

Chitradurga Spintex Limited



Annual Report 2007-2008

Corporate Information

Works & Registered Office

Bangalore Road
Siddapura Village
Challakere-577 522
Karnataka State.

Statutory 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.,
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 17th Annual General Meeting of the Company will be held at the Registered Office at Bangalore Road, Siddapura Village, Challakere-577522, Chitradurga Dist. Karnataka, on 30th September 2008 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance sheet of the Company as at 31st March 2008, the Profit and Loss Account and the report of the Board of directors and Auditors thereon.
2. To appoint Statutory Auditors and fix their remuneration..

Challakere, 28th August 2008

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 27.09.2008 to 30.09.2008 (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

Dear Shareholders,

Your directors have pleasure in presenting the seventeenth Annual Report of the Company together with audited financial statements and accounts for the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Particulars	(Rupees in Lakhs)	
	2007-08	2006-07
Gross Revenue	397.21	450.81
PBITD	44.17	36.56
Cash Profit from operations	28.86	22.41
Net Profit/(-)Loss	7.93	1.50

OPERATIONS:

The business environment has become worst due to recession in the market due to globalization, rupee appreciation and government policies. This year also due to disparity in raw material cost and selling price, heavy power interruption and scarcity of labour, the Company was forced to operate at reduced capacity. However the Company has made a profit of Rs. 7.93 Lacs.

The near term outlook for the Company remains muted due to the above reasons and situation may continue this year also, however your directors will continue to try their best to improve the company's performance.

DIVIDEND

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

DIRECTORS

Consequent to satisfaction of charge of KSIIDC, K.S. Sathyanarayana, nominee director appointed by KSIIDC ceased to be director from 28.08.2008. The Company has taken steps to appoint independent director in place of him to meet the requirement of clause 49 of the listing agreement.

CORPORATE GOVERNANCE:

A detailed report on Corporate Governance pursuant to the requirements of Clause 49 of the Listing Agreement forms part of the Annual Report. A certificate from the auditors of the Company, H.M.V. Murthy & Co., Chartered Accountants, confirming compliance of conditions of corporate governance as stipulated under the aforesaid Clause 49 is provided as annexure.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In accordance with the Listing Agreement requirements, the Management Discussion and Analysis report is presented in the separate section forming part of the Annual Report.

AUDITORS:

The Statutory Auditors of the Company, M/s. H.M.V. Murthy & Co., Chartered Accountants, Bangalore, retire at the conclusion of the ensuing annual general meeting of the Company and have confirmed their willingness and eligibility for re-appointment and have also confirmed that their re-appointment, if made, will be within the limits under Section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

The Board has duly examined the statutory auditors' report to accounts and clarifications wherever necessary, have been included in the Notes to Accounts section of the Annual 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, read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Disclosure in respect of conservation of energy as required under 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, as amended is given below.

CONSERVATION OF ENERGY

Particulars	2007-08	2006-07
A) Electricity		
Units in Lakhs		9.67
Total Amount Rs. in Lakhs		44.54
Rate/unit (Rs)		4.61
B) Own Generation (Through D.G)	Nil	Nil

TECHNOLOGY ABSORPTION: Nil**FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earnings during the year Rs.26.06 lakhs (previous year Rs.31.15 lakhs) and Foreign Exchange Outgo during the year Rs. Nil (previous year Rs. Nil)

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2 AA) of the Companies Act, 1956, the directors to the best of their knowledge and belief hereby confirmed that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- We have selected such accounting policies in consultation with statutory auditors 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 of the Company for the year under review;
- 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
- We have prepared the annual accounts on a going concern basis.

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

S. RAJASHEKARAPPA
Chairman

Challakere, 28th August 2008

Report on Corporate Governance

COMPANY'S GOVERNANCE PHILOSOPHY

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.

BOARD OF DIRECTORS

Composition of the Board

To comply with the provisions of the Listing Agreement, other statutory provisions and the terms of the shareholders' agreement, the Board of directors of the Company currently comprises of six members, two of whom are executive directors, one is non-executive director and three are non-executive independent directors.

In compliance with the stipulations of the revised Clause 49 of the Listing Agreement, 50% of the Board comprises of independent directors. The requisite information as per the requirements of Clause 49 of the Listing Agreement is provided in the following table:

Name of director and designation	Category	Number of directorships', chairmanships', & memberships'			Attendance	
		Director ships	Chairman ships	Member ships	Board Meeting	AGM
S. Vishwanath Managing Director	Executive –Promoter	-	-	-	5	Yes
S. Rajasekharappa Chairman	Executive –Promoter	-	-	-	5	Yes
S.Chandrasekhar Director	Non-Executive – Promoter	-	1	2	5	Yes
S. Thippeswamy Director	Non –Executive Independent	-	-	2	5	Yes
B. Ekanthappa Director	Non –Executive Independent	-	-	1	5	Yes
K.S.Sathyanarayana Director	KSIIDC Nominee Independent	-	1	1	5	No

During the Financial Year 2007-2008, the Board of Directors met five times. The dates of the meetings were 27.04.2007, 27.07.2007, 31.08.2007, 30.10.2007 and 29.01.2008. None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company and none of the directors of the Company are receiving any remuneration or fee.

