



Kakatiya Textiles Limited

**31st Annual Report
2012 - 2013**



KAKATIYA TEXTILES LIMITED

Managing Director

Board of Directors

Chief Financial Officer

Company Secretary

Auditors

Cost Auditors

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

Ms Vaishnavi P M

M/s S.Murali Dharan & Co

M/s S.Mahadevan & Co

**Link Intime India Pvt Ltd.
"Surya", 35, Mayflower Avenue,
Behind Senthil Nagar,
Sowripalayam, Coimbatore-28
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**

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Notice of Annual General Meeting

NOTICE is hereby given that the **31st** Annual General Meeting of the Shareholders of the Company will be held on **Saturday, the 27th July 2013 at 3.30 P.M.** at "Elgi Towers", 737-D Green Fields, Puliakulam Road, Coimbatore - 641 045, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the following:
 - a. The audited Statement of Profit and Loss for the year ended 31st March 2013.
 - b. The audited Balance Sheet as at 31st March 2013 and
 - c. The reports of the Director's and the Auditor's

2. To appoint a Director in the place of Shri Koteswara Rao S S R, who is retiring by rotation and being eligible offers himself for re-appointment.
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
25th May, 2013

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 20th July 2013 to 27th July 2013 (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. The members are requested to forward their share transfer deed(s) and other communications directly to the Registrar and share transfer agent of the company M/s Link Intime India Pvt Ltd.
7. Members are requested to avail the facility of converting their physical shareholding into electronic mode of shareholding (DEMAT) for their own convenience.
8. 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.

9. Brief note on directors seeking re-appointment has been produced here under,

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

Name	: Shri Koteswara Rao. SSR
Date of Birth/Age	: 25.03.1943 / 70 Years
Qualification	: FCA
Expertise	: More than Four decades of experience in Audit, Accounts, Finance and Taxation matters.
Equity Holding	: Nil
Relationship	: He is not related to any of the Directors on the Board of the Company
Date of Appointment	: 18.02.1999
Other Directorships	: Sanzyme Limited Andhra Pradesh State Financial corporation.
Committee Position	: Kakatiya Textiles Ltd Shareholders - Member Audit - Chairman Remuneration - Member

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

Dear Members,

Your Directors present their 31st Annual Report of the company for the financial year 2012-13 together with the Balance Sheet as at 31st March 2013 and the statement of Profit & Loss for the year ended on that date.

Financial Results (₹ lakhs)

Particulars	2012-13	2011-12
Total Income	1924.19	1908.99
Profit before Depreciation & Interest for the year	146.44	(178.61)
Depreciation for the year	76.75	77.04
Finance Cost	–	12.16
Deferred Tax Liability / (Asset)	22.85	(66.09)
Net Profit / (Loss)	46.84	(201.72)

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 31.03.2013

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**Industry Conditions and Review of Operations**

The Indian Textile Industry witnessed noticeable improvement during the course of the year. The cotton prices were fairly stable throughout the year and the demand for yarn was encouraging and the prices were consistent during the year.

Due to power shortage, the company could not utilise the full capacity which had an impact in the profit margins of the company.

Opportunities and Threats

The Textile industry is much dependent upon the availability of quality raw materials. Fluctuation in the price of raw material will influence the profitability of the Company. Power and labour shortage also affects the operations of 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

Company's Plant and Machinery needs Modernization. The demand for the yarn mainly depends on handloom industry.

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 Networth

As at 31st March 2013 your Company had a negative net worth of ₹ 91.66 lakhs. Your Directors believe that the Company's net worth could be positive if the favourable business trends continue for few years. Therefore, the sickness status has not been referred to BIFR

Directors

Shri SSR Koteswara Rao, 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 re-appointment. The company has received confirmation from them that, if appointed, it would be within the limits of Section 224 (1B) of the Companies Act 1956. The Audit Committee and the Board of Directors of the Company proposed the re-appointment of the Auditors.

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 2013-2014. The Company has filed the Cost Audit report for the financial year 2011-2012 on 31.01.2013

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 2013, 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 2013 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

Coimbatore
25th May, 2013

Dr I Venkat Rao
Director

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

The following energy conservation measures have been taken during the year 2012-2013 in order to reduce the energy consumption. They are:-

- Capacitors have been added to improve the power factor since power billing is based on KVAH and not KWH
- Synthetic spindles replaced in ring frames, resulted in energy conservation.
- Periodic energy control measures like optimizing of motor sizes etc are in progress for getting 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 ₹ Nil

Foreign exchange utilized during the year ₹ Nil

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

POWER & FUEL CONSUMPTION		31.03.2013	31.03.2012
1. ELECTRICITY:			
a) PURCHASE			
Units in Lakhs	(KWH)	45.91	46.80
Total Amount in Lakhs	(₹)	290.67	205.80
Rate/Unit	(₹)	6.33	4.40
b) OWN GENERATION THROUGH DIESEL GENERATOR			
Units in Lakhs	(KWH)	0.06	0.21
Units Per Ltr. Of Diesel Oil	(KWH)	3.00	3.00
Cost/Unit	(₹)	17.17	15.17
2. HUSK:			
Quantity	(Kgs)	Nil	Nil
Total Cost	(₹)	Nil	Nil
Average Cost	(₹)	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.)	10.70	10.76
Electricity consumed (Units in Lakhs)	(KWH)	45.97	47.01
Consumption per Unit of Production	(KWH)	4.30	4.37

On behalf of the Board

Coimbatore
25th May, 2013

Sumanth Ramamurthi
Managing Director

Dr I Venkat Rao
Director



REPORT ON CORPORATE GOVERNANCE

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 pre-requisite 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.

Board of Directors - Composition, Category and Attendance

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 as per the requirements of Clause 49 of the Listing Agreement.

