



# **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	2521.71	1969.94
Profit before Depreciation & Interest for the year	283.07	405.54
Depreciation for the year	78.84	78.42
Interest & Finance charges	36.38	60.37
Depreciation for earlier years	-	256.72
Deferred Tax Liability	45.34	-
Deferred Tax Asset	-	323.39
Net Profit / (Loss)	122.51	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 Networth**

As on 31st March 2011 your Company had a networth 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

<b>POWER &amp; FUEL CONSUMPTION</b>		<b>31.3.2011</b>	<b>31.3.2010</b>
<b>1. ELECTRICITY:</b>			
<b>a) PURCHASE</b>			
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>b) OWN GENERATION THROUGH DIESEL GENERATOR</b>			
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
<b>2. HUSK:</b>			
Quantity	(Kgs)	<b>Nil</b>	Nil
Total Cost	(Rs.)	<b>Nil</b>	Nil
Average Cost	(Rs.)	<b>Nil</b>	Nil
<b>3. CONSUMPTION PER UNIT OF PRODUCTION:</b>			
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.

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

This Committee (i) approves and monitors transfers, transmission, splitting and consolidation of securities and issue of duplicate Share Certificates by the Company and (ii) looks into various issues relating to shareholders including re-addressal 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 33 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	:	9
No. of complaints not resolved to the satisfaction of shareholders	:	Nil
No. of pending share transfers	:	Nil

The Company Secretary acts as Secretary to Committee and he is the Compliance officer of the Company and also responsible for redressal of investors complaints.

### 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 3 years are as under

Financial year	Date	Time	Venue
2007-08	24.09.2008	11:00 A:M	Elgi Towers, 737D, Puliakulam Road, Coimbatore - 641 045
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.

No special resolutions were put through postal ballot last year and there is no proposal for this year.

No Extra Ordinary General Meeting was held during the year 2010-11.

### Details of special resolutions passed in previous three AGM's

Year	Details of special resolution(s) passed
2007-08	Appointment of Mr Sumanth Ramamurthi as Managing Director of the Company
2008-09	Nil
2009-10	Nil

**8. Other disclosures:**

- (a) There are no materially significant related party transactions i.e., transaction 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.
- (b) The Company has paid the listing fees due to Bombay Stock Exchange Limited.
- (c) 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.
- (d) 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, comprising of 3 non-executive Directors.

**9. Means of communication:**

- (a) Whether half-yearly report sent to each household of shareholders : No
- (b) Quarterly results:
  - (i) Which newspapers normally published in: The Financial Express  
Maalaimalar (Local Edition)
  - (ii) Any Website displayed : [www.kakatiyatextiles.com](http://www.kakatiyatextiles.com).
- (c) Whether presentations made to institutional investors or to the analysts:  
No presentations were made to institutional investors or to the analysts.
- (d) Whether Management Discussion & Analysis Report is a part of Annual Report or not:  
Yes.

**Code of Conduct**

The Code of conduct for Board Members, Senior Management Personnel and the Employees of the company being followed is posted on the website of the company.

The Company has framed a code of conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. This code is applicable to all Director / Officers/ Designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information.

**10. General Shareholder information:**

- (i) AGM: Date, time and venue: 18.07.2011, 3:30 P.M, Elgi Towers, 737D, Puliakulam Road, Coimbatore – 641 045.
- (ii) Financial calendar (tentative): Financial Year "1st April to 31st March"  
Financial reporting for the quarter ending June 30, 2011 : End of July, '2011  
Financial reporting for the quarter ending September 30, 2011 : End of October, 2011  
Financial reporting for the quarter ending December 31, 2011: End of January, 2012  
Financial reporting for the quarter ending March 31, 2012 : End of April, 2012
- (iii) Book closure period: 05.07.2011 to 18.07.2011 (both days inclusive).



- (iv) Dividend payment date : Not applicable
- (v) Listing on Stock Exchanges : The Company's securities are listed at :  
1. Bombay Stock Exchange Limited
- (vi) Stock Code: **521054**
- (vii) Stock Market Data:

**Market Price Data: High, Low during each month in the last financial year in comparison with BSE Sensex**

Month	High Price	Low Price	BSE Sensex	
			High	Low
April 2010	15.39	12.60	18047.86	17276.80
May 2010	16.00	9.25	17536.86	15960.15
June 2010	15.76	8.80	17919.62	16318.39
July 2010	25.07	13.05	18237.06	17395.58
August 2010	26.75	17.20	18475.27	17818.99
September 2010	26.80	19.10	20267.98	18027.12
October 2010	28.00	20.00	20854.55	19768.96
November 2010	29.90	19.60	21108.64	18954.82
December 2010	22.25	17.75	20552.03	19074.57
January 2011	19.75	15.40	20664.80	18038.48
February 2011	17.75	13.35	18690.97	17295.62
March 2011	17.80	16.80	19575.16	17792.17

**(viii) Registrar and Transfer Agent:**

The Company has appointed M/s. Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai - 400 078, to act as Registrar and Transfer Agents to handle all investor services relating to shares held in physical form as well as in electronic mode. The address of their Branch Office at Coimbatore is given below.

Link Intime India Private Limited, Coimbatore Branch Office, "Surya" 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore - 641 028. Ph: 0422-2314792 / 2316755/ 2315792 E-mail : coimbatore@linkintime.co.in

**(ix) Share Transfer System:**

Share transfers in physical form are registered and returned within a period of 15 days from the date of receipt in case documents are complete in all respects and Demat confirmed within 15 days. The Shareholders Committee meets as and when required.

