



Chitradurga Spintex Limited

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**Fourteenth Annual Report
2004-2005**

CHITRADURGA SPINTEX LIMITED

BOARD OF DIRECTORS :

Sri. S. RAJASEKHARAPPA
Sri. S. CHANDRASHEKAR
Sri. S. Thippeswamy
Sri. B. Ekanthappa
Sri. K.S. SATHYANARAYANA
Sri. S. VISHWANATH

Chairman
Director
Director
Director
KSIIDC 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 AGENTS :

Canbank Computer Services Ltd.,
(A Subsidiary of Canara Bank)
4th Floor, Naveen Complex,
14 M.G. Road,
BANGALORE-560 001.
Ph:080-25320541, 542, 543. Fax:080-25320544

CONTENTS

	Page No.
Notice	2
Directors' Report	3
Corporate Governance Report	5
Auditors' Report	8
Balance Sheet	11
Profit & Loss Account	12
Schedules	13
Notes to the Accounts	17

NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Company will be held at the Registered Office at Bangalore Road, Siddapura Village, Challakere, Chitradurga Dist. Karnataka, Pin - 577 522 on 30th September 2005 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 2005 and the Profit and Loss Account for the year ending 31st March 2005 together with the reports of the Auditors and Directors thereon.
2. To appoint Auditors and fix their remuneration.

Challakere, 27th August 2005

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 27.09.2005 to 30.09.2005 (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 Report and Attendance slip duly filled for attending the Meeting.

DIRECTORS REPORT

To the Members

Your Directors present the 14th Annual Report of the Company together with the Audited statement of Accounts for the year ended the 31st March 2005.

FINANCIAL RESULTS:

	(Rupees in lakhs)	
	2004-05	2003-04
Sales & Other Income	730.32	577.66
Profit/ Loss before interest & Depreciation	37.81	11.31
Interest	15.03	17.07
Depreciation	21.42	21.36
Profit/Loss for the year	1.36	-27.12
Profit/Loss brought forward	-164.20	-136.22
Profit/Loss carried forward	-162.20	-164.20

DIVIDEND

In view of the in adequacy of profits, Your Directors are unable to recommend any dividend for the year under report.

OPERATIONS:

During the year the Company earned total revenues of Rs.730.32 lacs(includes Rs.38.74 lacs towards interest waiver of term loan of Fls under OTS), as against Rs.577.66 lacs during the previous year. The Company has earned profit before interest & Depreciation of Rs.37.81 lacsas against Rs.11.31 lacs during the previous year.

During the year the KSIIDC has acceded to the Companies request to settle the term loan overdues of the Company under One Time Settlement Scheme. As per the scheme the company has to pay the entire overdue principal of Rs.99.20 lacs and waived entire overdue interest. Out of which the Company has accounted Rs.38.74 lacs only in the accounts during the previous years, the same has taken as other income during the year. The Company has already paid Rs.27.80 lacs during the year 2004-05 and Rs.25.80 lacs during the current financial year 2005-06 according to the terms of OTS sanction. The Company is awaiting similar sanction from KSFC for their term loan overdue of Rs.24.01 lacs for which the Company has already paid Rs.6.01 lacs so far.

The outlook for the current financial year is seems to be good and the directors of the company will continue to try their best to improve the company's performance.

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.89.49 lacs (Previous Year Rs.163.83 lacs)
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(2AA) of the Companies, Act 1956, the Directors hereby confirm that:

- i. In the preparation of the Annual Accounts for the year 2004-05, the applicable accounting standards have been followed and there are no material departures;
- ii. they have selected such accounting policies in consultation with statutory auditors 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 profit of the company for the financial year;

- iii. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act. 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. they have prepared the annual accounts on a going concern basis.

AUDITORS:

M/s. H.M.V. Murthy & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend reappointment of M/s. H.M.V. Murthy & Co., as Auditors of the Company at the ensuing Annual General Meeting.

The Notes to the accounts referred to in the Auditor's Report and the observations made in the Report are self explanatory and therefore do not call for any further comments.

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

(S.RAJASHEKARAPPA)

Chairman

Challakere, 27th August 2005

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

Disclosure of particulars with respect to conservation of Energy.

	2004-05	2003-04
A) Electricity:		
Units in lakh	6.36	Nil
Total Amount Rs. in Lakh	28.94	Nil
Rate/unit (Rs.)	4.55	Nil
B) Own Generation:		
(Through D.G)		
Units in lakh	5.99	10.99
Units per ltr. Of Diesel	3.48	3.14
Cost/Unit (Rs)	6.13	4.77

CORPORATE GOVERNANCE

The report on Corporate Governance is a requirement under Listing Agreement entered into with Stock Exchange and forms part of the report of the Board of Directors to the shareholders of the Company. The report gives an insight in to 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 Company has a Executive Chairman and the number of independent Directors is more than one-third of the total number of Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors. None of the Directors on the Board is a member on more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49.