Brief profile of Directors

S. Vishwanath (44) is a BE graduate in electronics has got over 17 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 31.03.2008

S. Rajasekharappa (58) is a BE graduate in Metallurgy and has over 17 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 31.03.2008

S. Chandrashekar (61) is a graduate in science and has over 36 years of experience in Textile & Oil Industry. Currently is chairman of the shareholders / investors grievances committee. He holds 1,61,000 shares in the Company as on 31.03.2008

S. Thippeswamy (67) is a graduate and has over 31 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 31.03.2008.

B. Ekanthappa (49) is a graduate and has over 21 years of experience in Cotton business. He does not hold any shares in the Company as of 31.03.2008.

AUDIT COMMITTEE

The Audit Committee comprises of three members, all of whom are non-executive. Two-thirds of the members are independent directors. The Chairman of the Audit Committee, Mr. K.S. Sathyanarayana has sound financial knowledge as well as many years of experience in general management. The majority of the audit committee members, including the chairman have accounting and financial management expertise.

Key responsibilities of the audit committee

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and accurate and provide sufficient information. The determination of audit fees of statutory auditors, and approval of payment to statutory auditors for any other services rendered by them.

Reviewing, with the management, annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the directors' responsibility statement, changes, if any in accounting policies, major accounting entries, significant adjustments made in the financial statements arising out of audit findings, compliance with listing and other legal requirements relating to financial statements, approval of all related party transactions, qualifications in the draft audit report. Reviewing with the management the quarterly financial statements before submission to the Board for approval. Reviewing with the management, performance of statutory auditors, and adequacy of the internal control systems.

Reviewing, management discussions and analysis of financial condition and results of operations, statement of related party transactions, quarterly compliance certificates confirming compliance with laws and regulations, including any exemptions to these compliances, such other function as may be assigned by the board of directors from time to time or as may stipulated under any law, rule or regulation including the listing agreement and the Companies Act, 1956.

Meetings, attendance and composition of Audit Committee

During the Financial Year 2007-2008, the audit committee met five times ie., on 27.04.2007, 27.07.2007, 31.08.2007, 30.10.2007 and 29.01.2008. The composition of Audit Committee and attendance of members is as follows.

Name	Category	Number of meetings attended
K.S. Sathyanarayana-Chairman	Independent director	5
S. Chandrasekhar	Non-executive director	5
S. Thippeswamy	Independent director	5

INVESTORS GRIEVANCES COMMITTEE:

Investors Grievance Committee of the Company consists of three members. The Committee specifically looks 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 30.08.2007 & 02.02.2008. The composition of the committee and attendance of members at the meetings held during the financial year 2007-08 are given below.

Name	Category	Number of meetings attended
S. Chandrasekhar - Chairman	Non-executive director	2
K.S. Sathyanarayana	Independent director	2
S. Thippeswamy	Independent director	2

Nature of complaints and redressal status

Type of complaint	Received	No. of complaints Redressed	Pending
Correction of name share certificate	1	1	-
Complaint regarding Demat/Remat	4	4	-

Compliance Officer

D.M. Shivanandaswamy, acts as Compliance Officer of the Company for complying with the requirements of the Listing Agreement with the stock exchange and requirements of SEBI (Prohibition of insider Trading) Regulations, 1992.

Special resolutions passed at the last three AGMs

No special resolutions were passed in the AGMs held on Sept 29, 2007, Sept 30, 2006 and Sept 30, 2005.

GENERAL BODY MEETINGS

The last three Annual General Meetings were held is as under:

Financial Year	Location	Date	Time
2006-2007	Registered Office	Sept 29, 2007	11.00 a.m.
2005-2006	Registered Office	Sept 30, 2006	11.00 a.m.
2004-2005	Registered Office	Sept 30, 2005	11.00 a.m.

Postal ballot and postal ballot process

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

DISCLOSURES**Disclosure on materially significant related party transactions**

The required statements/disclosures with respect to the related party transactions are placed before the audit committee as well as to the Board of directors, on a quarterly basis in terms of Clause 49(IV) (A) and other applicable laws for approval.

Related party transactions have been disclosed under schedule 17 forming part of the annual accounts as required under Accounting Standard 18 issued by the ICAI. The transactions 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.

Disclosure of Accounting Treatment

We have complied with all the applicable accounting standards except accounting of interest on Inter Corporate Advance and gratuity which will be accounted on receipt/payment basis.

CEO and CFO certification

The certificate required under Clause 49(V) of the Listing Agreement duly signed by the CEO was placed before the Board, and the same is provided in annual report.