**(x) (a) Distribution of Shareholding as on 31st March, 2011.**

Category	No. of Shares	Percentage
Promoters	2979194	51.27
Banks/Financial/Institutions	1000	0.02
Bodies Corporates	266377	4.58
Individual Shareholding up to 1 lac	2329635	40.09
Individual Shareholding of more than 1 lac	222429	3.83
Others	11965	0.21
<b>Total</b>	<b>5810600</b>	<b>100.00</b>

**(b) The Distribution of shareholding as on 31st March, 2011 is given below:**

No. of Equity Shares	No. of Share holders	Percentage of share holders	No. of Shares held	Percentage of share holding.
Upto 500	9475	94.06%	1621559	27.91%
501 - 1000	391	3.88%	321117	5.53%
1001 - 2000	125	1.24%	190784	3.28%
2001 - 3000	32	0.32%	82020	1.41%
3001 - 4000	13	0.13%	45426	0.78%
4001 - 5000	11	0.11%	52168	0.90%
5001 - 10000	14	0.14%	97083	1.67%
10001 & above	12	0.12%	3400443	58.52%
<b>Total</b>	<b>10073</b>	<b>100.00%</b>	<b>5810600</b>	<b>100.00%</b>

**(xi) Dematerialization of shares and liquidity:**

The Company's shares can be traded in dematerialized form and are available for trading on both the depositories in India viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 31st March 2011, out of 5810600 equity shares, 3869293 representing 66.59 % of the share capital are dematerialized through National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

**(xii) Outstanding GDRs/ADR/Warrants, Convertible Bonds, conversion date and likely impact on equity: NIL**

**(xiii) Plant Location:**

Nallabandagudem - 508 206, Kodad Mandal, Nalgonda District, Andhra Pradesh.  
Phone: 08683- 284224, 284226 Fax 08683-284223

(xiv) **Address for Communications:**

<p><b>Registered Office:</b> Mr Udhayashankar. R. Company Secretary and Compliance Officer Kakatiya Textiles Ltd "Elgi Towers", Green Fields 737D Puliakulam Road, Coimbatore - 641 045 e-mail: investorskaktex@ssh.saraelgi.com Phone/Fax : 0422- 2311711 (Extn 154) /0422-2311611</p>	<p><b>Registrar &amp; Share Transfer Agent:</b> LINK INTIME INDIA PVT LTD (Formerly Intime Spectrum Registry Limited) "Surya", 35, Mayflower Avenue, Behind Senthil Nagar Sowripalayam, Coimbatore - 641 028 e-mail: coimbatore@linkintime.co.in Phone: 0422-2314792 / 2315792</p>
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**DECLARATION**

It is hereby declared that all the Board Members and Senior Management of the Company have affirmed to and compliance with the 'Code of Conduct' laid down by the Company, as on 31st March 2011.

For and on behalf of the Board

**Sumanth Ramamurthi**

Managing Director

**I Venkat Rao**

Director

Coimbatore

28th May, 2011

**CERTIFICATE**

To The Members of Kakatiya Textiles Ltd.,

We have examined the compliance of conditions of Corporate Governance by Kakatiya Textiles Limited for the year ended on 31st March 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The Compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing Agreement.

We state that no investor grievance(s) is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. MURALI DHARAN & Co.,**

Chartered Accountants

Registration No.009617S

**S. MURALI DHARAN**

Partner

Membership No.026554

Coimbatore

28<sup>th</sup> May, 2011

**AUDITORS' REPORT****The members of kakatiya textiles limited**

We have audited the attached Balance Sheet of your company as at 31st March 2011 and the Profit and Loss Account and Cash Flow Statement of the Company annexed thereto for the Twelve-month period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to and subject to our comments in Annexure referred to in paragraph 1 above, and subject to the notes on accounts, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion proper books of account, as required by law have been kept by the company so far as appears from our examination of those books.

- c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Profit and Loss Account, Balance Sheet and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors, as on 31st March 2011, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required to give a true and fair view in conformity with the accounting principles generally accepted in India.
- g)
  - i. In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011 and
  - ii. In the case of the Profit and Loss Account, of the profits of the company as at 31st March 2011 year ended on that date.
  - iii. In the case of cash flow statement, of the cash flows for the year ended as on that date

For **S.MURALI DHARAN & CO**

Chartered Accountants  
Registration No.009617S  
**S. MURALI DHARAN**

Coimbatore  
28th May, 2011

Partner  
Membership No.026554



## ANNEXURE TO THE AUDITORS' REPORT

(As required by Companies (Auditors Report) Order, 2003 and referred to in Paragraph 3 of our report of even date)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As per information & explanation given to us, the assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets.
- (c) During the year, the company has not disposed any major assets.
- (ii) (a) The management has physically verified the inventories during the year, at regular intervals which are reasonable to the size & nature of the company.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loans during the year, to companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) The Company had taken loan from a party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 90.08 lakhs and the year end balance of the loan taken from the party was Rs.90 lakhs and the terms and conditions are not prejudicial to the interest of the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) As per information & explanations given to us the company has entered all the transactions with the parties to be entered in the register maintained under section 301 of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, each of these transactions have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) During the year under audit, The Company has not accepted deposits from the public.
- (vii) During the year, the company had internal audit system commensurate with its size and nature of its business.
- (viii) The company has made & maintains costing records prescribed under section 209 (1) (d) of the Companies Act, 1956.





