



Kakatiya Textiles Limited

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**27th Annual Report
2008 - 2009**



KAKATIYA TEXTILES LIMITED

Managing Director

Board of Directors

Company Secretary

Auditors

Cost 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 S Murali Dharan & Co

M/s S Mahadevan & Co

AXIS Bank Ltd.

Andhra Bank

Link Intime India Pvt Ltd.

"ELGI TOWERS"

P.B. No. 7113

737 D, Green Fields

Puliakulam Road,

Coimbatore - 641 045

Phone : 0422-2311711

Fax : 0422-2311611

Nallabandagudem - 508 206

Kodad Mandal Nalgonda District

Andhra Pradesh

Phone : 08683-284224, 284226

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KAKATIYA TEXTILES LIMITED

Notice of Annual General Meeting

NOTICE is hereby given that the 27th Annual General Meeting of the Shareholders of the Company will be held on Thursday the 23rd July 2009 at 10.00 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 2009 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. CSK Prabhu, who is retiring by rotation and being eligible offers himself for reappointment.
3. To consider the re-appointment of M/s S.Murali Dharan & Co., Chartered Accountants, as Auditors to hold the office till the conclusion of the next Annual General Meeting and to fix their remuneration.

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 13.07.2009 to 23.07.2009 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. **Share Transfer Agent M/s Intime Spectrum Registry Ltd has been renamed as "LINK INTIME INDIA PVT LTD"**

Coimbatore
21st May, 2009

By Order of the Board
Sumanth Ramamurthi
Managing Director



Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors present their 27th Annual Report of the company for the financial year 2008-09 together with the Balance Sheet as at 31st March 2009 and the Profit & Loss Account for the year ended on that date.

Financial Results		(Rs.Lacs)
Particulars	2008-09	2007-08
Total Income	864.25	908.51
Gross Profit before Depreciation and Interest	174.39	203.96
Depreciation	174.99	52.06
Interest	90.99	112.13
Fringe Benefit Tax	0.31	0.46
Net Profit / (Loss)	(91.90)	39.31

Dividend

Dividend could not be recommended for the financial year 2008-09 in view of brought forward loss.

Fixed Deposits

The Company has not accepted/invited fixed deposits during the year under review.

Performance

Your Company has earned a total income of Rs.864.25 Lacs and negative profit of Rs.91.90 Lacs, as compared to the turnover of Rs.908.51 Lacs and profit of Rs.39.31 Lacs during the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Conditions

Textile industry is one of the largest industry in the country and continuously contributing to the growth of the economy in a significant manner. The industry has undergone drastic changes over the decades, particularly after the introduction of TUF scheme by the

Government of India and majority of the textile companies have modernised/renovated their plants in order to provide quality outputs and meet the global standards. India still remains a dominant producer of cotton next to China and USA. The average yield per hectare is in the phase of nearing the world average level in the forthcoming years.

Due to surplus spinning capacities available in the country, the output produced has to face stiff competition in the market and is not fetching visible margins. Announcement of Minimum Support Price for the procurement of cotton, subsidies for export of cotton by Government of India have further spiralled the cost of raw materials.

The consumption level of textile products in USA and other European Countries have come down drastically due to Global recession which has severely affected the export performance. Now, the industry is facing glut-like situation.

Opportunities and Threats

Always there is a demand and growth for quality textiles products across the globe. Scope for selling Organic Cotton products and non-woven fabric ranges is very wide and remains an untapped segment. Competition from China, Thailand and other countries, fluctuation in cotton prices/power supply etc are real threats to the industry.

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.

Company Outlook

Your company has now switched over to its own production and is in the process of establishing its brand name in the market with effect from 1st April, 2009 which the Board hopes will improve the financial performance of the company.

Risks and Concerns

In order to surpass the cut-throat competition, production of cost-effective and high quality



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outputs are inevitable. To achieve this, your company needs the latest technology which will involve huge financial outlay. Frequent power interruptions are lowering the production levels.

Cautionary Statement

Statements in the Management Discussion and Analysis are purely forward looking statements based on certain assumptions, projections, estimates and expectations. Actual results may vary due to various external factors, which are directly not under the control of the company.

Erosin of Networth

As on 31st March 2009 your company have a negative net worth of Rs. 392.73 Lacs. However, your Directors are putting their best efforts to wipeout the accumulated losses and are adopting dynamic business strategies in order to turn around the company. Therefore, the sickness status has been not referred to BIFR.

Directors

Mr CSK Prabhu, director of the company retires by rotation and being eligible offers himself for re-appointment.

Auditors

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

Cost Auditors

Pursuant to the provisions of the Section 233B of the Companies Act, 1956, the Board of Directors of your company have re-appointed M/s S. Mahadevan & Co as Cost Auditors, subject to the approval of the Central Government for the financial year ended March 31st, 2009.

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 2009, 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 2009 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.

Acknowledgement

Your Directors place on record 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
21st May, 2009



Annexure to Directors' Report

A. Energy conservation measures:

Monitoring of Air Leakage and Air pressure by arresting leakages in Air distribution line to preparatory machineries and Autoconers helped the Mill to save significant energy consumptions.

Provision of suitable starter connections to the high energy consumption motors helps to save the energy consumption depending upon the load of the machines.

Renovation of the existing conventional components to high tech components helps to Reduce energy consumption.

Extension of improved humidification system yields better energy savings in Plant houses.

