



Kakatiya Textiles Limited

**30th Annual Report
2011 - 2012**



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 Koteswara Rao S S R

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-28

Phone : 0422-2314792

"ELGI TOWERS"

P.B.No. 7113

737D, 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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Notice of Annual General Meeting

NOTICE is hereby given that the **30th** Annual General Meeting of the Shareholders of the Company will be held on **Monday, the 23rd July 2012** at **3.30 P.M.** 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 2012 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 Sri 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.

By order of the Board

Coimbatore
24th May 2012

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 17th July 2012 to 23rd July 2012 (both days inclusive.)
4. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
5. Shareholders are requested to bring their copy of annual report to the meeting.
6. Members are requested to avail the facility of converting their physical shareholding into electronic mode of shareholding (DEMAT) for their own convenience.
7. In case any member needs any clarification / explanation in the accounts or in the Annual Report published, you are requested to forward the same at least one week before the date of the Meeting to the Company's Registered Office address, so that the same may be attended and clarified prior to the closure of the Annual General Meeting.
8. 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	: Sri CSK Prabhu
Date of Birth/Age	: 10.09.1954/ 57 Years
Qualifications	: FCA
Expertise	: More than three decades of experience in Audit, Accounts, Finance and Taxation matters.
Equity Holding	: Holding 40 Equity shares of the company
Relationship	: He is not related to any other Director on the Board of the Company
Date of Appointment:	30.06.2006
Other Directorships	: Super Spinning Mills Limited Bannari Amman Spinning Mills Ltd Shiva Texyarn Limited The Scientific Fertilizer Co (P) Ltd
Committee Position	Kakatiya Textiles Ltd Share transfer - Chairman Audit - Member Remuneration - Member Super Spinning Mills Limited Share transfer - Member Audit - Chairman Remuneration - Member Bannari Amman Spinning Mills Ltd Audit - Chairman Remuneration - Member Investor Grievance - Member Shiva Texyarn Limited Audit - Member



Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors present their 30th Annual Report of the Company for the financial year 2011-12 together with the Balance Sheet as at 31st March 2012 and the Profit & Loss Account for the year ended on that date.

Financial Results (Rs.in Lakhs)

Particulars	2011-12	2010-11
Total Income	1908.99	2521.71
Profit before Depreciation & Interest for the year	(178.47)	283.07
Depreciation for the year	77.04	78.84
Interest & Bank charges	12.30	36.38
Deferred Tax Liability / (Asset)	(66.09)	45.34
Net Profit / (Loss)	(201.72)	122.51

Performance

Your Company has earned total income of Rs.1908.99 Lakhs and suffered loss of Rs.201.72 Lakhs due to fluctuation in cotton and yarn price, as compared to the turnover of Rs.2521.71 Lakhs and profit of Rs. 122.51 Lakhs during the preceding year.

The last quarter of 2011-12 has been encouraging and the Company has achieved the profit during the said quarter due to stability in price of cotton yarn. Your Directors expect to continue the same in the coming year given the favourable market conditions.

Dividend

On account of accumulated losses your Directors are unable to recommend dividend.

Fixed Deposits

The Company has not accepted any fixed deposits and hence there are no unclaimed deposits as on 31.03.2012.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Conditions

The demand for cotton yarn during the year was on downward trend and uncertain. The cotton price had come down steeply due to global price pressure and reduced domestic demand. Consequently, yarn prices have also dropped considerably and became a major concern for textile industry.

During the period, domestic and international cotton prices fell steadily from the peak levels seen during March 2011. As a result of this, the prices of cotton stocks held by the Company were higher than the market prices. This trend remained till December 2011, which had adversely affected the operating margins of industry as a whole and the Company in specific.

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. Power shortage and labour shortage 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

During the current year there is an improvement in the demand for the Company's products. The forthcoming monsoon season shows hope for higher production of cotton and consequently lower price. Therefore, there is an encouraging climate for the business of the Company in the coming year.

Risks and Concerns

The machines in the Company are more than 18 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 2012 your Company had a negative net worth of Rs.138.50 lakhs. Your Directors believe that the Company's network could be positive if the favourable business trend continues for few years. Therefore, the sickness status has not been referred to BIFR.

Directors

Sri 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 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 2012-2013.

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 2012, the applicable accounting standards have been followed.
- 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 and of the loss suffered 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 2012 on a going concern basis.

Human Resources

Employer-Employee relations remained cordial during the year under review. Information pursuant to Section 217(2A) of the Companies Act, 1956, is not furnished, as there were 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 reviews the performance and adequacy of internal control systems on a 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 various authorities to the Company.

