



Kakatiya Textiles Limited

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**25th Annual Report
2006-2007**



KAKATIYA TEXTILES LIMITED

Chairman & Managing Director

Sri L G Ramamurthi

Board of Directors

**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

**"ELGI TOWERS"
P.B.No. 7113
737D, Green Fields
Puliakulam Road,
Coimbatore- 641 045
Phone : 0422-2311711
Fax : 0422-2311611**

Mill

**Nallabandagudem - 508 206
Kodad Mandal Nalgonda District
Andhra Pradesh
Phone : 08683- 284223, 284226**

Contents	Page No.
Notice to the Members	3
Directors' Report and Management Discussion & Analysis	4
Report on Corporate Governance	7
Auditors' Report	13
Balance Sheet	16
Profit and Loss Account	17
Schedules	18
Notes Forming Part of Accounts	22
Cash Flow Statement	25





Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors present their 25th Annual Report of the company for the year 2006-07 together with the Balance Sheet as at 31st March 2007 and the Profit & Loss Account for the year ended on that date.

Financial Results

Particulars	(Rs.Lacs)	
	2006-07	2005-06
Sales/Conversion		
Charges/other Income	853.54	505.77
Gross Profit/ (Loss) before Depreciation and Interest	151.98	(55.63)
Depreciation	54.54	-
Interest	107.20	78.81
Net Loss	9.76	134.44

Dividend

Due to inadequate profits, no dividend has been recommended for the financial year 2006-07.

Performance

Your Directors wish to present the operating results of your Company for the year ended 31st March 2007. Your company continued to do the conversion work in most part of the financial year under review. There is a significant growth in the total income of the company to Rs 853 lacs from Rs.505 lacs of the previous year. The company has made a cash profit of Rs.151.98 lacs and after provision of depreciation for the year the net loss is Rs.9.76 lacs.

Industry Conditions

The Indian textile industry exploited the opportunity of quota-free era very well and is

well placed amongst the regional players in the international markets. India's market share is growing steadily in exports due to better product-mix and value added products resulting in better realizations and margins. Considering the continued economic growth and emerging favorable trends in international markets, the textile industry is poised for a steady growth. In order to encourage the Textile sectors' growth, the Govt. of India has further extended TUF subsidies and other promotional supports.

Opportunities and Threats

Sourcing of value-added products by international players in India is steadily increasing, resulting in a high expectation of cost effective quality products. While growth opportunities are promising for the industry, competition from the dominant player China and other low-cost countries are constant threats. This coupled with the strong appreciation of Indian Rupee vis-à-vis the US Dollar, rising labour & skilled human resource costs and hardening interest rates will further put pressure on margins.

Company Outlook

Your company will strive hard to make use of the changing trends and emerging opportunities in Textile industry. Your company continues to undertake the job-work to stabilize the productivity further and to establish the confidence amongst the customers for quality products. The company will switch over to own production at an appropriate time. Though the outlook of the textile industry is optimistic, there is a trend of slackness in the market, which can affect the performance of your company during the current year. However, barring unforeseen circumstances, the substantial improvements made in all spheres of activities will help to improve the operating results of the company in the current year.



KAKATIYA TEXTILES LIMITED

Shifting of Registered Office

The Registered Office of the company has been shifted to the State of Tamilnadu as per the confirmation Order issued by The Hon'ble Company Law Board on 22.06.2007.

Directors

Mr Sumanth Ramamurthi and Mr CSK Prabhu directors of the company retire by rotation and being eligible offer themselves for re-appointment.

Auditors

M/s K.Ravi & Co, the Auditors of the company retire at the ensuing Annual General Meeting and have given their consent for re-appointment.

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 2007, 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 31st March 2007 on a going concern basis.

Human Resources

Employer-Employee relations remained cordial during the year under review. As regards, information pursuant to Section 217(2A) of the Companies Act, 1956, there are no employees covered by the said provisions.

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) in charge of internal control system into account. The adequacy of the internal control systems is reviewed by the Audit Committee on quarterly basis.

Reply to the Qualifications of Auditors

The Company has provided gratuity and depreciation for the year 2006-07. However, depreciation and gratuity (partly) for the earlier years have not been provided.

Acknowledgement

Your Directors place on record of the sincere appreciation of the contribution made by the employees of the Company at all levels. Your Directors further wish to place on record their appreciation for the invaluable support given by the Bank and other authorities to the Company.

On behalf of the Board

Sumanth Ramamurthi
Director

Dr. I. Venkata Rao
Director

Coimbatore
30th June 2007



Annexure to Directors' Report

A. Energy conservation measures:

- Modification in humidification systems by fogging of water in spinning plant-house have resulted in significant reduction in power consumption.
- Compressor air-line modifications and the air leakages arresting at different departments helped to reduce the energy consumption.
- Periodic energy control measures like optimization of motor sizes etc are in progress to reduce the energy consumption.
- Renovation of certain equipments has been of taken up during the year under review, which would reduce the Consumption of power.

B. Research & Development:

The Company assisted by 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.

C. Technology absorption, Adaptation and Innovation:

Periodic up-gradation of the Top-Roller loading system in Ring-Frames are being taken to improve in production & quality.

