



# **Kakatiya Textiles Limited**

**29th Annual Report  
2010 - 2011**



# KAKATIYA TEXTILES LIMITED

**Managing Director**

**Board of Directors**

**Chief Financial Officer**

**Company Secretary**

**Auditors**

**Cost Auditors**

**Bankers**

**Share Transfer Agents**

**Registered Office**

**Factory**

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**Shri Sumanth Ramamurthi**

**Shri C S K Prabhu**

**Shri S S R Koteswara Rao**

**Dr I Venkat Rao**

**Shri P Nagarajan**

**Shri Udhayashankar R**

**M/s S.Murali Dharan & Co**

**M/s S.Mahadevan & Co**

**AXIS Bank Ltd.**

**Link Intime India Pvt Ltd.**

**"Surya", 35, Mayflower Avenue**

**Behind Senthil Nagar**

**Sowripalayam, Coimbatore - 641 028.**

**Phone : 0422-2314792**

**"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**

**Fax 08683-284223**

**Notice of Annual General Meeting**

**NOTICE** is hereby given that the **29th** Annual General Meeting of the Shareholders of the Company will be held on **Monday, the 18<sup>th</sup> July 2011 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 2011 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 Dr. I. Venkat Rao, 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.

**Special Business:**

**4. 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, read with schedule XIII and other applicable provisions of the Companies Act, 1956, Mr. Sumanth Ramamurthi be and is hereby re-appointed as Managing Director of the company for a period of 3 years from 30.05.2011 to 29.05.2014 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.

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

**Item No. 4**

The term of office of Mr. Sumanth Ramamurthi as Managing Director of the company expires on 29.05.2011. Mr. Sumanth Ramamurthi was re-appointed as Managing Director of the company by the Board of Directors at their meeting held on 21.01.2011 for a period of 3 years with effect from 30.05.2011 without any remuneration, on the terms and conditions set out in the resolution in item No. 4. 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 necessary resolution is placed for your approval.

Mr. Sumanth Ramamurthi is also Managing Director of M/s Super Spinning Mills Limited

**MEMORANDUM OF INTEREST**

Mr. Sumanth Ramamurthi, the appointee Managing Director is interested in the proposed resolution under Item No .4

None of the other Directors are interested in this resolution.

This is to be treated as an abstract of Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board

Coimbatore  
28th May, 2011

**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 **05.07.2011 to 18.07.2011** 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 produced here under

**Details of Directors Seeking Re-Appointment**  
(in pursuance of Clause 49 of the Listing Agreement)

Name :	Mr. Sumanth Ramamurthi
Date of Birth / (Age) :	12.08.1959 (52 years)
Qualifications :	B.Sc. Electrical Engineering (USA)
Expertise :	More than two decades of experience in Textile and Engineering Industries
Equity Holding :	2979194 shares (As on 31.03.2011)
Relationship :	He is not related to any other Director on the Board of the Company.
Date of Appointment : Other Directorships :	30.06.2006 Super Spinning Mills Ltd Elgi Electric and Industries Ltd Elgi Ultra Industries Ltd Precot Meridian Ltd Sara Elgi Insurance Advisory Services Pvt Ltd Elgi Software and Technologies Ltd Super Farm Products Ltd Elgi Building Products Ltd Sara Elgi Industrial R & D Ltd Super Sara Textiles Ltd Sara Trading And Industrial Services Ltd Sara Elgi Envirotech Ltd Sara Elgi Arteriors Ltd
Committee Position :	Share holders - Member

Name :	Dr. I. Venkat Rao
Date of Birth / (Age) :	11.08.1949 (62 years)
Qualifications :	M.B.B.S
Expertise :	A Medical Practitioner having more than 3 decades of experience in the field of General Medicine
Equity Holding :	Nil
Relationship :	He is not related to any other Director on the Board of the Company.
Date of Appointment :	30.06.2006
Other Directorships :	MPM Recreation Avcades Pvt Ltd
Committee Position :	Nil

**Directors' Report and Management Discussion & Analysis**

Dear Members,

Your Directors present their 29th Annual Report of the company for the financial year 2010-11 together with the Balance Sheet as at 31st March 2011 and the Profit & Loss Account for the year ended on that date.

**Financial Results** (Rs. in Lakhs)

Particulars	2010-11	2009-10
Total Income	<b>2521.71</b>	1969.94
Profit before Depreciation & Interest for the year	<b>283.07</b>	405.54
Depreciation for the year	<b>78.84</b>	78.42
Interest & Finance charges	<b>36.38</b>	60.37
Depreciation for earlier years	-	256.72
Deferred Tax Liability	<b>45.34</b>	-
Deferred Tax Asset	-	323.39
Net Profit / (Loss)	<b>122.51</b>	333.42

**Performance**

Your Company has earned a total income of Rs.2521.71 Lacs and profit of Rs.122.51 Lacs, as compared to the turnover of Rs.1969.94 Lacs and profit of Rs. 333.42 Lacs during the preceding year.

