



**CHITRADURGA SPINTEX LIMITED**

**ANNUAL REPORT 2006-2007**

# 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 16th 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 29th September 2007 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 2007 and the Profit and Loss Account for the year ending 31st March 2007 together with the reports of the Auditors and Directors thereon.
2. To appoint Mr. S.Rajasekharappa, as Director in pursuance of Article 11 of the Articles of Association of the Company and Section 265 of the Companies Act, 1956, according to the principle of proportional representation
3. To appoint Mr. S. Chandrashekar, as Director in pursuance of Article 11 of the Articles of Association of the Company and Section 265 of the Companies Act, 1956, according to the principle of proportional representation
4. To appoint Mr. S. Thippeswamy, as Director in pursuance of Article 11 of the Articles of Association of the Company and Section 265 of the Companies Act, 1956, according to the principle of proportional representation
5. To appoint Mr. B. Ekanthappa, as Director in pursuance of Article 11 of the Articles of Association of the Company and Section 265 of the Companies Act, 1956, according to the principle of proportional representation
6. To appoint Auditors and fix their remuneration.

By order of the Board  
**S.Rajasekharappa**  
 Chairman

Challakere, 31st August 2007

**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 25.09.2007 to 29.09.2007 (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. A person who desires to contest for election may deliver or cause to get delivered his nomination along with a deposit of Rs.500 by DD drawn in favour of the company, at companies registered office before 14.09.2007.
5. Members are requested to bring their Copies of Report and Attendance slip duly filled for attending the Meeting.
6. An explanatory statement U/s 173 of the Companies Act, 1956 is annexed.

**EXPLANATORY STATEMENT U/S 173 (2) OF COMPANIES ACT, 1956.****ITEM NO.2, 3, 4 and 5**

Article 11 adopts the provisions contained in section 265 of the Companies Act, 1956 relating to appointment of Directors once in every three years according to the principle of the proportional representation. The Board was last constituted at the 13th Annual General Meeting held in the year 2004. The Board consists of Mr. S. Rajasekharappa, Mr. S. Vishwanath, Mr. S. Chandrashekar, Mr. S. Thippeswamy, Mr. B. Ekanthappa and Mr. K.S. Sathyanarayana KSIIDC nominee, Mr. S. Vishwanath is a non retiring Director. Mr. S. Rajasekharappa, Mr. S. Chandrashekar, Mr. S. Thippeswamy and Mr. B. Ekanthappa retire at this Annual General Meeting and are eligible for reappointment. Notice u/s 257 of the Companies Act, 1956, in connection with the reappointment of these directors have been received by the Company.

Mr. S. Rajasekharappa, Mr. S. Vishwanath and Mr. S. Chandrashekar directors may be deemed to be interested in this respective resolution.

## DIRECTORS REPORT

To the Members

Your Directors present the 16th Annual Report of the Company together with the Audited statement of Accounts for the year ended the 31st March 2007.

### FINANCIAL RESULTS:

|   | (Rupees in lakhs) |         |
|---|-------------------|---------|
|   | 2006-07           | 2005-06 |
| Sales & Other Income                        | 450.81            | 564.80  |
| Profit/ Loss before interest & Depreciation | 36.56             | 37.67   |
| Interest                                    | 14.16             | 14.82   |
| Depreciation                                | 20.90             | 20.90   |
| Profit/Loss for the year                    | 1.50              | 1.95    |
| Profit/Loss brought forward                 | -160.38           | -162.20 |
| Profit/Loss carried forward                 | -159.14           | -160.38 |

### OPERATIONS:

This year also the company was forced to operate at reduced capacity due to disparity in raw material cost and selling price, less demand for end product, poor quality of power supply, heavy power interruption and scarcity of labour, hence the Company's operation during the year was not satisfactory. However the Company has made a profit of Rs.1.50 Lacs as against Rs.1.95 lacs during previous year.

During the year the Company has completely paid the entire term loan dues of KSIIDC and KSFC as committed on OTS basis. The Company has completely fulfilled the stipulated export obligation with the Directorate General of Foreign Trade, New Delhi and received EO completion certificate from the said authority during the year.

The present market scenario seems to be improving, and the Company is expecting better outlook for the current financial year, and the directors of the company will continue to try their best to improve the company's performance.

### DIVIDEND

In view of in adequacy 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.31.15 lacs (Previous Year Rs.100.02 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. We 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. We 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. We 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.