The names and categories of the Directors on the Board, their attendance at Board Meeting held during the year and the number of Directorships and Committees Memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies and of companies incorporated outside India. Chairmanships/memberships of Board Committees include memberships of Audit, Remuneration and Shareholders/ Investors Grievance Committees.

Name	Category	Attendance Particulars		No. of Directorships & Committee memberships / chairmanships		
		Board Meetings	Last AGM	Other Director ships	Committee Member shps	Committee Chairman ships
S. Vishwanath	Non-independent ED	5	Present	Nil	Nil	Nil
S.Rajasekharappa	Non-independent ED	5	Present	Nil	Nil	Nil
S. Chandrasekhar	Non-independent NED	5	Present	Nil	2	1
S. Thippeswamy	Independent NED	5	Present	Nil	2	-
B. Ekanthappa	Independent NED	4	Present	Nil	-	-
K.S. Satyanarayana	Nominee Director	4	Absent	Nil	2	1

Five Board Meetings were held during the year and the gap between two meeting did not exceed four months. The dates on which the Board Meetings were held on 28.04.2004, 29.07.2004, 25.08.2004, 27.10.2004 and 27.01.2005.

None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company. The none of the directors of the Company are receiving any remuneration or fee.

3. AUDIT COMMITTEE

The Audit Committee of the Company was constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956. The role, terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and listing agreement.

The scope of the Audit Committee :

- Review of the Company's financial reporting process, financial statements and financial risk management policies,
- Review of the adequacy of internal control systems and the adequacy of the internal audit function,
- Discussion with the management and external auditors of the audit plan for the financial year and a joint post-audit review of the same.
- Reviewing with management the annual financial statements before submission to the board, focussing primarily on any changes in accounting policies and practices, the going concern assumptions, compliance with the stock exchange and legal requirements concerning financial statements.

The composition of Audit Committee and particulars of meetings attended by the members of the audit committee are given below:

Name	Category	No. of meetings during the year	
		Held	Attended
Sri K.S. Satyanarayana, Chairman	Independent NED	4	4
Sri S. Chandrashekar	Non-independent NED	4	4
Sri S. Thippeswamy	Independent NED	4	4

Four audit Committee Meetings were held during the year. The dates on which the said meetings were held on 28.04.2004, 25.08.2004, 27.10.2004, and 27.01.2005

THE SHAREHOLDERS/ INVESTORS GRIEVANCES COMMITTEE:

A Shareholders/Investors Grievance Committee of Directors specifically look into the redressal of complaints of investors such as transfer or credit of the shares to demat accounts, non receipt of notices/annual reports etc. Three meetings of the Shareholders/Investors Grievance Committee were held during the year, on 29.07.2004, 27.10.2004 and 27.01.2005.

The composition of the Shareholder/Investors Grievance Committee and number of meetings attended by its members is given below:

Name	Category	No. of meetings during the year	
		Held	Attended
Sri S. Chandrashekar, Chairman	Non-independent NED	3	3
Sri K.S. Satyanarayana	Independent NED	3	3
Sri S. Thippeswamy	Independent NED	3	3

Name and address of Compliance Officer:

Sri D.M. Shivananda Swamy
Chitradurga Spintex Limited,
P.B. No.9, Bangalore Road,
CHALLAKERE-577 522,
Karnataka.

General Body Meetings

a) Location and time where last three AGMs were held

Sl No	Location	Date	Time
1	Registered Office	30.09.2002	11.00. a.m
2	Registered Office	29.09.2003	11.00. a.m
3	Registered Office	30.09.2004	11.00. a.m

(b) No postal ballots were used/invited for voting at general meetings in respect of special resolution passed. The Company shall comply with requirements relating to postal ballot as and when necessary.

DISCLOSURES:

1. The stock exchange or SEBI or any other statutory authorities on any matter related to Capital Markets imposed no penalties or strictures on the Company during the year.
2. A qualified Practicing Company Secretary carried out a Secretarial Audit to reconcile the total admitted capital with NSDL & CDSL and the total issued and listed capital. The audit confirms that the total issued/paid up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL & CDSL.

3. There are no materially significant related party transactions of the Company with key managerial personnel which have potential conflict with the interest of the Company at large.

4. MEANS OF COMMUNICATION

The Company provides information to the shareholders through the Annual Report. It also provides information by publishing quarterly, half yearly financial results.

5. Related parties:

- a. Sri S. Rajasekharappa
Key Management Personnel
- b. Sri S. Vishwanath
Key Management Personnel
- c. Sri S. Chandrashekar
Relative of Key Management Personnel
- d. M/s. Chitradurga Sunflower Oil Complex Ltd Enterprise in which the relative of the Key Management Personnel

Quantification of transactions during the year 2004-05

Nature of Relationship	Nature of Transaction	Amount
Key Management Personnel	Repayment of Unsecured loan	12.50 lacs
The Company in which the relatives of key management personels are interested	Received part of the Unsecured loan	12.50 lacs