- (ix) As per information & explanations given to us the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, sales tax and other material statutory dues applicable to it.
- (x) In our opinion and as per information and explanations given to us the company has accumulated loss in excess of fifty percent of its net worth. The company has not incurred cash loss during the financial year and also in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) In our opinion and as per the information and explanations given to us, the company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and as per the information and explanations provided to us, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) During the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) During the year the company has not issued any debentures.
- (xx) The company has not raised any money by public issue during the year.
- (xxi) In our opinion, and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **S.MURALI DHARAN & CO**

Chartered Accountants  
Registration No.009617S

**S.MURALI DHARAN**

Coimbatore  
28th May, 2011

Partner  
Membership No.026554



## BALANCE SHEET AS AT 31st MARCH 2011

Rs. in Lakhs

	Schedules	31.03.2011	31.03.2010
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholder's Funds</b>			
a. Share Capital	1	1,078.49	1,078.47
<b>2. Loan Funds</b>			
a. Secured Loans	2	205.00	410.00
b. Unsecured Loans	3	90.00	90.08
<b>TOTAL</b>		<b>1,373.49</b>	<b>1,578.55</b>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>	4		
Gross Block		1,628.55	1,619.12
Less: Depreciation		1,239.13	1,160.27
<b>Net Block</b>		<b>389.42</b>	<b>458.85</b>
<b>2. Current Assets</b>			
Inventories	5	234.46	223.17
Cash and Bank Balances	6	44.63	2.69
Deposits, Loans & Advances	7	103.41	154.64
<b>Sub Total</b>		<b>382.50</b>	<b>380.50</b>
Less : Current Liabilities and Provisions			
Current Liabilities	8	691.76	721.97
<b>Net Current Assets</b>		<b>(309.26)</b>	<b>(341.47)</b>
Deferred Tax Asset (Net)		278.06	323.39
<b>Profit and Loss Account</b>	9	<b>1,015.27</b>	<b>1,137.78</b>
<b>TOTAL</b>		<b>1,373.49</b>	<b>1,578.55</b>

Schedules 1 to 9 and Notes on Accounts form part of this Balance Sheet.

As per our report of even date attached

**S.MURALI DHARAN & CO**

Chartered Accountants

**Registration No. 009617S****S.Muralidharan**

Partner

Membership No.026554

**Sumanth Ramamurthi**

Managing Director

**P.Nagarajan**

Chief Financial Officer

For and on behalf of the Board

**Dr. I. Venkat Rao**

Director

**Udhayashankar. R**

Company Secretary

Coimbatore

28th May, 2011



## PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

Rs.in Lakhs

	Schedules	31.03.2011	31.3.2010
<b>INCOME</b>			
Yarn sales		2,277.00	1,811.47
Cotton / Waste Sales		212.28	124.09
Conversion Charges		12.55	25.65
Other Income	10	19.88	8.73
<b>TOTAL</b>		<b>2,521.71</b>	<b>1,969.94</b>
<b>EXPENDITURE</b>			
Increase (-)/ Decrease in Finished Goods /			
Work in Progress	11	(71.30)	(63.95)
Material Consumed	12	1,560.42	1,060.89
Personnel Expenses	13	269.55	228.28
Power and Fuel		344.99	249.67
Selling Expenses		27.88	21.67
Interest & Financial Charges	14	36.38	60.37
General & Administrative Expenses	15	107.10	67.84
<b>TOTAL</b>		<b>2,275.02</b>	<b>1,624.77</b>
<b>Profit before Depreciation</b>		<b>246.69</b>	<b>345.17</b>
Depreciation		78.84	78.42
<b>Profit before Tax for the year</b>		<b>167.85</b>	<b>266.75</b>
Less: Depreciation for earlier years		-	256.72
Add: Deferred Tax (Liability)/ Asset		(45.34)	323.39
<b>Profit After Tax</b>		<b>122.51</b>	<b>333.42</b>
Balance Brought forward from Previous year		(1,137.78)	(1,471.20)
<b>Balance Carried forward to Balance Sheet</b>		<b>(1,015.27)</b>	<b>(1,137.78)</b>
<b>Basic earnings per share (in Rs.)</b>		<b>2.12</b>	<b>5.76</b>

Schedules 10 to 15 and Notes on Accounts form part of this Profit & Loss Account.

