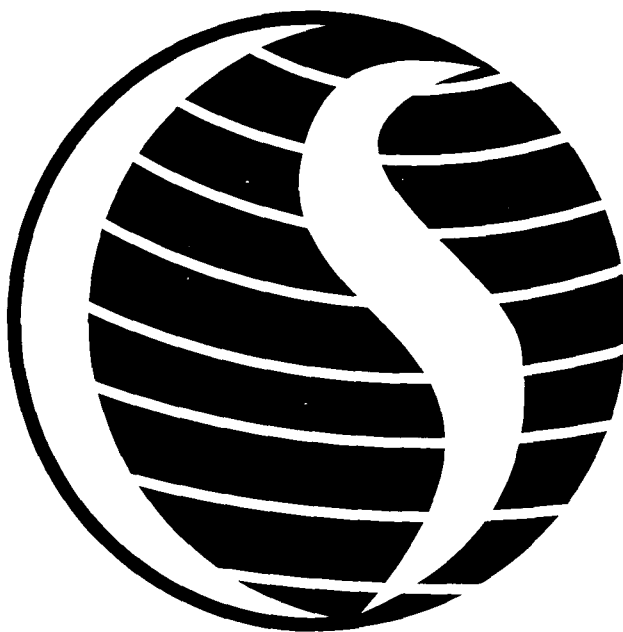


Chitradurga Spintex Limited

CHITRADURGA SPINTEX LIMITED
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Annual Report
2011-12

Board Of Directors

Sri S. Rajasekharappa
Sri S. Vishwanath
Sri S. Chandrashekar
Sri S.T. Thippeswamy
Sri S. Prasannakumar
Sri S. Thippeswamy

Chairman
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

ICICI Bank

Share Transfer Agents

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

Contents

	Page No.
Statutory Reports	
Notice of Annual General Meeting	1
Directors' Report	2
Report on Corporate Governance	4
Management Discussion and Analysis Report	11
Auditors' Report	12
Balance Sheet	14
Statement of Profit & Loss	15
Cash Flow Statement	16
Significant Accounting Policies	17
Notes on Financial Statements	19

Chitradurga Spintex Limited

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Company will be held at the Registered Office at Bangalore Road, Siddapura Village, Challakere-577522, Chitradurga Dist. Karnataka, on 29th September 2012 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 2012 and the Profit and Loss Account for the year ending 31st March 2012 together with the reports of the Auditors and Directors thereon.
2. To appoint Auditors and fix their remuneration.

By order of the Board

S. Rajasekharappa
Chairman

Challakere, 27th August 2012

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 25.09.2012 to 29.09.2012 (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 Twenty First Annual Report of the Company together with audited financial statements and accounts for the year ended March 31, 2012.

Financial Highlights

(Rupees in Lakhs)		
Particulars	2011-12	2010-11
Gross Revenue	0.64	5.78
PBITD	-7.45	0.85
Cash Profit from operations	-7.45	0.84
Net Profit/(-)Loss	-7.45	0.84

Operations:

Due to continued drought situation in the region and the reasons beyond the control of your directors your company has not undertaken any business, but with a view to curtail the mounting losses the Company has leased the godown facilities on rent basis to State Warehouse Corporation and to private parties. But due to continued drought situation even demand for godown is also less, hence building has been leased from Feb 2012 onwards, resulting less rental revenue during the year compared to previous year. The directors are under the process of exploring other avenues of diversifying into new areas of business

All remaining assets and liabilities are valued on a "Going Concern" basis. Though there is no business is undertaken, 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.

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 Financial Statements of the Annual Report.

Chitradurga Spintex Limited

Regarding Auditors comment on 'on going concern' the Director contend that the Company will be able to continue as going concern, though the company has not undertaken any business activity, 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 and as borne out by AAS16 issued by the council of the ICAI, they continue to adopt the going concern basis in preparing the annual report and accounts.

The huge accumulated losses suffered till closure of spinning activity by the company have been mainly on account of unstable and erratic market conditions which had affected adversely the entire industry rather than the operational performance of the company. Your directors, however, continue their efforts to improve the financial viability of the company and also take such steps as may be required under current laws and regulations in terms of disclosure and reporting required to be made to concerned statutory authorities.

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 are 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, 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, 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, 2012 and of the loss of the Company for the said period.
- iii. The Directors 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. The Directors have prepared the annual accounts of the Company 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.

On behalf of the Board of Directors

S. Rajasekharappa

Chairman

Challakere, 27th August 2012

Report on Corporate Governance

In accordance with Clause 49 of the Listing Agreement with the BSE Limited (BSE) and some of the best practices followed on Corporate Governance, the report containing the details of Corporate Governance systems and processes is as under.

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

A majority of the Board, 3 out of 6, are independent directors and one is non-executive director. The Audit Committee and Shareholders' Grievance Committee comprise only independent directors and non-executive director. The Company has defined guidelines and established framework for the meeting of the Board and Board Committees.

To comply with the provisions of the Listing Agreement, other statutory provisions the Board of Directors of the Company comprises of six members, 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
Sri S. Vishwanath	Executive –Promoter	-	-	-	5	Yes
Sri S. Rajasekharappa	Executive –Promoter	-	-	-	5	Yes
Sri S. Chandrasekhar	Non-Executive Promoter	-	1	2	5	Yes
Sri S.T. Thippeswamy	Non-Executive Independent	-	-	2	5	Yes
Sri S. Prasannakumar	Non-Executive Independent	-	1	2	5	Yes
Sri S. Thippeswamy	Non-Executive Independent	-	-	-	5	Yes

All the Independent Directors of the Company furnished a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent. All such declarations were placed before the Board.

No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956, except Sri S. Vishwanath, Sri S. Rajasekharappa, Sri S. Chandrasekhar, who are related to each other as brothers.

During the Financial Year 2011-2012, the Board of Directors met five times. The dates of the meetings were 27.04.2011, 29.07.2011, 27.08.2011, 29.10.2011 and 30.01.2012. 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. The meetings are usually held at the Company's Registered Office at Siddapura Village, Bangalore Road, Challakere-577522, Karnataka.

Brief profile of Directors

S. Vishwanath (48) is a BE graduate in electronics has got over 21 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 31.03.2012

S. Rajasekharappa (62) is a BE graduate in Metallurgy and has over 21 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 31.03.2012

S. Chandrashekar (65) is a graduate in science and has over 40 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 31.03.2012

S.T. Thippeswamy (71) is a graduate and has over 35 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 31.03.2012.

S. Prasannakumar (52) is a graduate and professionally he is businessman and has over 22 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 31.03.2012. He is chairman of the audit committee.

S. Thippeswamy (51) is a graduate and professionally he is businessman and has over 17 years of experience in trading activity. He does not hold any shares in the Company as of 31.03.2012.

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.