D. Foreign exchange earnings & outgo : Nil

FORM-A

Form for disclosure of particulars with respect to conservation of Energy

POWER & FUEL CONSUMPTION		31.3.2007	31.3.2006
1. ELECTRICITY:			
a) PURCHASE			
Units	(KWH)	72,40,157	68,21,340
Total Amount	(Rs.)	2,38,00,291	2,25,16,831
Rate/Unit	(Rs.)	3.29	3.30
b) OWN GENERATION THROUGH DIESEL GENERATOR			
Units	(KWH)	71366	14,269
Units Per Ltr. Of Diesel Oil	(KWH)	3.25	2.76
Cost/Unit	(Rs.)	10.33	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.)	17,09,485	16,82,520
Electricity consumed	(KWH)	73,11,523	68,35,609
Consumption per Unit of Production	(KWH)	4.28	4.06

On behalf of the Board

Coimbatore
30.06.2007

Sumanth Ramamurthi
Director

Dr. I. Venkat Rao
Director



KAKATIYA TEXTILES LIMITED

Report on Corporate Governance

Company's philosophy on code of governance

Company shall adopt self Governing Corporate Governance model to adhere to all the rules and regulations of the statutory authorities. It shall also discharge its duties, responsibilities and obligation in a fair and transparent manner with the object of maximizing the value of the stakeholders namely shareholders, employees, financial institutions, suppliers and business partners.

Board of Directors -Category, Composition, Board Meetings & Attendance

The Board comprises of Five Directors including one Executive, Non-Executive and Independent Directors.

Four Board Meeting were held during the year on 28.08.2006, 24.11.2006, 27.02.2007 and 30.06.2007.

Name of the Director	Attendance		No.of other Companies Director & Committee Member/Chairman	
	Board Meetings	Last AGM	Other Directorship	Committee Member/ Chairman
Mr L G Ramamurthi (Promoter & Executive)	4	Yes	8	1/Nil
Mr Sumanth Ramamurthi (Promoter & Non-Executive)	4	Yes	9	1/Nil
Mr CSK Prabhu (Independent)	4	No	2	1/4
Mr SSR Koteeswara Rao (Independent)	4	Yes	1	4/2
Dr I Venkat Rao (Independent)	3	No	1	1/Nil

Profile of Retiring Directors

Mr Sumanth Ramamurthi, aged 47 Years, holds B Sc Elec. Engr. from the University of Missouri, USA. He is an industrialist and is having more than two decades of experience in Textiles and Engineering Industry.

Name of the Company	Postion held
Super Spinning Mills Ltd	Managing Director
Elgi Electric & Industries Ltd	Managing Director
Kakatiya Textiles Ltd	Director / Member - Shareholders Committee
Elgi Ultra Industries Ltd	Director
Precot Meridian Ltd	Director
Sara Elgi Insurance Advisory Services Pvt Ltd	Director
Elgi Software and Technologies Ltd	Director
Super Farm Products Ltd	Director
Elgi Building Products Ltd	Director
Sara Elgi Industrial Research and Development Ltd	Director
Super Sara Textiles Ltd	Director

**KAKATIYA TEXTILES LIMITED**

Mr.C.S.K.Prabhu, a Practicing Chartered Accountant, aged 52 years, is having over three decades of experience as Auditor specialized in the areas of Finance, Direct Taxation, Accounting & related areas. The details of the Directorships held in companies are given below.

Name of the Company	Position held	Name of the Committee/Position
Super Spinning Mills Ltd	Director	Audit Committee-Chairman Remuneration Committee- Chairman Shareholders Committee - Member
Bannari Amman Spinning Mills Ltd	Director	Audit Committee-Chairman Investor Grievance Committee - Chairman
The Scientific Fertilizer Co (P) Ltd	Director	Nil
Kakatiya Textiles Ltd	Director	Audit Committee-Member Remuneration Committee-Member Shareholders Committee-Member

Committees of the Board**Audit Committee**

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956, and the Guidelines set out in the Listing Agreement with the Stock Exchanges. The terms of reference include-

- Overseeing financial reporting processes.
- Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- Discussion with the Auditors about the scope of audit including their observations.
- Approving internal audit plans, reviewing the functions and periodic audit reports.

The Audit Committee is consisting of 3 independent Directors, Chaired by Mr SSR Koteswara Rao. The Audit Committee Meetings were held on 28.08.2006, 24.11.2006, 27.02.2007 and 30.06.2007.

Name of the Member	No. of Meetings Attended
Mr SSR Koteswara Rao	4
Mr CSK Prabhu	4
Dr I Venkat Rao	3

Remuneration Committee

Terms of reference of the Remuneration Committee include:

- Recommendation for fixation and periodic revision of compensation of the Managing Director and Executive Directors to the Board for approval and
- Review the sitting fees payable to the Directors.

The Remuneration Committee is comprising of 3 independent Directors, Chaired by Shri SSR.KoteswaraRao, Shri CSK Prabhu, and Shri Dr. I. Venkat Rao, Members.

The Company has not paid any remuneration to its Chairman and Managing Director. The Directors are paid sitting fee at the rate of Rs.2000/- for attending each Board meeting and Rs.500/- for Audit Committee of the Board and / or Committee thereof. The Directors are not paid any commission.