As per our report of even date attached

**S.MURALI DHARAN & CO**

Chartered Accountants

Registration No. 009617S

**S.Muralidharan**

Partner

Membership No.026554

**Sumanth Ramamurthi**

Managing Director

**P.Nagarajan**

Chief Financial Officer

For and on behalf of the Board

**Dr. I. Venkat Rao**

Director

**Udhayashankar. R**

Company Secretary

Coimbatore

28th May, 2011



## SCHEDULES FORMING PART OF BALANCE SHEET

Rs.in Lakhs

	31.03.2011	31.03.2010
<b>SHARE CAPITAL</b>		<b>SCHEDULE- 1</b>
<b>Authorised</b>		
65,00,000 Equity Shares of Rs. 10 each	650.00	650.00
5,00,000 9% Cumulative Preference Shares of Rs.100 each	500.00	500.00
<b>Total</b>	<b>1150.00</b>	<b>1150.00</b>
<b>Issued, Subscribed and Paid up</b>		
58,10,600 Equity shares of Rs.10/- each	581.06	581.06
Less: Calls in Arrears	2.57	2.59
	<b>578.49</b>	578.47
5,00,000 9% Redeemable Cumulative Preference Shares of Rs.100 each (Redeemable at par, earliest date of redemption 24.01.2015)	500.00	500.00
<b>Total</b>	<b>1078.49</b>	<b>1078.47</b>
<b>SECURED LOANS</b>		<b>SCHEDULE- 2</b>
From Axis Bank Limited	205.00	410.00
<b>Total</b>	<b>205.00</b>	<b>410.00</b>
<b>UNSECURED LOANS</b>		<b>SCHEDULE- 3</b>
From Promoters	90.00	90.08
<b>Total</b>	<b>90.00</b>	<b>90.08</b>
<b>INVENTORIES</b>		<b>SCHEDULE- 5</b>
( Values as certified by the Management)		
Raw Materials	77.78	136.01
Stock in Process	99.76	52.28
Finished Goods	15.86	5.03
Waste Goods	19.64	6.64
Stores and Spares	21.42	23.21
<b>Total</b>	<b>234.46</b>	<b>223.17</b>
<b>CASH AND BANK BALANCES</b>		<b>SCHEDULE- 6</b>
Cash in Hand	0.11	0.40
Balance with Scheduled Banks (Current and Collection Account)	44.52	2.29
Deposit Account	-	-
<b>Total</b>	<b>44.63</b>	<b>2.69</b>



	31.03.2011	Rs.in Lakhs 31.03.2010
<b>DEPOSITS, LOANS AND ADVANCES</b>		<b>SCHEDULE- 7</b>
Advance recoverable in cash or in kind or for value to be received	20.65	20.00
Sundry Debtors	30.52	29.19
Income Tax & TDS	10.42	63.62
Electricity Deposit and others	41.82	41.83
<b>Total</b>	<b>103.41</b>	<b>154.64</b>
<b>CURRENT LIABILITIES</b>		<b>SCHEDULE- 8</b>
Sundry Creditors		
a. Micro, Small and Medium Enterprises	-	-
b. Others	60.46	137.90
Advances from Customers	460.35	504.93
Duties & Taxes Payable	1.35	2.27
Liabilities for Expenses	163.65	70.18
Other Liabilities	5.95	6.69
<b>Total</b>	<b>691.76</b>	<b>721.97</b>
<b>PROFIT AND LOSS ACCOUNT</b>		<b>SCHEDULE -9</b>
Loss from earlier years	1155.28	1488.70
Profit for the year	122.51	333.42
	1032.77	1155.28
Less: General Reserve	17.50	17.50
<b>Total</b>	<b>1015.27</b>	<b>1137.78</b>
<b>SCHEDULES FORMING PART OF PROFIT &amp; LOSS ACCOUNT</b>		
<b>Other Income</b>		<b>SCHEDULE - 10</b>
Miscellaneous Income	8.09	6.22
Interest Earned (TDS Rs 25098 , Previous year Rs.25098)	11.79	2.51
<b>Total</b>	<b>19.88</b>	<b>8.73</b>
<b>Increase / Decrease in Finished Goods / Work in Progress</b>		<b>SCHEDULE - 11</b>
Stock at Closing	135.25	63.95
Less: Stock at Commencement	63.95	0.00
<b>Total</b>	<b>71.30</b>	<b>63.95</b>



	31.03.2011	Rs.in Lakhs 31.03.2010
<b>Material Consumed</b>		<b>SCHEDULE - 12</b>
Opening Stock	136.01	-
Add: Purchases	1,502.19	1,196.90
Less: Closing Stock	77.78	136.01
<b>Total</b>	<b>1,560.42</b>	<b>1,060.89</b>
<b>PERSONNEL EXPENSES</b>		<b>SCHEDULE - 13</b>
Salaries & Wages and Other Allowances	231.95	200.21
Contribution to PF & Other Funds	23.05	15.06
Employee Welfare Expenses	14.55	13.01
<b>Total</b>	<b>269.55</b>	<b>228.28</b>
<b>INTEREST &amp; FINANCE CHARGES</b>		<b>SCHEDULE -14</b>
Axis Bank -Term loan	36.21	59.70
Bank Charges	0.17	0.67
<b>Total</b>	<b>36.38</b>	<b>60.37</b>
<b>General &amp; Administrative Expenses</b>		<b>SCHEDULE -15</b>
Travelling Expenses	3.24	1.85
Printing & Stationery	2.50	2.33
<b>Repairs and Maintenance</b>		
- Plant and Machinery	57.84	31.54
- Buildings	6.17	4.13
Insurance	2.41	3.14
Rates and Taxes	3.38	2.73
<b>Audit fees</b>		
- Statutory Audit	0.60	0.50
- Tax Audit	0.24	0.20
- Others	0.09	0.07
Cost Audit Fees	0.22	0.52
Legal & Professional Charges	7.92	1.75
Security Charges	6.36	6.62
Sales Tax	3.19	0.00
Postage, Telegrams & Telephones	2.36	1.84
Vehicle Expenses	1.62	1.94
General Expenses	8.96	8.68
<b>Total</b>	<b>107.10</b>	<b>67.84</b>