**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, 31st August, 2007

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

Disclosure of particulars with respect to conservation of Energy.

|                          | 2006-07 | 2005-06 |
|--------------------------|---------|---------|
| A)Electricity:           |         |         |
| Units in lakh            | 9.67    | 12.41   |
| Total Amount Rs. in Lakh | 44.54   | 55.77   |
| Rate/unit (Rs.)          | 4.61    | 4.49    |
| B)Own Generation:        |         |         |
| (Through D.G)            |         |         |
| Units in lakh            | Nil     | Nil     |
| Units per ltr. Of Diesel | Nil     | Nil     |
| Cost/Unit (Rs)           | Nil     | Nil     |

**ADDENDUM TO DIRECTORS REPORT****Non provision of interest on Inter Corporate Advance**

Explanation to non provision of interest on inter Corporate Advance is dealt in notes to the accounts in point No.1.1(a).

**Status of loan:**

Explanation to status of loan is: we have gone through the provisional balance sheet of the company and observed that the financial position of the said Company has improved substantially, and it has cleared the secured creditors dues, and the said Company has assured to clear the dues during the coming financial years. Considering this we are hopeful of recovering the full amount during coming financial years, and so we have not taken any concrete steps.

The Notes to the accounts referred to in the auditors report and observation made to the report under Companies (Auditors Report) Order 2003 and Companies (Auditors Report) (Amendment) Order 2004 are self explanatory and do not call for any further comments.

**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's vision and philosophy on corporate 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. Composition and size of the board**

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 each director in different committees 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 Directorships  | Committee Member ships | Committee Chairmanships |
| 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                      | Present  | Nil  | 2                      | 1                       |

During the Financial Year 2006-2007, the Board of Directors met five times. The dates of the meetings were 27.04.2006, 27.07.2006, 02.09.2006, 26.10.2006 and 29.01.2007. None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.

None of the directors of the Company are receiving any remuneration or fee.

**B. Details of Directors:**

The Brief profile of your Company's Board of Directors is as under:

1. Mr. S. Rajasekharappa (57) is a BE graduate in Metallurgy and has over 16 years of experience in textile industry. He became industrialist in other fields like oil industry, having vast experience as businessman. He is currently the chairman of the board. He holds 2,16,100 shares in the Company as on 31.03.2007
2. Mr. S. Chandrashekar (61) is a graduate in commerce and has over 35 years of experience in Textile & Oil Industry. Currently is a member of Audit Committee and the chairman of the shareholders/ investors grievances committee. He holds 1,61,000 shares in the Company as on 31.03.2007
3. Mr. S. Vishwanath (43) is a BE graduate in electronics has got over 16 years of experience in Textile industry. He is currently the Managing Director of the Company. He holds 3,16,700 shares in the Company as on 31.03.2007
4. Mr. S. Thippeswamy (66) is a graduate and has over 30 years of experience in Cotton business. He is currently a member of Audit Committee and the shareholders/ investors grievance committee. He does not hold any shares in the Company as on 31.03.2007.
5. Mr. K.S. Sathyanarayana (62), M.Sc., FICWA, is a nominee director of KSIIDC and has over 38 years of experience in the field of finance. He is the chairman of the audit committee. He does not hold any shares in the Company as on 31.03.2007.
6. Mr. B. Ekanthappa (48) is a graduate and has over 20 years of experience in Cotton business. He does not hold any shares in the Company as of 31.03.2007.



## 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, who has a wide experience in economic, financial and taxation issues. The composition of the Audit Committee and attendance of Directors at the meeting is as follows.

| Name                             | Category            | No. of meetings held 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 27.04.2006, 27.07.2006, 02.09.2006, 26.10.2006 and 29.01.2007

## 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 30.08.2006 & on 02.02.2007. The position of attendance of Directors at the meeting is as under:

| Name                   | Category                     | No. of meetings held 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        |

## Status of Complaints/Grievances during the period

| Type of complaints                | No. of complaints Received | No. of complaints Redressed | Pending as on 31.03.2007 |
|-----------------------------------|----------------------------|-----------------------------|--------------------------|
| Non-Receipt of Share Certificates | 4                          | 4                           | 0                        |
| Demat / Remat                     | 6                          | 6                           | 0                        |
| Issue of duplicate certificate    | 1                          | 1                           | 0                        |
| Others                            | 3                          | 3                           | 0                        |

Sri D.M. Shivananda Swamy is the Compliance Officer under the relevant regulations.

## 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 | 30.09.2004 | 11.00. a.m |
| 2     | Registered Office | 30.09.2005 | 11.00. a.m |
| 3     | Registered Office | 30.09.2006 | 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:

- A. 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.
- B. 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.