



Kakatiya Textiles Limited

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For Kakatiya Textiles Ltd


R. SRINIVASAN
Company Secretary

**26th Annual Report
2007 - 2008**



KAKATIYA TEXTILES LIMITED

Managing Director

Board of Directors

Company Secretary

Auditors

Bankers

Share Transfer Agents

Registered Office

Mill

Sri Sumanth Ramamurthi

Sri C S K Prabhu

Sri S S R Koteswara Rao

Dr I Venkat Rao

Mr R Srinivasan

M/s K Ravi & Co

AXIS Bank Ltd.

Andhra Bank

Intime Spectrum Registry Ltd.

"ELGI TOWERS"

737 D, Green Fields

Puliakulam Road,

Coimbatore- 641 045

Phone : 0422-2311711 / 4351711

Fax : 0422-2311611

Nallabandagudem - 508 206

Kodad Mandal Nalgonda District

Andhra Pradesh

Phone : 08683- 284223, 284226

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KAKATIYA TEXTILES LIMITED

Notice of Annual General Meeting

NOTICE is hereby given that the 26th Annual General Meeting of the Shareholders of the Company will be held on Wednesday the 24th September 2008 at 11.00 AM at 'Elgi Towers', 737 D, Green Fields, Puliakulam Road, Coimbatore - 641 045, to transact the following business:

Ordinary Business :

1. To receive and adopt the Balance Sheet as at 31st March 2008 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 appoint a Director in the place of Dr I Venkat Rao, who is retiring by rotation and being eligible offers himself for reappointment.
4. To consider the re-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 :

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

RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310, 316 and other applicable provisions read with Schedule XIII of the Companies Act, 1956, Mr Sumanth Ramamurthi be and is hereby appointed as Managing Director of the Company for a period of 3 years from 30.05.2008 to 29.05.2011 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.

By Order of the Board
Sumanth Ramamurthi
Managing Director

Coimbatore
30th May, 2008

Notes:

1. **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.**
2. 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.
3. The register of members and share transfer book of the company will remain closed from 10.09.2008 to 24.09.2008 both days inclusive.
4. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
5. 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 registered office.
6. Members are requested to avail the facility of converting their physical shareholding into electronic mode of shareholding (DEMAT) for their own convenience.
7. Brief note on directors seeking reappointment has been given in the Report on Corporate governance.
8. The Special Business and explanatory statement annexed with this report is the notice for complying with the provisions of Section 302 of the Companies Act, 1956.

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

Item No.5

Mr Sumanth Ramamurthi was appointed as Managing Director of the Company by the Board of Directors at their meeting held on 30.05.2008 for a period of 3 years with effect from 30.05.2008 without any remuneration, on the terms and conditions set out in the resolution in Item No.5. 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 Sumanth Ramamurthi is the Managing Director of M/s Super Spinning Mills Ltd.

None of the Directors except Mr Sumanth Ramamurthi, is interested in the resolution.

The terms of the appointment as set 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.

By Order of the Board
Sumanth Ramamurthi
Managing Director

Coimbatore
30th May, 2008



Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors present their 26th Annual Report of the company for the year 2007-08 together with the Balance Sheet as at 31st March 2008 and the Profit & Loss Account for the year ended on that date.

Financial Results		(Rs.Lacs)
Particulars	2007-08	2006-07
Sales/Conversion		
Charges/other Income	908.51	853.53
Gross Profit		
before Depreciation and Interest	203.96	151.98
Depreciation	52.06	54.54
Interest	110.99	107.20
Net Profit / (Loss)	39.31	(9.76)

Dividend

Due to inadequate profits, no dividend has been recommended for the financial year 2007-08.

Fixed Deposits

The Company has not accepted/invited fixed deposits.

Performance

Your Company has earned a total income of Rs.908.51 Lacs and incurred a profit of Rs.39.31Lacs, as compared to the turnover of Rs. 853.53 Lacs and negative profit of Rs.10.43 Lacs for the year 2006-07.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Conditions

Textile industry in India plays a vital role in the Indian economy and its contribution to the growth of the economy is significant. India continues to be one of the dominant players in the global textile market next to China. Mushrooming of new units both in organized

and small-scale sectors has created cut-throat competition in the market. Due to volatile nature of the industry the profitability margins have come down drastically. Government of India has further extended the Technology Up Gradation Fund Scheme and most of the spinning units are in the process of capacity expansion/modernization / renovation to improve the quality and quantity. The currency fluctuation during the year has also affected the export performance of the industry. The Government of India is continuously monitoring the situation and promised to extend all the possible measures to turn the industry to positive mood. Therefore, the future scope of the textile business is promising.

Opportunities and Threats

The textile industry is much dependent upon the availability of quality cotton at competitive rates. Wide usage of quality hybrid cotton seeds including genetically mutated varieties has resulted in increased cotton yield when compared to traditional varieties. On the other hand the demand for organic cotton is spiralling in US and in other Western countries.

Segment or Product-wise performance

The entire operations of the Company relate to only one segment viz Textiles. Therefore, segment/ product-wise details are not applicable here.

Company Outlook

The Company is still continuing the conversion work and the Company is waiting for favorable trend to commence its own production. The company's proposal to switch over to own production has been further delayed due to poor realization of yarn prices and fluctuation in availability of quality cotton at competitive rates in the market.

Risks and Concerns

Your company is still operating the unit with a very thin profit margin. The mill needs the support of latest technology, which requires huge financial outlay.



