

## Chitradurga Spintex Limited



**Annual Report  
2012-13**

**Table of Contents**

	Page No.
Corporate Information	1
Notice	2-3
Directors' Report	4-6
Report on Corporate Governance Report	7-12
Management Discussion and Analysis Report	13
Auditors' Report	14-17
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20
Significant Accounting Policies	21-26
Balance sheet abstract and company's general Business profile	27

### **Board Of Directors**

Sri S. Vishwanath	Managing Director
Sri S. Rajasekharappa	Chairman
Sri S. Chandrashekar	
Sri S. T. Thippeswamy	
Sri S. Prasannakumar	
Sri S. Thippeswamy	

### **Works & Registered Office**

Bangalore Road,  
Siddapura Village,  
Challakere-577 522  
Karnataka State.

### **Auditors**

M/s.H.M.V.Murthy & Co.,  
Chartered Accountants,  
No.9, Auto Towers, J.C. Road,  
BANGALORE-560 002.

### **Bankers**

ICICI Bank

### **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

## NOTICE

Notice is hereby given that the 22nd Annual General Meeting of the Company will be held at the Registered Office at Bangalore Road, Siddapura Village, Challakere, Chitradurga Dist. Karnataka, Pin - 577 522 on 27th September 2013 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 2013 and the Statement of Profit and Loss for the year ending 31st March 2013 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

S. Rajasekharappa  
Chairman

Challakere, 27th August 2013

### 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 21.09.2013 to 27.09.2013 (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.
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 appoint of directors once in every three years according to the principle of the proportional representation. The Board was last constituted at the 19<sup>th</sup> Annual General Meeting held in the year 2010. The Board consists of Mr. S. Rajasekharappa, Mr.S. Vishwanath, Mr.S. Chandrasekhar, Mr. S.T. Thippeswamy, Mr. S. Prasannakumar and Mr. S.Thippeswamy, Mr. S.Vishwanath is a non retiring Director. Mr. S. Rajasekharappa, Mr.S. Chandrasekhar, Mr. S.T. Thippeswamy, Mr. S. Prasannakumar and Mr. S.Thippeswamy retire at this annual general meeting and are eligible for re-election. Notice under section 257 of the Companies Act of 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. Chandrasekhar directors may be deemed to be interested in this respective resolution.

**Directors' Report**

Dear Shareholders,

Your directors have pleasure in presenting the 22nd Annual Report of the Company together with audited financial statements and accounts for the year ended March 31, 2013.

**Financial Highlights**

Particulars	(Rupees in Lakhs)	
	2012-13	2011-12
Gross Revenue	4.08	0.64
PBITD	-2.10	-7.45
Cash Profit from operations	-2.10	-7.45
Net Profit/(-)Loss	-2.10	-7.45

**Operations:**

In view of the accumulated losses and erosion of more than 91% Net worth, the Company is not in position to undertake any projects of manufacturing, trading or weaving of Textile and other goods, and due to paucity of working capital, the Company has also not been able to raise any loans from Financial Institutions, which is essential for expanding its business activities. Hence, due to the reasons beyond the control of your directors your company has not undertaken any business during the year, 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 for part of the year. The directors are under the process of exploring other avenues of diversifying into new areas of business

In view of the above, the Company is seeking to reconstruct / restructure its capital by way of writing off its accumulated Capital loss against the reduction of its paid up capital which is not represented by available assets and to raise further capital through a preferential issue for infusing funds into the Company through a scheme of Arrangement pursuant to Section 391 to 393 of the Companies Act, 1956. The Board has accepted and recommended the scheme of Arrangement pursuant to Section 391 to 393 of the Companies Act, 1956 inter-alia : Reduction of Capital; Preference Allotment of Shares and Change of Management.

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.

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, 2013, 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, 2013 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.

Challakere, June 24, 2013

On behalf of the Board of Directors  
S. Rajasekharappa  
Chairman