



Chitradurga Spintex Limited

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**Twelfth Annual Report
2002-2003**

CHITRADURGA SPINTEX LIMITED

BOARD OF DIRECTORS :

Sri. S.RAJASEKHARAPPA
Sri. S.CHANDRASHEKAR
Sri. K.S.SATHYANARAYANA
Sri. S. Thippeswamy
Sri. A.K.RAJENDRA
Sri. S.VISHWANATH

Chairman
Director
KSIIDC Nominee
Additional Director
KSFC Nominee
Managing Director

WORKS & REGISTERED OFFICE :

Bangalore Road,
Siddapura Village,
Challakere-577 522
Karnataka State.

AUDITORS :

M/s.H.M.V.Murthy & Co.,
Chartered Accountants,
BANGALORE-560 002.

BANKERS :

STATE BANK OF MYSORE

SHARE TRANSFER :

At the Company's Registered Office

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NOTICE

Notice is hereby given that the 12th Annual General Meeting of the Company will be held at the Registered Office of the Company at Bangalore Road, Siddapura Village, Challakere, Chitradurga Dist. Karnataka, Pin - 577 522 on 29th September 2003 at 11.00 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet as on 31st March 2003 and the Profit and Loss Account for the year ended 31st March 2003 together with the reports of the Auditors and Directors thereon.
2. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

1. To consider and if thought fit, to pass with or without modification the following as special resolution as special resolution

Resolved that subject to the provisions of the Company's Act 1956, Securities Contract (Regulation) Act 1956 and rules framed there under, listing agreements, SEBI Guidelines and all other applicable Laws, Rules, Regulations, & Guidelines and subject such approvals, permissions, and sanctions, as may be necessary, the Board of Directors of the Company be and is here by authorised to seek voluntary delisting of its equity shares listed at Ahmedabad, Chennai, and Bangalore stock exchanges.

Resolved further that the Board of Directors of the Company be and is here by authorised to apply to such stock exchanges and comply with all the legal & procedural formalities laid down by the stock exchange, and SEBI and further to authorise any of its committee or any of its directors or any of its officers of the company to do all such acts, deeds or things to give effect to the above resolution.

Place:Challakere
Date : 23.08.2003

By order of the Board
S.Rajasekharappa
Chairman

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy and vote instead of himself and proxy need not be a member of the Company. Proxies in order to be effective must be lodged with the Company at its registered office at least 48 hours before the commencement of the meeting.
2. The Register of members and the Share Transfer books of the Company will remain closed from 22.09.2003 to 30.09.2003 (both days inclusive).
3. Members seeking any information with regard to Accounts are requested to write to the Company at least 7 days before the date of the meeting so as to enable the Management to keep information ready.
4. Members are requested to bring their Copies of the annual Report and Attendance slip duly filled for attending the Meeting.

EXPLANATORY NOTE:

The Company securities are listed on Bombay, Ahmedabad, Chennai, and Bangalore stock exchanges.

The bulk of the trading in the companies equity shares take place on Bombay stock exchange and the volume of trading in the Companies securities on all other stock exchanges is very low. Therefore continuing listing on those exchanges does not serve any purpose. The company has proposed this resolution which will enable it to delist all its securities from Bangalore, Chennai & Ahmedabad stock exchanges at appropriate time in the future.

In line with SEBI regulation members approval is being sought by a special resolution for enabling voluntary delisting of its securities from the above mentioned stock exchanges.

The proposed delisting of the company's securities from Bangalore, Chennai & Ahmedabad stock exchanges will not adversely affect the investors. The company's securities will continue to be listed on Bombay stock exchange.

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DIRECTORS REPORT**To the Members of CHITRADURGA SPINTEX LIMITED**

Your Directors have pleasure in presenting the 12th Annual Report of your Company together with the Audited statement of Accounts for the period ended March 31, 2003.

FINANCIAL RESULTS:**(Rupees in lakhs)**

| | 2002-03 | 2001-02 |
|---|---------|---------|
| Sales & Other Income | 610.37 | 642.77 |
| Profit/ Loss before interest & Depreciation | 18.74 | 13.33 |
| Interest | 19.11 | 23.16 |
| Depreciation | 23.80 | 23.67 |
| Profit/Loss for the year | -23.64 | -33.49 |
| Profit/Loss brought forward | -111.38 | -74.37 |
| Profit/Loss carried forward | -136.22 | -111.38 |

OPERATIONS:

The Board of Directors are pleased to state that during the period ended March 31, 2003 especially during last quarter of the year your company turned the corner after a long recessionary period. The gross profit has increased substantially during the year as the compared to corresponding period of the previous year. There has been an all around improvement in the performance of the Company. The outlook for the current year continues to be good.

DIVIDEND

Your Board of Directors do not recommend any dividend, In view of the inadequacy of profits.

PARTICULARS OF EMPLOYEES:

During the year there was no employee drawing remuneration beyond the limits prescribed under section 217 (2A) of the Companies Act, 1956.

FOREIGN EXCHANGE EARNING AND OUT GO:

Earnings:Rs.75.02 lakhs (Previous Year Rs. 136.87 lakhs)

Outgo:Rs.Nil (previous year Nil)

CONSERVATION OF ENERGY:

Disclosure in respect of conservation of energy in form A is annexed.

TECHNOLOGY ABSORPTION: Nil**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements u/s 217(2 AA) of the Companies, Act 1956, the Board of Directors of the Company hereby state and confirm that:

- i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii. the Directors have selected accounting policies and applied them consistently and made judgements 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 Loss of the Company for the year under review.
- iii. 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. the Directors have arranged preparation of the accounts for the financial year ended 31st March 2003 on a "going concern" basis.

