

**NOTICE**

Notice is hereby given that the 19th 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 2010 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 2010 and the Profit and Loss Account for the year ending 31st March 2010 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, 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, according to the principle of proportional representation
4. To appoint Mr. .S.T. Thippeswamy, as Director in pursuance of Article 11 of the Articles of Association of the Company and Section 265 of the Companies Act, according to the principle of proportional representation
5. To appoint Mr. S. Prasannakumar, as Director in pursuance of Article 11 of the Articles of Association of the Company and Section 265 of the Companies Act, according to the principle of proportional representation.
6. 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, according to the principle of proportional representation.
7. To appoint Auditors and fix their remuneration.

By order of the Board

Challakere, 27th August 2010

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 28.09.2010 to 30.09.2010 (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 15.09.2010.
5. Members are requested to bring their Copies of Report and Attendance slip duly filled for attending the Meeting.
6. An explanatory note 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, 5 and 6**

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 16th Annual General Meeting held in the year 2007. The Board consists of Mr. S. Rajasekharappa, Mr. S. Vishwanath, Mr. S. Chandrashekar, Mr. S.T. Thippeswamy, Mr. S. Prasannakumar and Mr. S. Thippeswamy, Mr. S. Vishwanath is a non retiring Director. Mr. S. Rajasekharappa, Mr. S. Chandrashekar, Mr. S.T. Thippeswamy, Mr. S. Prasannakumar and Mr. S. Thippeswamy retire at this Annual General Meeting and are eligible for re-election. Notice u/s 257 of the Companies Act, 1956, in connection with the re-election of these directors has 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

Dear Shareholders,

Your directors have pleasure in presenting the Nineteenth Annual Report of the Company together with audited financial statements and accounts for the year ended March 31, 2010.

#### Financial Highlights

	(Rupees in Lakhs)	
Particulars	2009-10	2008-09
Gross Revenue	9.73	167.60
PBITD	(83.66)	(82.19)
Cash Profit from operations	(89.74)	(122.38)
Net Profit/(-)Loss	(89.74)	(137.96)

#### Operations:

Pursuant to the approval of the members through postal ballot on 30.10.2008, the Company has disposed of some of the textile machineries after stoppage of spinning activity, and taken steps to dispose of remaining textile machineries.

On account of loss on sale of machineries, deteriorated rawmaterial stock and payment of huge amount of arrears of sales tax on account of non grant of Textile Policy by the State Government, the company has incurred huge loss during the year.

With a view to curtail the mounting losses the Company has leased the godown facilities on rent basis to State and Central Warehouse Corporations.

The Company has cleared all secured liabilities and as of now the Companies liability is very meager which is normal in normal course of business.

All other remaining assets and liabilities are valued on a "Going Concern" basis and the directors are under the process of exploring other avenues of diversifying into new areas of business. Though the manufacturing activity is stopped, its net worth remains positive and considering the fact that the company has adequate resources to continue in operational existence for the foreseeable future and taking into account the management assessment of improvement in the economic condition in general they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Dividend

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

#### Directors

During the year Mr. B. Ekanthappa has resigned from the Board due to personal reasons and the Company has appointed Mr.S. Thippeswamy in his place to comply with the clause 49 of the listing agreement and other provisions. The Board places on record its sincere appreciation for the services rendered by Mr.B.Ekanthappa during his tenure on the Board. Mr. S. Rajasekharappa, Mr. S. Chandrashekar, Mr. S.T. Thippeswamy, Mr. S. Prasannakumar and Mr. S. Thippeswamy directors of the company retire by rotation at the ensuing annual general meeting, and being eligible, offer themselves for re-appointment

#### 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 his willingness and eligibility for re-appointment and has also confirmed that his 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 which is self explanatory 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. Technology Absorption, Foreign Exchange Earnings and Outgo is Nil during the year.

**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:

- i. In the preparation of the annual accounts for the financial year ended March 31, 2010, the applicable accounting standards have been followed and there are no material departures from the same;
- ii. 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, 2010 and of the loss of the Company for the said period.
- iii. 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
- iv. The Directors have prepared the accounts for the financial year ended March 31, 2010 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.

Challakere, 27th August 2010

On behalf of the Board of Directors  
S. Rajasekharappa  
Chairman

## 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 Mr. B. Ekanthappa has resigned to his directorship and the Company has appointed Mr.S. Thippeswamy 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.T. Thippeswamy	Non –Executive Independent	-	-	2	5	Yes
S. Prasannakumar	Non –Executive Independent	-	-	-	5	Yes
S.Thippeswamy	Non –Executive Independent	-	1	2	1	No

During the Financial Year 2009-2010, the Board of Directors met five times. The dates of the meetings were 30.04.2009, 29.07.2009, 28.08.2009, 30.10.2009 and 29.01.2010. 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 (46) is a BE graduate in electronics has got over 19 years of experience in Textile industry and Edible Oil Industry. He is currently the Managing Director of the Company. He holds 316700 shares in the Company as on 31.03.2010

S. Rajasekharappa (60) is a BE graduate in Metallurgy and has over 19 years of experience in textile industry and Edible Oil 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 31.03.2010

S. Chandrashekar (63) is a graduate in science and has over 38 years of experience in Textile & Edible Oil Industry. Currently is chairman of the shareholders / investors grievances committee. He holds 161000 shares in the Company as on 31.03.2010

S.T. Thippeswamy (69) is a graduate and has over 33 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 31.03.2010.

S. Prasannakumar (50) 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. He is chairman of the audit committee.

S. Thippeswamy (49) is a graduate and professionally he is businessman and has over 15 years of experience in trading activity. He does not hold any shares in the Company as of 31.03.2010.

### **Audit Committee**

The Audit Committee comprises of three members, all of whom are non-executive. The Chairman of the Audit Committee, Mr. S. Prasannakumar 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 2009-2010, the audit committee met five times ie., on 30.04.2009, 29.07.2009, 28.08.2009, 30.10.2009 and 29.01.2010. The composition of Audit Committee and attendance of members is as follows.

Name	Category	Number of meetings attended
S. Prasannakumar-Chairman	Independent director	5
S. Chandrasekhar	Independent director	5
S.T. 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 28.08.2009 & 29.01.2010. The composition of the committee and attendance of members at the meetings held during the financial year 2009-2010 are given below.

## Chitradurga Spintex Limited

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

### Nature of complaints and redressal status

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

### 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
2008-2009	Registered Office	30.09.2009 at 11.00 a.m.	None
2007-2008	Registered Office	30.09.2008 at 11.00 a.m.	None
2006-2007	Registered Office	30.09.2007 at 11.00 a.m.	None

### Postal ballot

No special resolutions were put through postal ballot during the year as there were no resolutions which were required to be passed through postal ballot.

### Disclosers

No penalty or stricture has been imposed on the Company by the stock exchanges or SEBI or any other statutory authority, on any matter related to the capital markets, during the last 3 years.

### Related party transactions

The details of all significant transactions with related parties are periodically placed before the audit committee. The Company has entered into related party transactions as set out in the notes to accounts, which are not likely to have a conflict with the interest of the Company.

### Disclosure of Accounting Treatment

The financial statements are prepared on accrual basis of accounting and complied with all the applicable accounting standards except accounting of gratuity which will be accounted on payment basis.

### Code of Conduct

The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Managing Director of the Company (i.e., the CEO within the meaning of clause 49-V of the listing agreement) is given below.