



Kakatiya Textiles Limited

**28th Annual Report
2009 - 2010**



KAKATIYA TEXTILES LIMITED

Managing Director

Board of Directors

Chief Financial Officer

Company Secretary

Auditors

Cost Auditors

Bankers

Share Transfer Agents

Registered Office

Factory

Shri Sumanth Ramamurthi

Shri C S K Prabhu

Shri S S R Koteswara Rao

Dr I Venkat Rao

Shri A S Thirumoorthy

Shri R Srinivasan

M/s S Murali Dharan & Co

M/s S Mahadevan & Co

AXIS Bank Ltd.

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

website : www.kakatiyatextiles.com

Nallabandagudem - 508 206

Kodad Mandal. Nalgonda District

Andhra Pradesh

Phone : 08683-284224, 284226

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Notice of Annual General Meeting

NOTICE is hereby given that the **28th** Annual General Meeting of the Shareholders of the Company will be held on **Friday** the **23rd July 2010** at **3.30 PM** at "Elgi Towers", 737D 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 2010 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 Shri. Koteswara Rao. SSR, 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.

By Order of the Board

Coimbatore
21st May, 2010

Sumanth Ramamurthi
Managing Director

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 **12.07.2010** to **23.07.2010** 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.**"



Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors present their 28th Annual Report of the company for the financial year 2009-10 together with the Balance Sheet as at 31st March 2010 and the Profit & Loss Account for the year ended on that date.

Financial Results (Rs.in Lacs)

| Particulars | 2009-10 | 2008-09 |
|--|----------|---------|
| Total Income | 1969.94 | 864.25 |
| Profit before Depreciation & Interest for the year | 405.54 | 173.16 |
| Depreciation | 78.42 | 174.99 |
| Interest & Finance Charges | 60.37 | 89.76 |
| Fringe Benefit Tax | - | 0.31 |
| Depreciation for earlier years | 256.72 | - |
| Deferred Tax | (323.39) | - |
| Net Profit / (Loss) | 333.42 | (91.90) |

Dividend

Dividend could not be recommended for the financial year 2009-10 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.1969.90 Lacs and a profit of Rs.333.42 Lacs, as compared to the turnover of Rs.864.25 Lacs and loss of Rs.91.90 Lacs during the preceding year.

Depreciation for the past years

Accumulated Depreciation on fixed assets for the period 01.04.2001 to 31.03.2006 aggregating to Rs.256.72 Lacs has been provided during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Conditions

The textile industry is the largest employer in India next to agriculture. The domestic market has shown marginal recovery but continues to be a challenging one due to slump in export market. It is expected that the domestic rate will grow at a rate of 6-7% for the year 2010-11. Business margins continue to remain under pressure owing to overcapacity and competition. The Government has announced that it will launch a skill-development programme in textile and garment sector from 2010-11 onwards which could help the industry. The Government is also in the process of implementing various measures to check out the export of cotton which will stabilise the price in the domestic market.

Opportunities and Threats

There are incipient signs of recovery in the US market which is expected to improve further. The spiraling cost of fuel will push-up the power cost and transportation charges, which will have an adverse impact on total cost of production and profit margin. Frequent Power interruptions/Power restrictions imposed by the State Government are affecting the operations. The Bt cotton seed producers have proposed to hike the cost of cotton seed prices. Further the cost of spraying pesticides, fungicides and herbicides for cotton cultivation too have gone-up which will have an impact on the price of the cotton.

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

There is a substantial improvement in the financial performance of the company due to switch over to own production and increase in yarn prices. Your company is steadily increasing its market share in the domestic market particularly in the State of Andhrapradesh and also reaping the benefit of higher yarn realization. Therefore the future business outlook of the company is promising and encouraging.

Risks and Concerns

The machinery is 15-20 years old on an average, which needs replacement. Your company needs



the state-of-the-art technology in order to give quality outputs at competitive rates.

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.

Revocation of Suspension of Scrip at BSE

Your directors are pleased to inform you that the suspension in trading of equity shares of the company imposed during the year 2002 by the Bombay Stock Exchange Ltd during the erstwhile promoter's regime has been revoked with effect from Monday, February 8, 2010 under Notice No. 20100202-16 dated 02.02.2010. Trading of the Securities of the company resumed in "B" category.

Erosion of Network

As on 31st March 2010 your Company had a negative net worth of Rs.59.32 Lacs. Your Directors believe that the company will come out from the clutches of provisions of Sick Industrial Company if the positive business trend continues for few years. Therefore, the sickness status has been not referred to BIFR.

Directors

Shri. Koteswara Rao SSR, 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, 2010.

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 2010, 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 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.

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 2010 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 periodical 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 Venkat Rao

Director

Coimbatore

21st May, 2010

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

The following energy conservation measures have been taken during the year 2009-10 in order to reduce the energy consumption. They are:-

- Existing Capacitors has been replaced by New Capacitors.
- Compressor Air-Leakages arrested and corrected in all departments.
- New and High Efficient Motors have been introduced in certain carding machines in place of old rewinding motors.