Annual Report 2002-2003**DIRECTORS:**

Mr. S. Thippeswamy was appointed as an additional director of your company by the board w.e.f 25.10.2002 and he holds office upto the forthcoming AGM.

Mr. A. K. Rajendra Nominee director nominated by KSFC ceased to be director from May 2003, since the said corporation has withdrawn his nomination.

AUDITORS:

M/s. H.M.V. Murthy & Co., Chartered Accountants, retire as Auditors of the Company and are eligible for re-appointment.

LISTING:

The shares of the company is listed at The Bangalore Stock Exchange, Bangalore, The Madras Stock Exchange, Chennai, The Stock Exchange, Mumbai, and The Stock Exchange, Ahmedabad. Your directors are considering delisting from the Madras Stock Exchange, Chennai, The Stock Exchange, Ahmedabad, and Bangalore Stock Exchange.

ACKNOWLEDGEMENTS:

The Board desires to place on record its appreciation for the co-operation and continued support extended to the Company by all financial institutions, Banks, and the State Government and Central Government. The Board also wishes to thank the Company's members and esteemed business associates for their valuable contribution and support. The Directors of your Company are pleased to place on record their appreciation for the sincere services rendered by the staff and workers at all level.

For and on behalf of the Board of Directors

Place:Challakere

(S.RAJASHEKARAPPA)

Date: 23.08.2003

Chairman

FORM-A**POWER AND FUEL CONSUMPTION:**

Disclosure of particulars with respect to conservation of Energy.

| | | | |
|----|--------------------------|---------|---------|
| A) | Electricity: | 2001-02 | 2000-01 |
| | Units in lakh | Nil | Nil |
| | Total Amount Rs. in Lakh | Nil | Nil |
| | Rate/unit (Rs.) | Nil | Nil |
| B) | Own Generation: | | |
| | (Through D.G) | | |
| | Units in lakh | 12.47 | 12.47 |
| | Units per ltr. Of Diesel | 3.09 | 3.42 |
| | Cost/Unit (Rs) | 4.67 | 4.96 |

ADDENDUM TO DIRECTORS' REPORT

Directors' Replies to Auditors' qualifications

1. Non-provisioning of interest on term loans:

The Company has made an application to the financial institution for one time settlement and sanction of the same is expected shortly. Hence your Director thought it fit not to make any provisions for the said loan

2. Explanation to non-provision of interest on inter corporate loan is dealt in notes to the account point No.2 and is self explanatory.

3. Explanation to non-provision of gratuity is dealt in notes to the account point No.7 and is self explanatory.

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REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

The report on Corporate Governance is a requirement under Listing Agreement entered into with Stock Exchanges and forms part of the report of the Board of Directors to the shareholders of the Company. The report gives an insight into the organisational structure of the Company through which the company acts to achieve the mission set and goals formulated.

1. COMPANY VISION AND PHILOSOPHY ON THE CODE OF GOVERNANCE

The company is laying maximum emphasis on the effective system of corporate governance. The interaction between the Board, the Executives and other functionaries is so configured to have a distinctly demarcated role and improved corporate performance.

The Company's Corporate Philosophy is woven around its total commitment to the ethical practices in the constant quest to grow with profits and enhance Stakeholders value and align the interests of the Stakeholders, and society at large through adoption of best practice and standards.

2. BOARD OF DIRECTORS

The Board of Directors consists of 6 directors including two promoters executive and one director non- executive, as on 31.03.2003. During the year Mr. S. Thippeswamy has appointed as director. The chairman of the Board is a Executive Director. During the period ended March 31, 2003 five Board meeting were held on the following dates - 23.04.2002, 30.07.2002, 30.08.2002, 30.10.2002 & 27.01.2003.

Attendance record of the Directors

| NAME | Designation | Nature of Directors ship | Board Meetings attended during the year. | attended at last |
|--------------------|-------------------|--------------------------|--|------------------|
| AGM | | | | |
| S. Vishwanath | Managing Director | Promoter/executive | 5 | Present |
| S.Rajasekharappa | Chairman | Promoterexecutive | 5 | Present |
| S. Chandrasekhar | Director | Promoter/non-executive | 5 | Present |
| S. Thippeswamy | Director | Non-executive | 2 | Absent |
| K.S. Satyanarayana | Director | Nominee Director | 0 | Absent |
| A.K.Rajendra | Director | Nominee director | 0 | Absent |

The none of the directors of the Company are receiving any remuneration or fee.

3. AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the board's over all responsibilities, an Audit Committee has been constituted as a sub-committee to the Board during the year.

Functions of the Committee:

- Overseeing the Company financial reporting process and ensuring correct, adequate and credible disclosure of financial information.
- Reviewing the Management, financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other requirements concerning financial statements and
- Reviewing the adequacy of external and internal audit, internal control system, discussion with external Auditors before finalization of annual accounts and reports. Review Company's finance and risk management policies.

Composition of Committee:

| Name | Designation |
|---------------------|-------------|
| K.S. Sathyanarayana | Chairman |
| Chandra Shekar | Member |
| S. Thippeswamy | Member |

the committee meeting was held only one time during the financial year ended 31/3/2003 and all of three members attended this meeting.

Mr. K.S. Sathyanarayana, Chairman who is independent and non executive director having financial and accounting knowledge with long standing record of successful careers in his areas is well qualified to carry out their responsibilities as Chairman of the committee