

Chitradurga Spintex Limited



Annual Report  
2008-09

### **Board Of Directors**

Sri S. Rajasekharappa	Chairman
Sri S. Vishwanath	Managing Director
Sri S. Chandrashekar	
Sri S. Thippeswamy	
Sri B. Ekanthappa	
Sri S. Prasannakumar (from 29.01.2009)	
Sri K.S. Sathyanarayana (upto 15.01.2009)	

### **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  
ICICI

### **Share Transfer Agents**

Canbank Computer Services Ltd.,  
(A Subsidiary of Canara Bank)  
#218, J.P.Royale, 1<sup>st</sup> Floor,  
2<sup>nd</sup> Main, Sampige Road, (Near 14<sup>th</sup> Cross),  
Malleswaram, Bangalore-560001  
Ph:080-23469661, 23469662

### **Contents**

	Page No.
Notice	1
Directors' Report	2
Corporate Governance Report	4
Management Discussion and Analysis Report	9
Auditors' Report	10
Balance Sheet	14
Profit & Loss Account	15
Schedules	16 – 20
Notes to the Accounts	21 - 22

## Chitradurga Spintex Limited

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### NOTICE

Notice is hereby given that the 18th 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 2009 at 10.00 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 2009, 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.

By order of the Board

Challakere, 28th August 2009

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 29.09.2009 to 30.09.2009 (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.

## Chitradurga Spintex Limited

**Directors' Report**

Dear Shareholders,

Your directors have pleasure in presenting the Eighteenth Annual Report of the Company together with audited financial statements and accounts for the year ended March 31, 2009.

**Financial Highlights**

(Rupees in Lakhs)		
Particulars	2008-09	2007-08
Gross Revenue	167.60	397.21
PBITD	(82.19)	44.17
Cash Profit from operations	(122.38)	28.86
Net Profit/(-)Loss	(137.96)	7.96

**Operations:**

The business environment of Open End Textile Spinning Industry has become worst due to global recession and recession in the domestic textile market. In addition to this the industry is facing lot of other problems like Scarcity of raw material, disparity of prices, heavy interruption of power supply, unsustainable huge loss etc.

Due to the reasons which are beyond the control of your director's, this year also your company's performance was not satisfactory. Your Directors have been continuously reviewing the performance of the operation and are un-happy. In view of this, and considering the near term outlook for the Open End Textile, your directors had proposed to stop the spinning activity to avoid the unsustainable huge loss and to undertake other business activity like power generation, marketing of edible oil with Company's own brand name. Pursuant to approval of the members through postal ballot notice dt.28.08.2008, the Company has stopped the spinning activity from 31.12.2008 and sold some of the assets. Due to recession and effect of slowdown your company not yet started new business as proposed and approved by the members through postal ballot notice dt.28.08.2008. But Company has started trading activity and earned some profit during the year. Due to deterioration of stock, waiver of interest to recover the inter corporate deposit as per the approval members and written off of bad debts Company has incurred huge loss.

**Dividend**

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

**Directors**

During the year KSIIDC has withdrawn the nomination of its nominee Mr.K.S. Sathyanarayana from 15.01.2009. The Company has appointed Mr.S. Prasannakumar in his place to comply with the clause 49 of the listing agreement and other provisions. No directors retire by rotation at the ensuing annual general meeting.

**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**

The management discussion and analysis of financial condition including the result of operation of the Company for the year under review as required under clause 49 of the listing agreement with the stock exchange is given as a separate statement in 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.

## Chitradurga Spintex Limited

**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	2008-09	2007-08
A) Electricity		
Units in Lakhs	3.38	9.67
Total Amount Rs. in Lakhs	17.79	44.54
Rate/unit (Rs)	5.26	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.Nil (previous year Rs.26.06 lakhs) and Foreign Exchange Outgo during the year Rs. Nil (previous year Rs. Nil)

**Directors' Responsibility Statement**

Pursuant to the requirement under section 217(2 AA) of the Companies Act, 1956, with respect to the directors responsibility statement it is hereby confirmed that:

- In the preparation of the annual accounts for the financial year ended March 31, 2009, the applicable accounting standards have been followed and there are no material departures from the same;
- The Directors have selected such accounting policies 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 as at March 31, 2009 and of the loss of the Company for the said period.
- The Directors 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, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- The Directors have prepared the accounts for the financial year ended March 31, 2009 on a going concern basis.

**Acknowledgements**

Your Directors wish to place on record their appreciation for the continued support and co-operation of the shareholders, Bankers, various regulatory and Government authorities and for the valuable contributions made by the employees of the Company.

**Addendum****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.
- Regarding Auditors comment on 'on going concern' the Director contend that the Company will be able to continue as going concern as borne out by AAS16 issued by the council of the ICAI.
- Regarding Auditors comment on postal ballot notice dt.28.08.2008 to obtain members approval to grant one time settlement to borrower Company to recover the inter corporate loan, the Director contend that sufficient information was given in annual report 2007-08 which was sent to members during the postal ballot was sent members.