KAKATIYA TEXTILES LIMITED

Directors

Mr SSR Koteswara Rao and Dr I Venkat Rao directors of the company retire by rotation and being eligible offer themselves for re-appointment.

Mr L G Ramamurthi, Chairman and Managing Director of the company has resigned from the board with effect from 31.03.2008. We deeply regret to inform the members about the sad demise of our beloved Shri L.G.Ramamurthi on 13th May 2008. Shri L.G.Ramamurthi was a guiding force of the Company ever since he took over as Chairman from the year 2006. He played a major role in shaping the growth and development of the Company and the Board places its highest appreciation for his valuable services rendered during his tenure.

Mr Sumanth Ramamurthi has been appointed as the Managing Director of the company with effect from 30th May 2008.

Auditors

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

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 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures; if any.
- 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 2008 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 at periodic intervals.

Reply to the Qualifications of Auditors

Due to inadequacy of profits, the company could not provide for Depreciation & Gratuity pertaining to earlier years.

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 all other authorities to the Company.

On behalf of the Board

Sumanth Ramamurthi
Managing Director

Dr. I. Venkata Rao
Director

Coimbatore
30th May, 2008

**KAKATIYA TEXTILES LIMITED****Annexure to Directors' Report****A. Energy conservation measures:**

- Modification in humidification systems by fogging of water in spinning plant-house had resulted in significant reduction in power consumption.
- Compressor air-line modifications and arresting of the air leakages 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 taken up during the year under review, which would reduce the Consumption of power.

B. Research & Development:

The Company is taking the help of the South India Textile Research Association (SITRA), which has been undertaking research on various issues on behalf of Textile Mills.

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		31.3.2008	31.3.2007
1. ELECTRICITY:			
a) PURCHASE			
Units	(KWH)	76,87,023	72,40,157
Total Amount	(Rs.)	2,52,33,695	2,38,00,291
Rate/Unit	(Rs.)	3.28	3.29
b) OWN GENERATION THROUGH DIESEL GENERATOR			
Units	(KWH)	35,613	71,366
Units Per Ltr. Of Diesel Oil	(KWH)	3.20	3.25
Cost/Unit	(Rs.)	10.85	10.33
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.)	18,25,532	17,09,485
Electricity consumed	(KWH)	77,22,636	73,11,523
Consumption per Unit of Production	(KWH)	4.23	4.28

On behalf of the Board

Coimbatore
30th May, 2008

Sumanth Ramamurthi
Managing 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 Four Directors including one Executive, Non-Executive and Independent Directors.

Five Board Meeting were held during the year on 23.08.2007, 22.10.2007, 31.01.2008, 16.04.2008 and 30.05.2008

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) *	2	No	7	1/Nil
Mr Sumanth Ramamurthi (Promoter & Executive)**	5	Yes	9	1/Nil
Mr C S K Prabhu (Independent)	5	Yes	2	1/4
Mr SSR Koteswara Rao (Independent)	5	Yes	1	4/2
Dr I Venkat Rao (Independent)	5	No	1	2/Nil

* Resigned from the board on 31.03.2008 and he was in Executive Position

** Appointed as the Managing Director with effect from 30.05.2008

Details of Directors Retiring By Rotation and Seeking Re-Appointment / Appointment (in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr Sumanth Ramamurthi	Mr Koteswara Rao SSR	Dr I Venkat Rao
Date of Birth (Age)	12.08.1959 (49 years)	25.03.1943 (65 years)	11.08.1949 (59 years)
Date of appointment	30.06.2006	18.02.1999	30.06.2006
Qualifications	B Sc Electrical Engineer (USA)	Chartered Accountant	M B B S
Expertise in specific functional area	More than two decades of experience in Textiles and Engineering Industries	A Practicing Chartered Accountant and senior partner of M/s Brammayya & Co. He has more than 3 decades of experience in Accounts, Finance & Taxation matters.	A Medical Practitioner having more than 3 decades of experience in the field of General Medicine.
Shareholding in the Company	Holding 14,65,506 Equity Shares of the company	Nil	Nil

**Details of other Directorship / Membership in Committee: -**

Name of Director	Name of the Company	Position held	Committee Type-Position
Mr Sumanth Ramamurthi	Super Spinning Mills Ltd	Managing Director	Shareholders – Member
	Elgi Electric & Industries Ltd	Director	
	Elgi Ultra Industries Ltd	Director	
	Precot-Merdian Ltd	Director	
	Sara Elgi Insurance Advisory Pvt Ltd	Director	
	Elgi Software and Technologies Ltd	Director	
	Super Farm Products Ltd	Director	
	Elgi Building Products Ltd	Director	
	Sara Elgi Industrial R & D Ltd	Director	
	Super Sara Textiles Ltd	Director	
Mr Koteswara Rao SSR	Unisankyo Ltd	Director	Remuneration Committee-Member
Dr I Venkat Rao	MPM Recreation Avcades Pvt Ltd	Director	

Committees of the Board**Audit Committee**

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956, as per 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.

The Audit Committee is consisting of 3 independent Directors, Chaired by Shri Koteswara Rao SSR.

During the year 4 Audit Committee Meetings were held on 23.08.2007, 22.10.2007, 31.01.2008 and 30.05.2008

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

Remuneration Committee

Terms of reference of the Remuneration Committee include:

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

The Remuneration Committee is comprising of 3 independent Directors, Chaired by Shri Koteswara Rao SSR., Shri CSK Prabhu, and Shri Dr I Venkat Rao, Members. No remuneration committee meeting was held during the year.