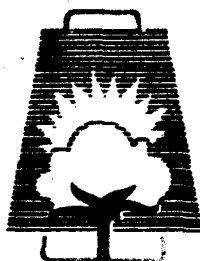


14th

Annual Report

2005 - 2006

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Aditya Spinners Limited



BOARD OF DIRECTORS

| | |
|-------------------------------|--------------------------------|
| Sri. G. Satyanarayana | Director |
| Sri. V. Nageswara Rao | Director |
| Sri. P. Seetha Ramalah | Director |
| Sri. K. Ramesh | Executive Director |
| Sri. K. Vijay Kumar | Joint Managing Director |
| Sri. R. Shiv Kumar | Managing Director |

BANKERS

STATE BANK OF HYDERABAD

Punjagutta Branch
Hyderabad - 500 487.

STATE BANK OF TRAVANCORE

H.No. 5-1-720, 1st Floor,
Kushal Chambers, Bank Street
Hyderabad 500 001.

STATE BANK OF PATIALA

H.No. 5-2-134, 1st Floor, Rashtrapathi Road,
Secunderabad - 500 003.

AUDITORS

C. Ramachandram & Co.,
Chartered Accountants
3-6-237, Unit 606,
Lingapur la builde complex,
Himayath Nagar, Hyderabad-29.

REGISTRAR & SHARE TRANSFER AGENTS

M/s Venture Capital & Corporate
Investments Limited,
6-2-913/914, 3rd Floor,
Progressive Towers,
Khairatabad, Hyderabad-500 004.

ADMINISTRATIVE OFFICE

B-18, Vengala Rao Nagar
Opp. Vengala Rao Nagar Post Office
Hyderabad - 500 038.

FACTORY & REGD. OFFICE

Perindesam Village, K.V.B. Puram Mandal
Near Srikalahasti, Chittoor Dist A.P.

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the members of Aditya Spinners Limited will be held on Tuesday, the 26th day of September, 2006 at 12.30P.M. at the Registered Office of the Company located at Perindesam Village, K.V.B. Puram Mandal, Near Srikalahasti, Chittoor District, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS :

- (1) To receive, consider and adopt the audited Profit and Loss Account for the year ended 31st March, 2006 and the Balance Sheet as on that date and the reports of Directors and Auditors hereon.
- (2) To appoint a Director in place of Sri V. Nageswara Rao, who retires by rotation and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Sri P. Seetha Ramaiah who retires by rotation and being eligible, offers himself for reappointment.
- (4) To reappoint the retiring Auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting and to fix their remuneration.

By Order of the Board
for ADITYA SPINNERS LIMITED

Sd/-

Place: Hyderabad,
Date : 25th August, 2006.

R. SHIV KUMAR
Managing Director

NOTES :

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a Member of the Company.
- (2) Proxy, in order to be effective, must be deposited at the company's Registered Office not less than 48 hours before the meeting.
- (3) The Register of Members and Share Transfer Books of the Company will be closed from 23rd to 26th September, 2006. (both days including).
- (4) The Shares of the company may be dematerialised by members of the company with M/s NSDL and M/s CDSL. The company was allotted ISIN: INE122D01018.

-DIRECTORS' REPORT

TO
The Members,

Your Directors present herewith the 14 th Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS :

Rs. in lakhs

| | 2005-06 | 2004-05 |
|---|-----------------|----------------|
| Sales & Other Income | 1476.08 | 1888.97 |
| Profit/ (Loss) before depreciation and interest | (474.61) | 49.05 |
| Interest | 2654.78 | 2203.58 |
| Depreciation | 140.16 | 140.80 |
| Loss for the year | 3269.55 | 2295.33 |

2. DIVIDEND :

Your Directors do not recommend any dividend because of losses incurred during the year under review.

3. REVIEW OF OPERATIONS DURING THE YEAR :

During the year under review, the company produced 908.43 MTs of yarn. The Company has achieved a turnover of Rs.1476.08 lakhs and incurred a loss of Rs.3269.55 lakhs as against the turnover of Rs.1888.97 lakhs with a loss of Rs.2295.33 lakhs during the previous year.

4. DIRECTORS :

Sri V. Nageswara Rao and Sri P. Seetha Ramaiah will be retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

5. REHABILITATION SCHEME :

The Company was declared as a Sick Unit by BIFR at its meeting held on 26th December, 2005 and IDBI was appointed as Operating Agency for submission of the Rehabilitation proposal. The Company prepared a Rehabilitation proposal and submitted the same to the Operating Agency, all Secured Creditors and BIFR on 25.03.2006. The Rehabilitation proposal is mainly based on a One Time Settlement to the Financial Institutions, Banks and also reduction of Share Capital and allotment of equity on preferential basis to the new Investors. The Company identified one or two prospective investors for the One Time Settlements and discussions are being held with Financial Institutions for arriving at the OTS amounts. On finalisation of the settlements between Institutions, Banks etc., the Operating Agency will prepare and finalise the Rehabilitation Package and shall submit the same for the approval at BIFR.

5. DEPOSITS :

The Company has not accepted any deposits from the Public during the year under review.

7. AUDITORS :

The present Auditors of the Company M/s.C. Ramachandram & Co., Chartered Accountants, retire at the conclusion of this Annual General Meeting and they are eligible for reappointment.