On behalf of the Board of Directors

S. Rajasekharappa  
Chairman

Challakere, 28th August 2009

## Chitradurga Spintex Limited

### 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 the Board of Directors of the Company comprises of six members. During the year KSIIDC has withdrawn its nominee Mr.K.S.Sathyanarayana from 15.01.2009. The Company has appointed Mr.S. Prasannakumar in his place to comply with the provisions. Presently the board consists of six directors, two of whom are executive directors, one is non-executive director and three are non-executive 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	Category	Number of directorships', chairmanships', & memberships'			Attendance	
		Director ships	Chairman ships	Member ships	Board Meeting	AGM
S. Vishwanath	Executive –Promoter	-	-	-	5	Yes
S. Rajasekharappa	Executive –Promoter	-	-	-	5	Yes
S.Chandrasekhar	Non-Executive – Promoter	-	1	2	5	Yes
S. Thippeswamy	Non –Executive Independent	-	-	2	5	Yes
B. Ekanthappa	Non –Executive Independent	-	-	-	5	Yes
S. Prasannakumar	Non –Executive Independent	-	1	2	1	No
K.S.Sathyanarayana	from 29.01.2009 KSIIDC Nominee Independent up to 15.01.2009	-	-	-	4	No

During the Financial Year 2008-2009, the Board of Directors met five times. The dates of the meetings were 28.04.2008, 29.07.2008, 28.08.2008, 31.10.2008 and 29.01.2009. 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 (45) is a BE graduate in electronics has got over 18 years of experience in Textile industry. He is currently the Managing Director of the Company. He holds 316700 shares in the Company as on 31.03.2009

S. Rajasekharappa (59) is a BE graduate in Metallurgy and has over 18 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 216100 shares in the Company as on 31.03.2009

S. Chandrashekar (62) is a graduate in science and has over 37 years of experience in Textile & Oil Industry. Currently is chairman of the shareholders / investors grievances committee. He holds 161000 shares in the Company as on 31.03.2009

## Chitradurga Spintex Limited

S. Thippeswamy (68) is a graduate and has over 32 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 31.03.2009.

B. Ekanthappa (50) is a graduate and has over 22 years of experience in Cotton business. He does not hold any shares in the Company as of 31.03.2009.

S. Prasannakumar (49) is a graduate and professionally he is businessman and has over 20 years of experience in trading activity especially he has got vast experience in cotton, oil and oil seeds trading. He does not hold any shares in the Company as of 31.03.2009.

K.S. Sathyanarayana (64) M.Sc., FICWA, is a nominee director of the KSIIDC, and has over 39 years of experience in the field of finance. He was chairman of the audit committee up to 15.01.2009. He does not hold any shares in the Company as on 31.03.2009.

### Audit Committee

The Audit Committee comprises of three members, all of whom are non-executive. The Chairman of the Audit Committee, Mr. S. Prasannakumar (from 29.01.2009) has sound financial knowledge as well as many years of experience in general management and trading. 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 2008-2009, the audit committee met five times ie., on 28.04.2008, 29.07.2008, 28.08.2008, 31.10.2008 and 29.01.2009. The composition of Audit Committee and attendance of members is as follows.

Name	Category	Number of meetings attended
S. Prasannakumar-Chairman from 29.01.2009	Independent director	1
K.S. Sathyanarayana (Chairman up to 15.01.2009)	Independent director	4
S. Chandrasekhar	Non-executive director	5
S. Thippeswamy	Independent director	5

## Chitradurga Spintex Limited

**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 28.08.2008 & 29.01.2009. The composition of the committee and attendance of members at the meetings held during the financial year 2008-09 are given below.

Name	Category	Number of meetings attended
S. Chandrasekhar - Chairman	Non-executive director	2
K.S. Sathyanarayana up to 15.01.2009	Independent director	1
S. Thippeswamy	Independent director	2
S. Prasannakumar from 29.01.2009	Independent director	1

**Nature of complaints and redressal status**

Type of complaint	No. of complaints		
	Received	Redressed	Pending
Non receipt of share certificate	3	3	-
Complaint regarding Demat/Remat	3	3	-

**Dedicated e-mail for Investor Grievance**

For the convenience of our investors, the Company has designated an exclusive e-mail ID i.e., grdspintex@gmail.com. All investors are requested to avail this facility.

**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.

**General Body Meetings**

The Company held its last three Annual General Meetings as under:

Year	Venue	Date & Time	Special Resolution passed
2007-2008	Registered Office	Sept 30, 2008 11.00 a.m.	None
2006-2007	Registered Office	Sept 30, 2007 11.00 a.m.	None
2005-2006	Registered Office	Sept 30, 2006 11.00 a.m.	None

**Postal ballot**

During the year, special and ordinary resolution as proposed in Postal Ballot Notice dated 28.08.2008 were passed on 30.10.2008 through postal ballot which related to (i) Special Resolution to alter the main object clause of memorandum (ii) Ordinary resolution for Sale of Plant and (iii) Ordinary Resolution to grant one time settlement of inter corporate loan. Shri G.Shanker Prasad, Practicing Company Secretary, was appointed as the scrutinizer for overseeing the Postal Ballot process. The above resolutions have been passed with requisite majority as per the following details.

**Postal Ballot Results**

Sl.No.	Particulars of resolutions	% of votes cast in favour of resolution
1	Special Resolution to alter the main object clause of memorandum	99.988%
2	Ordinary resolution for Sale of Plant	99.975%
3	Ordinary Resolution to grant one time settlement of inter corporate loan	99.976%

The Company has completed with the procedures for the postal ballot in terms of the Companies (Passing of Resolution by Postal ballot) Rules 2001 and amendments thereto made from time to time.