



ANNUAL REPORT

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H.P. THREAD

H. P. Cotton Textile Mills Ltd.



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20TH ANNUAL GENERAL MEETING

Day : Thursday
 Date : 27-09-2001
 Time : 4.30 P. M.
 Venue : 272, Model Town, Hisar-125005

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H.P. Cotton Textile Mills Ltd.

BOARD OF DIRECTORS :

Shri Arjun Das Agarwal, Chairman.
Shri Kashmiri Lal Agarwal, Managing Director.
Shri Ashok Kumar Agarwal, Executive Director.
Shri Kailash Kumar Agarwal, Director Incharge.
Shri Krishan Kumar Agarwal.
Lt. Gen. (Retd.) Depinder Singh.
Shri Anil Aggarwalla

REGISTERED AND ADMINISTRATIVE OFFICE:

272, Model Town, Hisar-125 005 (Haryana)

WORKS:

15 K.M. Stone (Near Mayar Village)
Delhi Road, Hisar-125 044 (HARYANA)

BRANCHES:

Delhi, Kolkata, Mumbai, Ahmedabad, Kanpur

BANKERS:

State Bank of Patiala
Oriental Bank of Commerce

AUDITORS:

M/s A.K. Associates, New Delhi	-	Statutory Auditor.
M/s R. J. Goel & Co., New Delhi	-	Cost Auditor.
M/s Ashok Kumar Goel & Co., Hisar	-	Internal Auditor.
M/s HPS Associates, New Delhi	-	Tax Auditor.



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NOTICE :

Please be informed that the Twentieth Annual General Meeting of the Shareholders of H.P. Cotton Textile Mills Ltd., Hisar will be held on Thursday the 27th September, 2001 at 04.30 p.m. at the Registered office of the Company at 272 Model Town, Hisar (Haryana) to transact the following Business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2001 and Profit and Loss Account for the year ended on that date together with Directors' Report and the Auditor's Report thereof.
2. To appoint Director in place of Shri A. D. Agarwal who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Shri Krishan Kumar Agarwal who retires by rotation, and being eligible, offers himself for re-appointment.
4. To re-appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION :

"RESOLVED THAT the consent of the company be and is hereby accorded in getting the equity shares of the company delisted at the following stock exchanges namely Kolkata, Ludhiana, and Jaipur and that the Board of Directors be and are hereby authorised to take further necessary action in the furtherance of this matter.

6. To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION

"RESOLVED that re-appointment of Shri Kashmiri Lal Agarwal as Managing Director of the Company for further period of five years i.e. 1.07.2001 to 30.06.2006 be and is hereby approved".

It is further resolved that pursuant to the provisions of section 269, 309, 310 & 314 and other applicable provisions if any, of the Companies Act, 1956, the consent of the Company is hereby accorded for remuneration (Including minimum remuneration) to be paid to Shri Kashmiri Lal Agarwal re-appointed as Managing Director, for a period of five years effective from 1st July, 2001 as detailed in the explanatory statement attached to this notice and forming part thereof :

"RESOLVED further that the Board of Directors be and is hereby authorised to take such steps as may be necessary and desirable to give effect to this resolution".

ANNEXURE TO THE NOTICE :

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956

ITEM NO. 5

The Board of Director's of the Company while review have felt that the transactions trading of the shares of the Company at Kolkata, Ludhiana and Jaipur Stock Exchange(s) for last so many years are virtually non-existent and therefore decided that the securities namely Equity Shares of the Company be got de-listed from these Stock Exchange(s). Such de-listing requires the approval of Share Holders in General Meeting as Special Resolution and therefore recommend for the same

None of your directors has any interest in this resolution.

ITEM NO. 6

The Board of Director's of the Company (The Board) in its meeting held on 28th April, 2001 resolved to "Re-appoint Shri Kashmiri Lal Agarwal as Managing Director of the Company for a further period of five years with effect from July 1, 2001 to June 30, 2006 upon the terms and conditions set out hereunder, subject to approval by a resolution of the Shareholders of the Company in a General Meeting.



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1. **Period :** Shri Kashmiri Lal Agarwal shall act as Managing Director of the Company for a period of five years w.e.f. July 1, 2001.
2. **Remuneration :** Shri Kashmiri Lal Agarwal will be entitled to receive the following(s) by way of remuneration.
 - a) **Salary :** Rs. 16000-1000-20000 per month.
 - b) **Perquisites :** In addition to the above, Shri Kashmiri Lal Agarwal shall be entitled to perquisites like furnished accommodation or house rent allowance, or in lieu thereof, house maintenance allowance together with reimbursement of expenses or allowances for utilisation of or reimbursement of actual expenses for utilisation of gas, electricity, water, furnishings and repairs, reimbursement of medical expenses incurred for him and his family, club fees, personal accident insurance, leave encashment, contribution to Provident, Superannuation and Gratuity Funds, provision of Car & Telephone etc. in accordance with schedule XIII of the Companies Act, 1956 and rules framed thereunder, such perquisites shall not exceed an amount equal to his annual salary in that year.