Rs.in lakhs											
Schedule - 4											
FIXED ASSETS											
Particulars	Gross Block				Depreciation				Net Block		
	As at 1-4-2010	Additions	Deletion	As at 31-3-2011	Up to 31-3-2010	For the year	on Deletions	Up to 31-3-2011	As at 31-3-2011	As at 31-3-2010	
Land	11.86	-	-	11.86	-	-	-	0.00	11.86	11.86	
Buildings- Factory	242.61	-	-	242.61	129.55	8.10	-	137.65	104.96	113.06	
Buildings- Non factory	80.83	-	-	80.83	17.54	1.32	-	18.86	61.97	63.29	
Plant & Machinery	1123.56	4.43	-	1127.99	909.71	60.48	-	970.21	157.78	213.85	
Electrical Instalations	124.92	4.46	-	129.38	75.50	6.76	-	82.26	47.12	49.42	
Office Equipment	16.27	0.32	-	16.59	10.09	1.03	-	11.12	5.47	6.18	
Computers	10.63	0.21	-	10.84	10.14	0.70	-	10.84	0.00	0.49	
Furniture & fittings	5.87	0.01	-	5.88	5.21	0.38	-	5.59	0.29	0.66	
Vehicle	2.57	-	-	2.57	2.53	0.04	-	2.57	0.00	0.04	
<b>Total</b>	<b>1619.12</b>	<b>9.43</b>	<b>-</b>	<b>1628.55</b>	<b>1160.27</b>	<b>78.84</b>	<b>-</b>	<b>1239.13</b>	<b>389.42</b>	<b>458.85</b>	
<b>Previous Year</b>	<b>1616.36</b>	<b>3.63</b>	<b>0.87</b>	<b>1619.12</b>	<b>825.13</b>	<b>335.14</b>	<b>-</b>	<b>1160.27</b>	<b>458.85</b>	<b>791.23</b>	

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

Rs.in Lakhs

PARTICULARS		31.03.2011		31.03.2010	
<b>A.</b>	<b>Cash Flow from operating activities :</b>				
	<b>Net Profit before tax and extraordinary items</b>		<b>167.85</b>		<b>266.75</b>
	Add: Adjustments In P&L				
	Depreciation	78.84		78.42	
	Interest Payments	36.38		60.37	
	<b>Operating Profit before working capital changes</b>	<b>115.22</b>		<b>138.79</b>	
	(Increase)/Decrease in Inventory	(11.27)		(196.43)	
	(Increase)/Decrease in Debtors	(1.34)		(29.19)	
	(Increase)/Decrease in Income Tax & TDS	53.19		(7.19)	
	(Increase)/Decrease in Advances & Deposits	(0.65)		2.26	
	Increase/(Decrease) in Current Liability	(30.19)		185.38	
			<b>124.96</b>		<b>93.62</b>
	<b>Net Cash Flow from operating activities</b>		<b>292.81</b>		<b>360.37</b>
<b>B.</b>	<b>Cash Flow from Investing activities :</b>				
	Purchase of fixed assets	(9.43)		(3.63)	
	Sale of fixed assets	-		0.87	
	<b>Net cash used for investing activities</b>		<b>(9.43)</b>		<b>(2.76)</b>
<b>C.</b>	<b>Cash Flow from financing activities :</b>				
	Long term borrowings - Secured	(205.00)		(205.00)	
	Unsecured loans	(0.08)		(100.21)	
	Call in Arrears	0.02			
	Interest Paid	(36.38)		(60.37)	
	<b>Net cash flow from financing activities</b>		<b>(241.44)</b>		<b>(365.58)</b>
	<b>Net Increase / (Decrease) in cash and cash equivalent</b>		<b>41.94</b>		<b>(7.97)</b>
	<b>Cash And Cash Equivalents - Opening</b>		<b>2.69</b>		<b>10.66</b>
	<b>Cash And Cash Equivalents - Closing</b>		<b>44.63</b>		<b>2.69</b>

**Sumanth Ramamurthi**  
Managing Director

**Dr. I Venkat Rao**  
Director

**P.Nagarajan**  
Chief Financial Officer

**Udhayashankar.R**  
Company Secretary

**AUDITORS' CERTIFICATE**

We have verified the above cash flow statement of Kakatiya Textiles Limited derived from the Annual Financial statements for the year ended 31.03.2011 and found the same to be drawn in accordance with and also with the requirements of clause 32 of the listing agreements with stock exchange.