B. Research & Development:

The Company is taking the help of the South India Textile Research Association (SITRA) on adhoc basis, 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 takenup to improve production & quality.

D. Foreign exchange earnings & outgo :

Foreign exchange earnings during the year under review amounted to Rs. 75.66 Lacs. The foreign exchange utilised during the year amounted to Rs. 7.15 Lacs.

FORM-A

Form for disclosure of particulars with respect to conservation of Energy

POWER & FUEL CONSUMPTION		31.3.2009	31.3.2008
1. ELECTRICITY:			
a) PURCHASE			
Units	(KWH)	74,12,470	76,87,023
Total Amount	(Rs.)	2,43,38,250	2,52,33,695
Rate/Unit	(Rs.)	3.28	3.28
b) OWN GENERATION THROUGH DIESEL GENERATOR			
Units	(KWH)	27,692	35,613
Units Per Ltr. Of Diesel Oil	(KWH)	3.00	3.20
Cost/Unit	(Rs.)	11.97	10.85
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.)	17,90,765	18,25,532
Electricity consumed	(KWH)	74,40,162	77,22,636
Consumption per Unit of Production	(KWH)	4.15	4.23

On behalf of the Board

Coimbatore
21st May, 2009

Sumanth Ramamurthi
Managing Director

Dr I Venkat Rao
Director



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Report on Corporate Governance

Company's philosophy on code of governance

Company is committed to Good Corporate Governance to ensure that all functions of the company are discharged in a professionally sound and competent manner. 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 and 3 Non-Executive and Independent Directors.

Name / Category of the Director	Attendance		No. of Directorships and Committee Member / Chairman	
	Board Meetings	Last AGM	Directorship	Committee Member/ Chairman
Mr Sumanth Ramamurthi (Promoter & Executive)	4	Yes	14	1 / Nil
Mr C S K Prabhu (Independent)	4	Yes	5	6 / 4
Mr SSR Koteswara Rao (Independent)	4	Yes	2	3 / 3
Dr I Venkat Rao (Independent)	4	Yes	2	3 / Nil

Four Board Meetings were held during the year on 30.05.2008, 31.07.2008, 23.10.2008 and 22.01.2009.

Details of Directors Retiring By Rotation and Seeking Re-Appointment

(in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr CSK Prabhu
Date of Birth (Age)	10.09.1954 (55 years)
Date of appointment	30.06.2006
Qualifications	FCA
Expertise in specific functional area	More than Three decades of experience in Audit, Accounts, Finance and Taxation matters.
Shareholding in the Company	Holding 100 Equity Shares of the company

Details of other Directorship / Membership in Committee: -

Name of Director	Name of the Company	Position held	Committee Type-Position
Mr CSK Prabhu	Super Spinning Mills Ltd	Director	Shareholders – Member Audit – Chairman Remuneration – Member
	Bannari Amman Spinning Mills Limited	Director	Audit – Chairman Investor Grievance – Member Remuneration - Member
	Shiva Texyarn Limited	Director	Audit – Member
	Scientific Fertilizer Co. (P) Ltd	Director	Nil

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.

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- Reviewing periodic financial results, financial statements, related party transactions and adequacy of internal control systems.
- Recommending the appointment/re-appointment of Statutory Auditor and Cost Auditor, fixation of audit fee and also approval of payment of any other services.
- Discussion with the Auditors about the scope of audit including their observations.

The Audit Committee is consisting of 3 independent Directors, Chaired by Mr Koteswara Rao SSR. Company Secretary of the company is secretary for the committee.

The Audit Committee Meetings were held on 30.05.2008, 31.07.2008, 23.10.2008 and 22.01.2009

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 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.

The Company has not paid any remuneration to its 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. The Directors are not paid any commission.

There were no other pecuniary relationships or transaction of the Directors vis-à-vis the company.

The company has not granted any stock option to any of its Directors.

Share holders / Investor Grievance Committee.

The Shareholders/ Investors' Grievance Committee is comprising of Mr C S K Prabhu, Mr Koteswara Rao SSR, Dr I Venkat Rao, and Mr Sumanth Ramamurthi.

During the year 11 meetings were held on: 09.05.08, 09.06.08, 23.06.08, 17.07.08, 31.07.08, 18.08.08, 05.09.08, 23.10.08, 24.11.08, 05.01.09 and 12.03.09.

Name of the Member	No. of Meetings Attended
Mr Sumanth Ramamurthi	11
Mr CSK Prabhu	11
Mr I Venkat Rao	11

Investor grievance redressal

During the year the company had received 5 complaints from the shareholders and the same have been redressed to the satisfaction of the shareholders. There were no complaints outstanding as on 31.03.2009. The non-executive directors are not holding any shares of the company, except Mr CSK Prabhu who is holding 100 equity shares.

General Body Meetings

Details of last three Annual General Meeting are as follows:

Year	Venue	Date & Time	Special Resolution
2008	Elgi Towers, 737D Elgi Towers Puliakulam Road, Coimbatore - 45.	24.09.2008 11.00 AM	Appointment of Mr Sumanth Ramamurthi as Managing Director of the company
2007	Ardra Convention Centre, North Huzur Road, Coimbatore.	23.08.2007 5.00 PM	None
2006	Nallabandagudem Village, Kodad Mandal, Nalgonda District, Andhra Pradesh	29.09.2006 4.00 PM	Appointment of Mr L G Ramamurthi as Chairman & Managing Director. Change of Registrar and Share Transfer Agent to M/s Intime Spectrum Registry Ltd