



**CHITRADURGA SPINTEX LIMITED**

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**ANNUAL REPORT 2005-2006**

# 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

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**NOTICE**

Notice is hereby given that the 15th Annual General Meeting of the Company will be held at the Registered Office at Bangalore Road, Siddapura Village, Challakere-577 522, Chitradurga Dist. Karnataka, on 30th September 2006 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 2006 and the Profit and Loss Account for the year ending 31st March 2006 together with the reports of the Auditors and Directors thereon.
2. To appoint Auditors and fix their remuneration.

Challakere, 30th August 2006

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 27.09.2006 to 30.09.2006 (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 15th Annual Report of the Company together with the Audited statement of Accounts for the year ended the 31st March 2006.

### FINANCIAL RESULTS:

	2005-06	(Rupees in lakhs) 2004-05
Sales & Other Income	564.80	730.32
Profit/ Loss before interest & Depreciation	37.67	37.81
Interest	14.82	15.03
Depreciation	20.90	21.42
Profit/Loss for the year	1.95	1.36
Profit/Loss brought forward	-162.20	-164.20
Profit/Loss carried forward	-160.38	-162.20

### OPERATIONS:

The poor financial performance was due to disparity in raw material cost and selling price, less demand for end product, and scarcity of labour, hence the Company has operated at reduced capacity. However the Company has made a Net Profit of Rs.1.95 lacs as against Rs.1.36 lacs during the previous year.

During the year the Company has met the commitments with KSIIDC to clear the overdue term loan under One Time Settlement Scheme and paid Rs.57.80 lacs towards One Time Settlement amount, and the balance amount of Rs.13.58 lacs has already paid during the first quarter of the current financial year. Thus the entire OTS amount of Rs.99.20 lacs has been completely paid as committed with KSIIDC. 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.

Due to globalisation and WTO effect, and dismantling of quota system, the demand for the coarser count cotton yarn has increased, and the Company is being in this field since last 14 years is expecting more demand for company's end product in this quota free regime. The Company has taken all possible steps to go in for swing production. Hence the Company is expecting 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.

### DIVIDEND

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

### 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.100.02 lacs (Previous Year Rs.86.49 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 requirement u/s 217(2 AA) of the Companies, Act 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i. In the preparation of the annual accounts, 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 or loss of the Company for the year under review;

- iii. they 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; 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. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits u/s 224 (1B) of the Companies Act, 1956. 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 under Companies (Auditors Report) Order 2003 and the Companies (Auditors Report) (Amendment) Order, 2004 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)

Challakere, 30th August 2006

Chairman

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FORM-A

#### POWER AND FUEL CONSUMPTION:

Disclosure of particulars with respect to conservation of Energy.

A)	Electricity:	2005-06	2004-05
	Units in lakh	12.41	6.36
	Total Amount Rs. in Lakh	55.77	28.94
	Rate/unit (Rs.)	4.49	4.55
B)	Own Generation:		
	(Through D.G)		
	Units in lakh	Nil	5.99
	Units per ltr. Of Diesel	Nil	3.48
	Cost/Unit (Rs)	Nil	6.13

**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**

A. Presently the Board of the Company consists of six Directors, with four Directors as Non-Executive Directors. The composition of the Board, number of the meetings held, attendance of the Directors at the Board Meeting & last Annual General Meeting and the number of Directorship and Chairmanship/Membership of Committees in other companies in respect of each Director 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 Directorships	Committee Member ships	Committee Chairman
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	5	Present	Nil	-	-
K.S.Satyanarayana	Nominee Director	5	Absent	Nil	2	1

B. During the Financial Year 2005-2006, the Board of Directors met five times. The dates of the meetings were 29.04.2005, 26.07.2005, 02.09.2005, 27.10.2005 and 28.01.2006. 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**

A. The Audit Committee of the Company presently consists of three Non-Executive Directors, out of which two Directors are independent. The Chairman of the Committee is an Independent Director. The composition of the Audit Committee and attendance of Directors at the meeting is as follows.