**S.MURALIDHARAN & CO**

Chartered Accountants  
Registration No.009617S

**S.Muralidharan**

Partner

Membership No.026554

Coimbatore  
28th May, 2011





## NOTES FORMING PART OF ACCOUNTS

### 1. Significant Accounting Policies

- (a) **Accounting convention:** Subject to the notes on accounts, the Financial Statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India, the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- (b) **Inventory accounting:** Inventories of Raw Materials, Work in Process, Finished Goods, Stores and Spares are stated "at cost or net realisable value", whichever is lower, in accordance with Accounting Standard 2 issued by The Institute of Chartered Accountants of India (ICAI). The valuation of inventory is done on FIFO basis. Goods in Transit are stated at cost. Cost comprises all cost of purchase, cost of conversion and any other costs incurred in bringing the inventories to their present location and condition. Due allowance is estimated and made for defective and obsolete items, wherever necessary based on the past experience of the Company.
- (c) **Revenue recognition:** The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis except those with significant uncertainties
- o Sale of Goods is accounted when the risk and reward of ownership are passed on to the Customers.
  - o Domestic Sales are inclusive of excise duty, wherever applicable and exclusive of other taxes, if any, and trade discounts. Income from Export entitlements is accounted as and when the certainty of entitlement is determined.
  - o Revenue from Services rendered is recognised to the extent the performance of service is completed based on agreements / arrangements with the concerned parties.
- (d) **Fixed Assets** are stated at historical cost of acquisition net of CENVAT Credits if any, including installation, direct attributable costs, interest and commissioning less accumulated depreciation / amortization and cumulative impairment, if any.
- i) Depreciation on Fixed Assets : The company is providing depreciation on Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956, on a pro-rata basis corresponding to the month of Installation / Commissioning / retirement.
  - ii) Assets Costing Rs. 5000 or less are fully depreciated in the year of purchases.
- (e) **Deferred Tax assets and liabilities** are recognised for future tax effect attributable to timing difference between Taxable Income and Accounting Income, which is capable of reversing in one or more subsequent periods and are measured at relevant tax rates. At each Balance Sheet date, the Company reassesses unrealised deferred tax assets to the extent it becomes virtually certain of realisation as the case may be.
- (f) **Impairment of assets:** The carrying amount of assets are reviewed at each Balance Sheet date, if there is any indication of impairment based on internal / external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is normally charged to the Profit & Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed in current accounting periods if there has been a change in the estimate of the recoverable amount.
- (g) **Contingencies and Provisions:** Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.
- (h) **Earnings per Share:** Basic Earnings per Share is calculated by dividing the Net profit/loss attributable to the Equity Shareholders by the weighted average number of Equity Shares outstanding during the year.
2. The term loan from Axis Bank limited with an outstanding balance of Rs.2.05 Crores is secured by a first charge on the present and future fixed assets of the company and second charge on the present and future current assets of the company. The loan is guaranteed by one of the directors of the company.



3. In the opinion of the Board, the Current Assets, Loans & Advances and other Receivables have at least the value as stated in the Balance Sheet, if realized in the ordinary course of business.
4. The company has obtained information from suppliers who are covered under the "Micro, Small and Medium Enterprises Development Act, 2006". Based on the information and evidence available with the company, there are no dues to micro, small and medium enterprises, outstanding as on 31.03.2011.
5. Earnings in foreign exchange
 

	31.03.2011	31.3.2010
- Export of goods (FOB Value)	Nil	Nil
6. Expenditure in Foreign Currencies
 

	31.03.2011	31.3.2010
- Import of Components & Spares	Nil	Nil
7. Previous year figures have been regrouped / rearranged wherever necessary in line with the presentation of current year figures.
8. Contingent liabilities: Dividend on 5,00,000 9% cumulative preference shares of Rs.100 each is in arrears from 01.04.2005.
9. Manufacturing capacity

	31-3-2011	31-3-2010
Licensed Capacity	NA	NA
Installed capacity	18144 Spindles	18144 Spindles
Actual production	8.56 Lakh kgs	8.29 Lakh kgs

10. Turnover details Figures in Lakhs

Class of goods	31-03-2011		31-03-2010	
	Quantity in kgs	Amount	Quantity in kgs	Amount
Sales – Yarn	8.54	2277.00	8.26	1811.47
Conversion Charges	0.12	12.55	0.30	25.65

11. Raw materials Rs. in Lakhs

Cotton	31-03-2011	31-03-2010
Opening Stock	136.01	Nil
Purchase	1502.19	1196.90
Closing Stock	77.78	136.01

12. Trading Goods Figures in lakhs

Class of Goods	31-3-2011		31-3-2010	
	Quantity	Amount	Quantity	Amount
<b>Yarn</b>				
Opening Stock	Nil	Nil	Nil	Nil
Purchases	Nil	Nil	Nil	Nil
Closing Stock	Nil	Nil	Nil	Nil

13. Related party disclosure as required by Accounting Standard 18

1. Names of related parties and description of relationship

- a) Key Managerial Personnel : Sri.Sumanth Ramamurthi  
No remuneration is paid to Mr. Sumanth Ramamurthi

- b) Other related parties

Companies in which the Managing Director is interested as Managing Director / Director.

- |                                   |  |
|-----------------------------------|--|
| 1. Super Spinning Mills Ltd       | 5. Sara Elgi Insurance Advisory Services Pvt Ltd |
| 2. Elgi Electric & Industries Ltd | 6. Elgi Software & Technologies Ltd              |
| 3. Elgi Ultra Industries Ltd      | 7. Super Farm Products Ltd                       |
| 4. Precot Meridian Ltd            | 8. Elgi Building Products Ltd                    |



9. Sara Elgi Industrial Research & Development Ltd  
 10. Super Sara Ltd  
 11. Super Sara Trading and Industrial Services Ltd  
 2. Transactions with related parties

12. Sara Elgi Envirotech Ltd  
 13. Sara Elgi Arteriors Ltd

Rs. in lakhs

Party	Nature of Transaction	31.03.2011		31.03.2010	
		Value of Transactions	Closing Balance	Value of Transactions	Closing Balance
Super Spinning Mills Ltd	Yarn Conversion	12.55	Nil	25.65	Nil
Super Spinning Mills Ltd	Purchases	1145.22	Nil	Nil	Nil
Super Spinning Mills Ltd	Yarn Sales	1937.08	460.35	1324.21	504.93
Elgi Electric and Industries Ltd	Stores Purchase	0.90	0.23	0.66	0.34
Elgi Ultra Industries Ltd	Stores Purchase	2.57	0.56	1.60	0.24
Sri Sumanth Ramamurthi	Loan Re-payment	0.08	90.00	100.21	Nil