8. PARTICULARS OF EMPLOYEES :

The particulars of employees required under Section 217(2A) of the Companies Act, 1956 read with the provisions contained in Companies (Particulars of Employees) Rules, 1975 as amended to date were not applicable to your Company as none of the employees was in receipt of remuneration which in aggregate is Rs.24,00,000/- or more per year nor was in receipt of remuneration for any part of the year, of Rs.2,00,000/- or more per month.

9. DISCLOSURE AS PER LISTING AGREEMENT :

- (a) Clause 32: The cash flow statement in accordance with accounting standard and cash flow statement (AS-3) issued by ICAI is appended to this Annual Report.
- (b) Clause 43A: The company shares are listed on The Hyderabad Stock Exchange Limited, 6-3-654, Somajiguda, Hyderabad and BSE, P.J. Towers, Dalal Street, Fort, Mumbai.
- (c) Dematerialisation of Shares: Since the Securities and Exchange Board of India has made it compulsory to trade in the Equity Shares in the dematerialized form by all the investors with effect from 2-4-2001, the company had entered into an agreement with NSDL and CDSL and was allotted ISIN:INE122D01018.
- (d) Clause-49:Pursuant to clause 49 of the Listing Agreement, a compliance report on Corporate Governance is enclosed to the Annual Report.

10. DIRECTORS' RESPONSIBILITY STATEMENT :

- (I) In the preparation of the annual accounts, the applicable accounting standards had been followed along the proper explanation relating to material departures.
- (II) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are 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 and loss of the Company for that period.
- (III) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and of preventing and detecting fraud and other irregularities.
- (IV) The Directors have prepared the accounts on a going concern basis.

11. INDUSTRIAL RELATIONS :

The Company has had harmonious industrial relations through out the year under review at all levels of organization. The Company would endeavor hard to maintain this cordial relationship in future also.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo has been given in a separate statement annexed hereto which forms part of the Directors' Report.

13. ACKNOWLEDGEMENT :

The Directors have pleasure in recording their appreciation for the valuable assistance extended to the Company by the Financial Institutions viz., Industrial Development Bank of India, Industrial Finance Corporation of India Limited and Bankers viz., Sate Bank of Hyderabad, State Bank of Patiala and State Bank of Travancore.

Your Directors also place on record their deep sense of appreciation for the dedicated services rendered by all the executives, staff and workers of the Company.

For and on behalf of the Board

Place: Hyderabad,

Date : 25th August, 2006.

Sd/-

R. SHIV KUMAR

Managing Director

Sd/-

K. VIJAY KUMAR

Joint Managing Director

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III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**Export efforts and plans**

- i. Activities relating to exports initiatives taken to increase exports, development of new export markets for products

Company could not do any exports during the year

ii. Total Foreign Exchange used/earned:

| | 2005 - 06 | | 2004 - 05 | |
|-----------------|------------------|------------|------------------|-------------|
| | US\$ | INR | US\$ | INR |
| Used : | — | — | 16,143.88 | 7,34,536 |
| Earned : | — | — | 3,16,586.00 | 1,42,64,253 |

For and on behalf of the Board

Place: Hyderabad,
Date : 25th August, 2006.

Sd/-
R. SHIV KUMAR
Managing Director

Sd/-
K. VIJAY KUMAR
Joint Managing Director

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**CORPORATE GOVERNANCE REPORT
(PURSUANT TO CLAUSE-49 OF THE LISTING AGREEMENT)**

1. COMPANY'S PHILOSOPHY

The management believes that corporate growth, goals, transparency and enhanced shareholder value are to be achieved only through good corporate governance.

2. BOARD OF DIRECTORS

The Board of Directors of Aditya Spinners Limited now comprises three executive directors and three non-executive independent directors meeting the requirements of the listing agreement.

The composition and category of Directors as on March 31, 2006 are as follows :

| Category | Name of Director |
|---------------------------------------|--|
| Promoter and Executive Directors : | Sri. R. Shiv Kumar, Managing Director. Sri. K. Vijay Kumar, Joint Managing Director Sri. K. Ramesh, Executive Director |
| Independent non-Executive Directors : | Sri. G. Satyanarayana Sri. V. Nageswara Rao Sri. P. Seetha Ramaiah |

During the year 2005-06 the Board met 5 times on 30th April, 2005, 26th July, 2005, 26th August 2005, 29th October, 2005, and 19th January, 2006. The following table shows details of directors, attendance of directors at the board meetings and at the last annual general meeting, number of memberships held by the directors in the board / committees of various other companies.

| Name | Category | Attendance Particulars | | No. of other Directorships held |
|----------------------|----------|------------------------|----------|---------------------------------|
| | | Board Meetings | Last AGM | |
| Sri. Satyanarayana.G | INE | 5 | Yes | - |
| Sri. Seetharamaiah.P | INE | 5 | Yes | - |
| Sri. Nageswara Rao.V | INE | 5 | Yes | - |
| Sri. Shiv Kumar.R | MD | 5 | Yes | - |
| Sri. Vijay Kumar.K | JMD | 4 | No | 1 |
| Sri. Ramesh.K | ED | 4 | Yes | - |

INE - Independent and Non Executive

MD - Managing Director

JMD - Joint Managing Director

ED - Executive Director

REAPPOINTMENT OF DIRECTORS :

Sri P. Seetha Ramaiah and Sri V. Nageswara Rao Directors will be retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.