Turnover in the current year is comparably higher than the previous year. But the high prices of raw materials resulted in less profit when compared to previous year. Your Directors are confident that the future year will be a good profitable year to the company.

**Dividend**

On account of previous' years accumulated losses your directors are unable to recommend any dividend.

**Fixed Deposits**

The Company has not accepted any fixed deposits and hence there are no unclaimed deposits as on 31.03.2011.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Industry Conditions**

The Indian Textile industry noticed an improvement during the course of the year. The regulatory measures on export of cotton have added an impact on prices of cotton in the domestic market.

Shortage of power and non-availability of quality manpower had affected the operations of the textile industry and to the company. There was also substantial increase in the prices of cotton. However, it has been adequately compensated by the parallel increase of yarn price.

During the year under review your company was able to maintain operating margin through dedicated efforts aimed at improving operational efficiency, quality enhancement and effective cost saving practices, all of which resulted in improved sales and maintain profitability.

**Opportunities and Threats**

The Textile industry is much dependent upon the availability of quality raw materials such as hybrid cotton and traditional cotton. There is lot of fluctuations in the price of raw materials, which influence the profitability of the company. Frequent shut down of power due to shortage of power in the state also affects the operations of the company. There is high labour demand in the company.

**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**

In the coming years cotton production is expected to increase from 11 million hectares to 12.5 million hectares. This would result in low prices of cotton in the second half of the year 2011-12.

The demand for cotton yarn in the current year is uncertain. The cotton price have come down due to global price pressure and reduced domestic demand. This downtrend in cotton yarn will have an impact on profitability of the company. The forth-coming monsoon seasons shows hope

for lower cotton prices and higher production. Therefore there is an encouraging climate for the business of the company in future.

### Risks and Concerns

The machineries in the company are 15 to 20 years old on an average, which needs replacement. The yarn produced by the company is mainly supplied to hank market for handloom purpose.

### 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.

### Erosion of Network

As on 31st March 2011 your Company had a network of Rs. 63.22 lakhs. 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 not been referred to BIFR.

### Directors

Dr. I. Venkat Rao, Director of the company retires by rotation and being eligible offers himself for re-appointment.

Mr. Sumanth Ramamurthi has been re-appointed as Managing Director of the company with effect from 30.05.2011 for a term of three years.

### 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 2011-2012.

### 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 2011, the applicable accounting standards have been followed.

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 profit earned by the company during 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.

iv) That the Directors have prepared the accounts for the financial year ended 31st March 2011 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 Internal Auditor appointed conducts regular audit of the internal control systems and reports to the Audit Committee, which periodically reviews the performance and adequacy of internal control systems on quarterly basis and recommends improvements to the same, wherever found necessary.

### 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

Coimbatore  
 28th May, 2011

**Dr I Venkat Rao**  
 Director

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

The following energy conservation measures have been taken during the year 2010-2011 in order to reduce the energy consumption. They are:-

- Synthetic spindles have been replaced in ring frames resulted in energy conservation
- New and High Efficient Motors have been introduced in certain carding machines in place of old rewinding motors.
- Periodic energy control measures like optimizing of motor sizes etc are in progress for energy efficiency and to reduce energy consumption.

**B. Research & Development: Nil****C. Technology absorption, Adaptation and Innovation:**

The company has no activity relating to technology absorption

**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**

**31.3.2011**      **31.3.2010**

**1. ELECTRICITY:****a) PURCHASE**

Units in Lacs	(KWH)	<b>71.77</b>	71.46
Total Amount -Lacs	(Rs.)	<b>284.61</b>	246.44
Rate/Unit	(Rs.)	<b>3.97</b>	3.44

**b) OWN GENERATION THROUGH DIESEL GENERATOR**

Units in Lacs	(KWH)	<b>0.44</b>	0.79
Units Per Ltr. Of Diesel Oil	(KWH)	<b>3.00</b>	3.00
Cost/Unit	(Rs.)	<b>13.91</b>	12.92

**2. HUSK:**

Quantity	(Kgs)	<b>Nil</b>	Nil
Total Cost	(Rs.)	<b>Nil</b>	Nil
Average Cost	(Rs.)	<b>Nil</b>	Nil