## 17. Employee benefits:

- a) Gratuity benefits are managed through the group gratuity scheme of Life Insurance Corporation of India. The provision for gratuity liability is actuarially determined at the year-end and the liability arising on such valuation is charged to the Profit and Loss Account accordingly.
- b) Provident Fund Contribution is as per the rates prescribed by the Employees' Provident Funds Act, 1952 and the same is charged to revenue.
- c) i) Description of the company's defined benefit plan: The Company operates a defined benefit plan for payment of post employment benefits in the form of Gratuity. Benefits under the plan are based on pay and years of service and are vested on completion of five years of service, as provided in the Payment of Gratuity Act, 1972. The terms of benefits are common for all the employees of the company.

## ii) Reconciliation in respect of the changes in the present value of the Obligation:

Rs in lakhs

Particulars	31.03.2011	31.03.2010
Present Value of the Obligation as at the beginning of the year	31.06	39.70
Current Service cost	2.14	2.73
Interest Cost	2.46	2.75
Benefits Paid	(3.45)	(9.85)
Actuarial Loss / (Gain) on Obligation	4.78	(4.27)
Present Value of the Obligation as at the end of the year	36.98	31.06

The liability of the company is Rs.36.98 lakhs out of which it has been funded to the extent of Rs.17.06 lakhs.

## iii) Reconciliation in respect of the changes in the fair value of the Plan Assets:

Rs. in lakhs

Particulars	31.03.2011	31.03.2010
Present Value of the Plan Assets as at the beginning of the year	18.99	24.01
Expected return on Plan Assets	1.55	1.88
Contributions	0.00	2.96
Benefits Paid	(3.45)	(9.85)
Actuarial Gains and (Losses) on Plan Assets	(0.03)	(0.01)
Fair Value of Plan Assets as at the end of the year	17.06	18.99

No reimbursement rights were available as at the beginning or end of the year for recognition as an asset.

iv) . Principal Actuarial Assumptions:

<b>(Expressed as weighted averages)</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Discount Rate	8.30%	8.40%
Salary Escalation Rate	5.00%	5.00%
Expected Rate of Return on Plan Assets	9.00%	9.00%

The estimates of rate of escalation in salary considered in actuarial Valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

v). The total expense recognized in the Profit and Loss Account: -

Rs. in lakhs

<b>Particulars</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Current Service Cost	2.14	2.73
Interest Cost	2.46	2.75
Expected Return on Plan Assets	(1.55)	1.88
Actuarial (Gains) and Losses	4.82	(4.26)
Amount recognized in the Profit and Loss Account	7.86	(0.66)

The expense has been included under the head "Contribution to Gratuity" under the "Employee Cost" in the Profit and Loss Account.

vi) Investment Details: LIC Group Gratuity (Cash Accumulation) Policy 100% invested in Debt Instruments.

vii). Reconciliation of Fair Value of Plan Assets and Obligations:

Rs. in lakhs

<b>Particulars</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Present Value of the Defined Benefit Obligation	36.99	31.06
Fair Value of Plan Assets	17.06	18.99
Liability recognized in Profit and Loss Account	7.86	(0.66)
Experience adjustments arising on Plan-(loss)/gain	(4.46)	2.78
Experience adjustments arising on Plan Assets-(loss)/gain	(0.03)	(0.01)

18. Details of provisions and movements as per As 29.

Rs in lakhs

<b>Particulars</b>	<b>2010-11 Gratuity</b>	<b>2009-10 Gratuity</b>
Carrying amount at the beginning of the year	12.07	15.69
Additional provision made during the year	7.86	-
Amount used during the year	-	-
Unused amount reversed during the year	-	3.62
Carrying amount at the end of the year	19.93	12.07

19. Disclosures as required under AS 20 - Earning Per Share

<b>Particulars</b>	<b>31.03.2011</b>	<b>31.03.2010</b>
Basic and Diluted Earnings(Profit)	Rs.122.51 lakhs	Rs.333.42 lakhs
Number of equity shares	57.84 lakhs	57.84 lakhs
Nominal value of equity shares	Rs.10	Rs.10
Earnings per share	Rs.2.12	Rs. 5.76

**Balance Sheet Abstract and Company's General Business Profile****I. Registration details**

CIN No : L18100TZ1981PLC013940  
Balance sheet date : 31.03.2011

**II. Capital raised during the year (Amount in Lakhs)**

Public issue : Nil  
Rights issue : Nil  
Bonus issue : Nil  
Private placement : Nil

**III. Position of mobilization and Deployment of funds**

Total Liabilities : Rs.1373.49 Lakhs  
Total Assets : Rs.1373.49 Lakhs

**Sources of funds**

Paid up capital : Rs.1078.49 Lakhs  
Reserve and surplus : Nil  
Secured loans : Rs. 205.00 Lakhs  
Unsecured loans : Rs. 90.00 Lakhs  
Deferred Tax liability : Nil

**Application of Funds**

Net fixed assets : Rs. 389.42 Lakhs  
Investments : Nil  
Net Current assets : Rs. (309.26)Lakhs  
Deferred Tax Asset : Rs. 278.06 Lakhs  
Misc. Expenditure : -  
Accumulated losses : Rs. 1015.27 Lakhs