B. Research & Development:

Nil

C. Technology absorption, Adaptation and Innovation:

Nil

D. Foreign exchange earnings & outgo :

Foreign exchange earnings for the year Rs. Nil

Foreign exchange utilized during the year Rs. Nil

FORM-A**Form for disclosure of particulars with respect to conservation of Energy**

| POWER & FUEL CONSUMPTION | | 31.3.2010 | 31.3.2009 |
|---|--------|------------------|------------------|
| 1. ELECTRICITY: | | | |
| a) PURCHASE | | | |
| Units in Lacs | (KWH) | 71.46 | 74.12 |
| Total Amount in Lacs | (Rs.) | 246.44 | 243.38 |
| Rate/Unit | (Rs.) | 3.44 | 3.28 |
| b) OWN GENERATION THROUGH DIESEL GENERATOR | | | |
| Units in Lacs | (KWH) | 0.79 | 0.27 |
| Units Per Ltr. Of Diesel Oil | (KWH) | 3.00 | 3.00 |
| Cost/Unit | (Rs.) | 12.92 | 11.97 |
| 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) in Lacs | (Kgs.) | 17.56 | 17.90 |
| Electricity consumed (Units in Lacs) | (KWH) | 72.25 | 74.40 |
| Consumption per Unit of Production | (KWH) | 4.11 | 4.15 |

On behalf of the Board

Coimbatore
21st May, 2010

Sumanth Ramamurthi
Managing Director

Dr I Venkat Rao
Director



Report on Corporate Governance

1. 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 optimizing the value of the stakeholders namely shareholders, employees, financial institutions, suppliers and business partners.

2. 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 |
| Shri Sumanth Ramamurthi (Promoter & Executive) | 5 | Yes | 14 | 2 / Nil |
| Shri C S K Prabhu (Independent) | 5 | Yes | 5 | 6 / 4 |
| Shri Koteswara Rao SSR (Independent) | 5 | Yes | 2 | 4 / 2 |
| Dr I Venkat Rao (Independent) | 5 | Yes | 2 | 3 / Nil |

Five Board Meetings were held during the year on 21.05.09, 23.07.09, 23.10.09, 20.12.09 and 18.01.10.

Details of Directors Retiring By Rotation and Seeking Re-Appointment

(in pursuance of Clause 49 of the Listing Agreement)

| | |
|--|---|
| Name of the Director | Shri Koteswara Rao SSR |
| Date of Birth (Age) | 25. 03. 1943 (67 Years) |
| Date of appointment | 18. 02. 1999 |
| Qualifications | FCA |
| Expertise in specific functional area | More than Five decades of experience in Audit, Accounts, Finance and Taxation matters. He is also a senior partner of Chartered Accountant firm M/s Brahmayya & Co, Vijayawada |
| Shareholding in the Company | Nil |

Details of other Directorship / Membership in Committee: -

| Name of Director | Name of the Company | Position held | Committee Type-Position |
|------------------------|---------------------|---------------|-------------------------|
| Shri Koteswara Rao SSR | Unisankyo Ltd | Director | Remuneration - Member |

3. 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 entered with the Stock Exchanges. The terms of reference include-

- Overseeing financial reporting processes.
- Reviewing periodical 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.
- Discussion with the Auditors about the scope of audit including their observations.
- Appointment of Chief Financial Officer / Head Finance.

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

The Audit Committee Meetings were held on 21.05.09, 23.07.09, 23.10.09 and 18.01.10

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

4. Remuneration Committee

Terms of reference of the Remuneration Committee include:

- Recommendation for fixation and periodical revision of compensation to 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 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.

5. Share holders' / Investors' Grievance Committee

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

During the year 18 meetings were held on:

| | | | | | | | | | |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 18.04.09 | 21.05.09 | 27.06.09 | 11.07.09 | 31.07.09 | 28.08.09 | 26.09.09 | 29.10.09 | 04.11.09 | 27.11.09 |
| 18.12.09 | 13.01.10 | 21.01.10 | 05.02.10 | 24.02.10 | 27.02.10 | 18.03.10 | 31.03.10 | | |

| Name of the Member | No. of Meetings Attended |
|-------------------------|--------------------------|
| Shri Sumanth Ramamurthi | 18 |
| Shri CSK Prabhu | 18 |
| Dr I Venkat Rao | 11 |

Investor grievance redressal

During the year the company had received 3 complaints from the shareholders and the same have been redressed to the satisfaction of the shareholders. There were no complaints outstanding as on 31.03.2010. The non-executive directors are not holding any shares of the company, except Shri CSK Prabhu who is holding 40 equity shares.

6. General Body Meetings

Details of last three Annual General Meeting are as follows:

| Year | Venue | Date & Time | Special Resolution |
|------|--|------------------------|---|
| 2009 | Elgi Towers, 737D Puliakulam Road, Coimbatore - 45. | 23.07.2009 10.00 AM | None |
| 2008 | Elgi Towers, 737D Puliakulam Road, Coimbatore - 45. | 24.09.2008 11.00 AM | Appointment of Shri Sumanth Ramamurthi as Managing Director of the Company |
| 2007 | Ardra Convention Centre, North Huzur Road, Coimbatore-18. | 23.08.2007 5.00 PM | None |