**3. CONSUMPTION PER UNIT OF PRODUCTION:**

Cotton Yarn (production of various counts has been converted to the standard count of 40s) – in Lacs	(Kgs.)	<b>17.59</b>	17.56
Electricity consumed Units in Lacs	(KWH)	<b>72.21</b>	72.25
Consumption per Unit of Production	(KWH)	<b>4.10</b>	4.11

On behalf of the Board

Coimbatore  
28th May, 2011

**Sumanth Ramamurthi**  
Managing Director

**Dr I Venkat Rao**  
Director

## CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance:

Your Company firmly believes in transparency in all its dealings and lays emphasis on integrity and regulatory compliance. The Company considers Corporate Governance as a prerequisite for meeting the needs and aspirations of its shareholders and other stakeholders in the company. With this in view, this year's Annual Report has made necessary disclosures on the activities of the company.

### 2. Board of Directors:

The Board is headed by the Managing Director, Mr.Sumanth Ramamurthi and is composed of eminent persons with considerable professional experience in varied fields and comprises of Non-Executive Directors, with majority being independent directors.

The details of composition of the Board, the attendance record of the Directors at the Board Meetings held during the financial year and the last Annual General Meeting and the details of their other Directorships and Committee Chairmanships and Memberships are given below:

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of other Directorship held in Public Companies	No. of membership in Committees Member / Chairman
Mr Sumanth Ramamurthi	Promoter/ Executive	4	Yes	13	2/Nil
Mr C S K Prabhu	Independent – Non Executive	3	Yes	3	6/4
Mr Koteswara Rao SSR	Independent – Non Executive	4	Yes	1	2/2
Dr I Venkat Rao	Independent – Non Executive	4	Yes	Nil	3/ Nil

None of the Directors are related among themselves.

During the year under review, the Board of Directors met 4 times on 21st May 2010, 23rd July 2010, 22nd October 2010 and 21st January 2011.

At least one Board meeting was held during every quarter and the time gap between two meetings was not more than four months.

The Annual General Meeting was held on 23rd July 2010.

Shareholding of the Directors in the Company as on 31st March 2011

SI No	Director	No. of equity shares of Rs.10/- each held	Percentage of holdings
1	Mr Sumanth Ramamurthi	2979194	51.27
2	Mr C S K Prabhu	40	0.00

Other Directors do not hold any shares in the company.



### 3. Audit Committee:

The Audit Committee comprises of 3 Non-Executive Directors, of which all are Independent directors. Mr Koteswara Rao SSR, Chartered Accountant, is the Chairman of the Audit Committee.

The role, powers and functions of the Audit Committee are as per Section 292A of the Companies Act, 1956 and the guidelines set out in the listing agreement with the Stock Exchanges. Terms of reference of this Committee are as required by SEBI under clause 49 of the Listing Agreement. Besides having access to all the required information from within the company, the committee can obtain external professional advice whenever required. The Committee acts as a link between the statutory and internal auditors and the Board of Directors of the Company. It is authorised to select and establish accounting policies, review reports of the Statutory and Internal Auditors and meet with them to discuss their finding, suggestions and other related matters. The Committee is empowered to recommend the appointment and remuneration payable to the Statutory Auditors.

Four Meetings of the Committee were held during the financial year 2010-11 on 21st May 2010, 23rd July 2010, 22nd October 2010 and 21st January 2011. The constitution of the Committee and the attendance of each members is as given below :

<b>Name of the Director</b>	<b>Category</b>	<b>No. of Meetings attended</b>
Mr C S K Prabhu	Non – Executive, Independent	3
Mr Koteswara Rao SSR	Non – Executive, Independent	4
Dr I Venkat Rao	Non – Executive, Independent	4

### 4. Remuneration Committee:

The Remuneration Committee comprises of 3 Non-Executive Directors, of which all are Independent directors. The constitution of the committee is given below:

<b>Name of the Director</b>	<b>Category</b>	<b>Status</b>
Mr Koteswara Rao SSR	Non – Executive, Independent	Chairman
Mr C S K Prabhu	Non – Executive, Independent	Member
Dr I Venkat Rao	Non – Executive, Independent	Member

Terms of reference of the Remuneration Committee include recommendation for fixation and periodic revision of compensation to the Managing Director for approval of Board.

Two remuneration committee meetings were held on 23.07.2010 and 21.01.2011 respectively 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.5000/- for attending each Board meeting and Audit Committee meetings with effect from 23.07.2010 and previously it was Rs. 2000/- for Board Meeting and Rs.500/- for Audit Committee Meetings. The Directors are not paid any commission.

The company does not have any stock option scheme.