**IV. Performance of the company**

Turnover & Other Income : Rs. 2521.71 Lakhs  
Total Expenditure : Rs. 2275.02 Lakhs  
Profit before tax : Rs. 167.85 Lakhs  
Profit after tax : Rs. 122.51 Lakhs  
Earnings per share : Rs 2.12  
Dividend rate : Nil

**V. Generic names of three principal Products / Services of the company**

(as per monetary terms)

Item No.(ITC code)	Major product Description
5205.11	Uncombed Single Yarn
5205.22 – 28	Combed Single Yarn

As per our report of even date  
For **S.MURALI DHARAN & CO**

Chartered Accountants  
Registration No.009617S

**S.MURALI DHARAN**  
Partner

**Membership No.026554**

Coimbatore  
28th May, 2011

**Sumanth Ramamurthi**  
Managing Director

**P. Nagarajan**  
Chief Financial Officer

For and on behalf of the Board

**Dr. I Venkat Rao**  
Director

**Udhayashankar. R**  
Company Secretary



Dear Shareholders,

**Sub: Green Initiative in Corporate Governance**

We wish to inform you that the Ministry of Corporate Affairs, New Delhi (MCA) has taken "Green Initiative" in the Corporate Governance by permitting paperless compliances by Companies vide its Circular No.17/2011 dated 21.04.2011 and Circular No.18/2011 dated 29.04.2011 after considering certain provisions of the Information Technology Act, 2000 which provides the validity of sending documents through electronic mode and clarified that the service of documents by a Company can be made through electronic mode instead of physical copy of document(s).

We propose to send henceforth all communications / documents including notices calling AGM, audited financial statement, directors report, auditors report **in electronic form to the E-mail provided / updated by you and made available to us by the Depositories.**

In order to avail the benefits in receiving the documents in electronic form kindly comply with the following:

**For Shareholders holding shares in Demat Form**

Kindly update your E-mail ID in the demat account by contacting your Depository Participant. E-mail updated in the demat account would be used to send documents through electronic mode. **In case you desire to receive the above mentioned documents in physical form, you are requested to send an email mentioning the following details to kakatiyagogreen@linkintime.co.in on or before 31.08.2011**

DP ID / Client ID :

Name :

Mode of dispatch : Electronic mode  Physical Mode  (√ in the box whichever is applicable)

**For Shareholders holding shares in Physical form**

Kindly update your e-mail ID with our Registrar and Share Transfer Agent, Link Intime India Private Limited, "Surya", 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam, Coimbatore-28 by mailing your **E-mail ID with the following details to kakatiyagogreen@linkintime.co.in on or before 31.08.2011**

Folio No. :

Name :

E-mail ID :

Mode of dispatch : Electronic mode  Physical Mode  (√ in the box whichever is applicable)

The Annual Report and other communication / documents would also be displayed on the company's website: [www.kakatiyatextiles.com](http://www.kakatiyatextiles.com)

Please note, as a member of the Company, you will be entitled to be furnished, free of cost, with a printed copy of the balance sheet of the Company and all other documents required by law to be attached thereto including the profit and loss account and auditor's report and all other communication that may be sent to you, upon receipt of a requisition from you to this effect.

**Members who have not dematerialized shares so far please get their shares dematerialized.**

We are sure you would appreciate the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives.

Thanking you

Yours faithfully

For Kakatiya Textiles Limited,

Udhayashankar R

Company Secretary



### KAKATIYA TEXTILES LIMITED

Redg. Office : "ELGI TOWERS", 737D, Green Fields, Puliakulam Road, Coimbatore - 641 045

#### ATTENDANCE SLIP

Name of the Member		Folio No./ Client ID No.	
Name of Proxy		No. of Shares	

I hereby record my presence at the 29<sup>th</sup> Annual General Meeting of the Company held at 'Elgi Towers', 737D, Green Fields, Puliakulam Road, Coimbatore - 641 045 on ....., ..... at .....

.....  
Signature of Member / Proxy

- Notes :
1. Shareholder / Proxy holder must bring the Admission Slip to the meeting and hand over at the entrance duly signed.
  2. Shareholders are requested to advise their change of address as well as request for consolidation of folio, if any, to the above address, quoting folio numbers.



### KAKATIYA TEXTILES LIMITED

Redg. Office : "ELGI TOWERS", 737D, Green Fields, Puliakulam Road, Coimbatore - 641 045

#### PROXY FORM

I/We .....  
of ..... being a Member / Members of Kakatiya Textiles Ltd.,  
hereby appoint ..... of  
..... or failing him ..... of  
..... as my / our Proxy to attend and vote for me / us on my / our behalf at the  
29th Annual General Meeting of the Company to be held on ....., ..... at  
..... and at any adjournment thereof.

Signed this ..... day of .....

Folio No.	
-----------	--

Affix 15 paise Revenue Stamp
---------------------------------------

No. of Shares	
---------------	--

**Notes :** The Proxy form must be returned so as to reach the Registered Office of the Company, not less than **forty-eight hours** before the time for holding the aforesaid meeting.

## BOOK - POST



PRINTED MATTER

If Undelivered Please return to :

**Kakatiya Textile Limited**

“Elgi Towers”

737D, Green Fields, Puliakulam Road

Coimbatore - 641 045