Name	Category	No. of meetings during the year	
		Held	Attended
Sri K.S. Satyanarayana, Chairman	Independent NED	5	5
Sri S. Chandrashekar	Non-independent NED	5	5
Sri S. Thippeswamy	Independent NED	5	5

B. Number of Audit Committee Meetings held and dates:

Five audit Committee Meetings were held during the year. The dates on which the said meetings were held on 29.04.2005, 26.07.2005, 02.09.2005, 27.10.2005, and 28.01.2006

C. Terms of reference:

The terms of reference of the Audit Committee are mainly to see the effectiveness of the operations of the audit function of the Company, review the systems and procedures of internal control, oversee the Company's financial reporting process, review with management the periodical and 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 Committee also oversees the Risk Management practice followed by the Company. Discussion with the management and external auditors of the audit plan for the financial year and a joint post-audit review of the same.

**4. THE SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE:**

Shareholders/Investors Grievance Committee of the Company consists of three Non-Executive Directors. The Committee 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. During the financial year, the Committee met twice on 30.08.2005 & on 02.02.2006. The position of attendance of Directors at the meeting is as under:

Name	Category	No. of meetings during the year	
		Held	Attended
Sri S. Chandrashekar	Chairman/Non-independent NED	2	2
Sri K.S. Satyanarayana	Independent NED	2	2
Sri S. Thippeswamy	Independent NED	2	2

#### 5. GENERAL BODY MEETINGS:

A. The Location and time, where last three Annual General Meetings were held is as under:

Sl No	Location	Date	Time
1	Registered Office	29.09.2003	11.00. a.m
2	Registered Office	30.09.2004	11.00. a.m
3	Registered Office	30.09.2005	11.00. a.m

B. No special resolutions were put through Postal Ballot in the last year, as there were no such item, which were required to be passed through Postal Ballot.

#### 6. DISCLOSURES:

- Related party transactions during the year have been disclosed as required under Accounting Standard 18 issued by the ICAI. The transaction with the Company, where the Directors of the Company are interested were in the normal course of business and there were no materially significant related party transactions that may have potential conflict with the interests of the Company at large.
- There were no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets during the last year.
- 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.
- In preparation of the financial statements, the Company has followed the Accounting Standards issued by the ICAI. The significant accounting policies have been set out in the Notes to the Accounts.

#### 7. MEANS OF COMMUNICATION:

The Company's quarterly/half yearly financial results are published in the leading Kannada and English papers. Last year these were published in Usha Kirana (Bangalore) and The Hindu Business Line. There has been no presentation to analysts, and official news releases during the year.

#### 8. GENERAL SHAREHOLDERS INFORMATION:

##### A. Annual General Meeting:

Date & Time: 30.09.2006 at 11.00 A.M.

Venue: Chitradurga Spintex Limited, Bangalore Road, Siddapur Village, Challakere-577 522, Karnataka

##### B. Tentative Financial calendar:

Results for First Quarter - July 2006, Second Quarter - October 2006, Third Quarter - January 2007, Fourth Quarter- April 2007

##### C. Date of Book Closure: From 27th September 2006 to 30th September 2006 (both days inclusive)

##### D. Dividend Payment Date: Not Applicable

##### E. Listing on Stock Exchanges: BSE, Mumbai

##### F. Stock Exchange Code - 521244

Demat ISIN No. INE676G01016

##### G. Market Price Data:

High, Low during each month in the last financial year on The Stock Exchange, Mumbai:  
(No stock quotes during April 2005, Jan 2006 and Feb 2006)

Month	High (Rs.)	Low (Rs.)
May, 2005	6.00	3.00
June 2005	6.40	6.00
July 2005	6.40	5.60
Aug 2005	7.10	5.60
Sept 2005	7.10	5.60
Oct 2005	5.60	4.00
Nov 2005	4.10	4.00
Dec 2005	4.10	4.00
Mar 2006	4.00	3.80