Provided that

- i) For the purpose of calculating the above ceiling, perquisites shall be valued as per the Income Tax Rules, where applicable and, in the absence of any such rules, perquisites shall be calculated at actual cost.
- ii) The Company's contribution to provident fund and Superannuation Fund not exceeding 25% of salary shall not be included in the computation of ceiling on perquisites;
- iii) The Company's contribution to the Gratuity Fund in accordance with the rules of the Company shall not be included in the computation of ceiling on perquisites; and
- iv) In the event of loss or inadequacy of profits of the Company in any year during the tenure of office of Shri Kashmiri Lal Agarwal the remuneration payable to him for that year shall, subject to the ceiling laid down in Section II of Part II of schedule XIII to the Companies Act, 1956, may be determined and allocated by the Board.

Memorandum of Interest : Shri Kashmiri Lal Agarwal is the relative of Shri Arjun Das Agarwal, Shri Krishan Kumar Agarwal, Shri Ashok Kumar Agarwal and Shri Kailash Kumar Agarwal and therefore all these Directors may be considered as interested in the above resolution. This may also be deemed as memorandum of interest under Section 302 of the Act and the same is not separately been sent to the Shareholders.

By order of the Board

PLACE : HISAR
DATED : 23rd August 2001

ARJUN DAS AGARWAL
CHAIRMAN

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER.
2. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company during office hours on all working days between 11.00 A.M. to 1.00 P.M. up to the date of the Annual General Meeting.
3. The register of transfers and share transfer books of the Company will remain closed from 1st September, 2001 to 10th September, 2001
4. Members are requested to quote their folio numbers in all their correspondence.
5. Shareholders intending to enquire about accounts, to be explained in the meeting, are requested to forward their queries to the Company at least 10 days in advance, so that the papers relating thereto may be made available, if the Chairman so permits.
6. Members are requested to immediately intimate to the Company any change in their address as registered with the company, mentioning the Pin Code Number.



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DIRECTOR'S REPORT

To the Members

Your Director's are pleased to present the Twentieth Annual Report of your Company together with audited accounts for the year ended on March 31, 2001.

FINANCIAL RESULTS :

	2000-2001		(Rs. in lacs)	
	Rupees	%age	Rupees	%age
Production value	6371	100.00	6134	100.00
Excise payment	406	6.37	386	6.29
Net production	5965	93.63	5748	93.71
Raw materials/Consumables	3409	53.51	3323	54.17
Other expenses	1720	27.00	1563	25.18
Depreciation	169	2.65	166	2.71
Financial Expenses	245	3.85	254	4.14
Selling expenses	502	7.88	432	7.04
Operating profit	(80)	(1.56)	10	0.14
Other Income	17	0.27	10	0.16
Loss on Sales of Fixed Assets	35	(0.55)	2	0.03
Profit before tax	(98)	(1.54)	18	0.30
Income tax	-	-	2	0.04
Net Profit	(98)	(1.54)	16	0.28

PERFORMANCE

The Textile Industry is continuously going through a tough phase of incessant recession. There is no improvement in recessionary conditions in our product segment and it is unlikely to end in the near future. Reorganization, relocation and upgradation of technology to improve upon productivity and quality world over is a buzz word of the day to come out of these most difficult circumstances. Your Company is not lagging behind. During the year the Company started implementation of scheme of machines reorganisation/relocation/modernisation and replacement to enhance capacity utilisation, machines efficiency and optimum synergies/cohesiveness of plant process at an estimated cost of over Rs. 800 lacs (Rupees Eight Hundred Lacs only) to be completed by September 2001. Though during this process the production for the time being will suffer, it will allow your Company a level playing field and will create sound economic advantage in the most competitive global market in the days ahead.

OPERATIONS

Though there is an increase in sales and exports have shown an improvement, there is still a loss because of very high cost of inputs mainly power and fuel. To achieve cost efficiency, the Company is evaluating technical recommendations on converting captive generating sets from L.D.O. of furnace Oil route.

