rs.)	<b>Nil</b>	Nil
Average cost	(Rs.)	<b>Nil</b>	Nil
<b>3. CONSUMPTION PER UNIT OF PRODUCTION:</b>			
Cotton Yarn (40s average count)	(Kgs.)	<b>16,82,520</b>	16,27,406
Electricity consumed	(KWH)	<b>68,35,609</b>	65,71,286
Consumption per Unit of production	(KWH)	<b>4.06</b>	4.04

**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  
Foreign Exchange Outflow

-Nil-  
-Nil-

Hyderabad  
30.06.2006

On behalf of the Board  
**J S Krishnamurthy**  
Chairman