The details of composition of the Board, the attendance record of the Directors at the Board Meetings held during the financial year and the previous Annual General Meeting, 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
Shri Sumanth Ramamurthi	Promoter/ Executive	4	Yes	13	2 / Nil
Shri C S K Prabhu	Independent – Non Executive	3	Yes	3	6 / 4
Shri Koteswara Rao SSR	Independent – Non Executive	4	Yes	1	3 / 2
Dr I Venkat Rao	Independent – Non Executive	3	No	Nil	3 / Nil

None of the Directors are related among themselves.

During the year under review, the Board of Directors met 4 times on 24th May 2012, 23rd July 2012, 05th November 2012 and 07th February 2013.

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 2012.

Shareholding of the Directors in the Company as on 31st March 2013

Sl. No	Director	No. of equity shares of ₹ 10/- each held	Percentage of holdings
1	Shri Sumanth Ramamurthi	2932840	50.47
2	Shri C S K Prabhu	40	0.00

Other Directors do not hold any shares in the Company.

**Audit Committee:**

The Audit Committee comprises of 3 Non-Executive Directors, all being Independent directors. Shri 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 at the Registered Office of the Company during the financial year 2012-13 on 24th May 2012, 23rd July 2012, 05th November 2012 and 07th February 2013. The constitution of the Committee and the attendance of each members is as given below:

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

The Statutory Auditors, Internal Auditors and Executives of the Company attended the Meetings. The minutes of the Audit Committee Meetings were placed at the Board Meetings. The Company Secretary acts as the Secretary of the Committee.

Remuneration Committee:

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

Name of the Director	Category	Status
Shri Koteswara Rao SSR	Non - Executive, Independent	Chairman
Shri 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 the 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 ₹ 5000/- for attending each Board and Audit Committee meetings. The Directors are not paid any commission.

Name of the Non-Executive Director	Sitting fees (in ₹)	No. of Shares Held
Shri Koteswara Rao SSR	40,000	Nil
Shri C S K Prabhu	30,000	40
Dr I Venkat Rao	30,000	Nil



The Company does not have any stock option scheme.

Share Transfer & Shareholders' / Investors' Grievance Committee:

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate Certificates of 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 Composition of the Shareholders / Investors Grievance Committee and particulars of meetings attended by the members are as follows:

Name of the Member	Category	No. of Meetings Held	No. of Meetings Attended
Shri Koteswara Rao SSR	Non-Executive Director	13	Nil
Shri C S K Prabhu	Non-Executive Director - Chairman	13	13
Dr I Venkat Rao	Non-Executive Director	13	Nil
Shri Sumanth Ramamurthi	Managing Director	13	13

Thirteen Meetings of the Shareholders / Investors Grievance Committee were held during the year 2012-2013 on 23rd April 2012, 24th May 2012, 12th June 2012, 10th July 2012, 07th August 2012, 13th September 2012, 26th October 2012, 28th December 2012, 19th January 2013, 19th February 2013, 01st March 2013, 25th March 2013 and 30th March 2013.

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

Management Discussion and Analysis Report

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

General Body Meetings:

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

Financial year	Date	Time	Venue
2009 - 10	23.07.2010	10:00 A.M.	Elgi Towers, 737-D Puliakulam Road, Coimbatore - 641 045.
2010 - 11	18.07.2011	3.30 P.M.	Elgi Towers, 737-D Puliakulam Road, Coimbatore - 641 045.
2011 - 12	23.07.2012	3.30 P.M.	Elgi Towers, 737-D Puliakulam Road, Coimbatore - 641 045.

No special resolutions were put through postal ballot during the year 2012 - 13

No Extra Ordinary General Meeting was held during the year 2012 - 13.

**Details of special resolutions passed in previous three Annual General Meetings:**

Year	Details of special resolution(s) passed
2009-10	NIL
2010-11	Re-Appointment of Shri Sumanth Ramamurthi as Managing Director of the Company
2011-12	Nil

Disclosures:**(A) Related Party Transactions**

The related party transactions of the Company of material nature with its promoters, directors or the management, their subsidiaries or relatives etc. are not in conflict with the interest of the Company at large. The related party transactions are duly disclosed in the notes forming part of the financial statements.

(B) Compliances by the Company

- (a) The Company has paid the listing fees to Bombay Stock Exchange Limited.
- (b) The Company does not have any Whistle Blower Policy. However any employee, if he/she so desires, would have free access to meet Senior Level Management and Report any matter of concern.
- (c) The Company has complied with all the mandatory requirements of Corporate Governance Norms as enumerated in Clause 49 of the Listing Agreement with Stock Exchange. The Company has complied with the non-mandatory requirement of constitution of Remuneration Committee.
- (d) There were no cases of non-compliance by the company, no penalties imposed or strictures passed by Stock Exchange or SEBI or any other statutory authority on any matter related to capital markets, during the previous three years.
- (e) No treatment different from the accounting standards prescribed by the Institute of Chartered Accountants of India has been followed in the preparation of financial statements.

(C) Shareholders Rights

The quarterly financial results are published in the newspapers and displayed on website of the Company. The Results are not separately circulated to the shareholders.

Means of communication:

The Company regularly intimates un-audited as well as the audited financial results to the Stock Exchange immediately after the same was taken on record by the Board. The financial results are published in MAALAI MALAR and BUSINESS STANDARD and displayed on the website of the Company www.kakatiyatextiles.com

General Shareholder information:

Annual General Meeting : Saturday, 27th July 2013 at 3.30 PM
Venue : ELGI Towers 737-D, Green Fields, Puliakulam Road, Coimbatore - 641045.
Date of Book Closure : From 20th July 2013 to 27th July 2013 (Both days inclusive)
Financial Year : 1st April 2012 to 31st March 2013