On behalf of the Board

Sumanth Ramamurthi

Managing Director

Dr I Venkat Rao

Director

Coimbatore
24th May, 2012

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

Certain energy conservation measures have been taken during the year 2011-2012 in order to reduce the 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		31.03.2012	31.03.2011
1. ELECTRICITY:			
a) PURCHASE			
Units in Lakhs	(KWH)	46.80	71.77
Total Amount in Lakhs	(Rs.)	205.80	284.61
Rate/Unit	(Rs.)	4.40	3.97
b) OWN GENERATION THROUGH DIESEL GENERATOR			
Units in Lakhs	(KWH)	0.21	0.44
Units Per Ltr. Of Diesel Oil	(KWH)	3.00	3.00
Cost/Unit	(Rs.)	15.17	13.91
2. HUSK:			
Quantity	(Kgs)	Nil	Nil
Total Cost	(Rs.)	Nil	Nil
Average Cost	(Rs.)	Nil	Nil
3. CONSUMPTION PER UNIT OF PRODUCTION:			
Cotton Yarn (production of various counts has been converted to the standard count of 40s) in Lakhs			
	(Kgs.)	10.76	17.61
Electricity consumed (Units in Lakhs)	(KWH)	47.01	72.21
Consumption per Unit of Production	(KWH)	4.37	4.10

On behalf of the Board

Coimbatore
24th May, 2012

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	3	Yes	1	3/2
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 28th May 2011, 18th July 2011, 04th November 2011 and 31st January 2012.

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 18th July 2011.

Shareholding of the Directors in the Company as on 31st March 2012.

Sl. No	Director	No. of equity shares of Rs. 10/- each held	Percentage of holdings
1	Mr Sumanth Ramamurthi	2938490	50.57
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 three Non-Executive Directors, all being 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 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 and Internal Auditors.

Four Meetings of the Committee were held during the financial year 2011-12 on 28th May 2011, 18th July 2011, 04th November 2011 and 31st January 2012. The constitution of the Committee and the attendance of each member is as given below:

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

4. Remuneration Committee:

The Remuneration Committee comprises of three Non-Executive Directors, all being Independent Directors. The constitution of committee is given below:

Name of the Director	Category	Status
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.

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.5000/- for attending each Board meeting and Audit Committee meetings. The Directors are not paid any commission.

The Company does not have any stock option scheme.

5. Share Transfer & Shareholders' / Investors' Grievance Committee:

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate certificates by the Company, and (ii) looks into various issues relating to shareholders including redressal of complaints from shareholders relating to transfer of shares, non-receipt of Balance Sheets, etc.



The Committee consists of Managing Director and three Non-Executive Independent Directors namely:

Mr Sumanth Ramamurthi	– Managing Director
Mr C S K Prabhu	– Non-Executive Director - Chairman
Mr Koteswara Rao SSR	– Non-Executive Director
Dr I Venkat Rao	– Non-Executive Director

The Committee met 19 times during the year.

The minutes of the Investor Grievance Committee were placed at the Board Meeting.

No. of shareholders' complaints received during the year	: Nil
No. of complaints not resolved to the satisfaction of shareholders	: Nil
No. of pending share transfers	: Nil

6. Management Discussion and Analysis Report

Management Discussion and Analysis Report forms part of this Annual Report.

7. General Body Meetings:

The Details of date, time and location of Annual General Meetings held during the last three years are as under

Financial year	Date	Time	Venue
2008 - 09	23.07.2009	10:00 A.M.	Elgi Towers, 737D Puliakulam Road, Coimbatore - 641 045.
2009 - 10	23.07.2010	3:30 P.M.	Elgi Towers, 737D Puliakulam Road, Coimbatore - 641 045.
2010 - 11	18.07.2011	3.30 P.M.	Elgi Towers, 737D Puliakulam Road, Coimbatore - 641 045.

No special resolutions were put through postal ballot during the year 2011-12.

No Extra Ordinary General Meeting was held during the year 2011-12.

Details of special resolutions passed in previous three AGM's

Year	Details of special resolution(s) passed
2008-09	NIL
2009-10	NIL
2010-11	Re-Appointment of Mr Sumanth Ramamurthi as Managing Director of the Company

8. Other disclosures:

- There are no materially significant related party transactions i.e transactions of the Company of material nature with its promoters, Directors or the management, their subsidiaries or relatives etc. which have potential conflict with the interest of the Company at large.
- The Company has paid the listing fees due to Bombay Stock Exchange Limited.