DEVASTATING FIRES

Unfortunately there has been devastating fire in the finished goods storage Godowns in the factory premises on 28th January and again on 28th February 2001 causing a loss of around Rs. 80 lacs (Rupees Eighty Lacs only). The above goods and storage godowns were fully insured with Oriental Insurance Company. Reports of the surveyors assessing the loss/our Claims are under process of final settlement with the Insurance Company and we expect to get the reimbursement of the loss shortly.



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AUDITORS

M/s A.K.Associates, New Delhi were appointed Auditors of the Company to hold office till the conclusion of 20th Annual General Meeting. Accordingly the said Auditors retire on the conclusion of ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Auditors have furnished to the Company the requisite certificate (under section 224(I-B) of the Companies Act 1956) that their appointment, if made, would be within the prescribed limit.

COST AUDITORS

As prescribed under the order of the Central Government, the Company maintains required cost accounting records and has appointed M/s R.J.Goel & Co., Cost Auditors, New Delhi to audit such records and report thereon.

DIRECTORS

In accordance with the requirement of Companies Act 1956 and the Article of Association of the Company, Shri Arjun Das Agarwal and Shri Krishan Kumar Agarwal retire by rotation and being eligible, have offered themselves for reappointment.

The tenure of appointment of Managing Director Sh. Kashmiri Lal Agarwal has expired on 30 June 2001. The Board at its Meeting held on 28th April 2001, has re-appointed him as Managing Director for further period of five years.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors submit

- a) That in the preparation of annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- b) That the Directors have selected such accounting policies and applied these consistently and made judgements 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 31st March 2001 and of profit and loss account for the period ended 31st March, 2001
- c) That 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.
- d) That the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGMENT

Your Directors wish to place on record their deep appreciation for the continued support and co-operation received and confidence reposed in the Company and the Management by the Financial Institutions, Consortium Bankers, Share Holders, Indenters, Customers and Suppliers, the State and Central Governments and other agencies. The Company also wishes to thank all the employees for their dedicated services rendered to the Organisation.

For and on behalf of the Board

PLACE : HISAR

DATED : 23rd August 2001

ARJUN DAS AGARWAL
CHAIRMAN



H.P. Cotton Textile Mills Ltd.

ANNEXURE TO THE DIRECTOR'S REPORT

ENERGY CONSERVATION

The system of continuous evaluation of energy consumption has been further strengthened to optimise efficiency, reduce transmission losses and curtail unproductive power and fuel consumption.

Studies to reduce energy consumption and achieve maximum efficiency is an on going process and suitable investment will continue to be made in these areas in future also.

RESEARCH AND DEVELOPMENT

Several new quality/range of product mix have been developed to meet the requirements of end users.

Developmental work towards identification of operating conditions suitable for plant operation at higher efficiency has been undertaken.

Through careful study/evaluation/appraisal of operational/ manufacturing and quality parameters, reduction in machine downtime, usages of fresh water and emissions in manufacturing process/ operations have been achieved.

Common equipment and facilities are used for operational as well as R & D activities. No separate account is maintained and as such expenditure on R & D is not separately ascertainable.

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

Modernisation/replacement/relocation and re-organisation of process equipments/plant & Machineries are carried out to achieve optimum operational efficiency/synergies/cohesiveness of plant & process involved.

Continuous efforts are being made by the company to keep pace in improving the technologies obtained, emphasis being on technology upgradation, energy conservation and optimization to reduce the variable operating cost and increasing the safety in and around work place.

The plant performance is closely monitored for optimization of plant operation to reduce the consumption of raw material, chemicals and spares.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earned	Rs. 865.76 Lacs
Foreign Exchange used.	Rs. 86.27 Lacs



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FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION		CURRENT YEAR 2000-01	PREVIOUS YEAR 1999-2000
1. POWER (ELECTRICITY)			
a) <i>Purchased from HSEB :</i>			
Units	000'kwh	3398	4112
Rate	Rs./Unit	4.23	4.08
Total Amount	Rs. Lacs	143.83	167.85
b) Own Generation			
Generator	000'kwh	16460	14097
Diesel Cost/Unit	Rs./kw	4.82	2.96
L.D.O Cost/Unit	Rs./kwh	4.06	03.10
Average Rate L.D.O.	Rs. per Kg.	14.56	11.77
Average Rate DIESEL	Rs. per liter	14.11	10.97
Total Cost	Rs. Lacs	672.98	429.15
2. FUEL :			
a) <i>Steam Coal used in Boiler :</i>			
Generation	000'kg. steam	20451	21017
Quantity of Coal	Tones	4088	3580
Average cost	Rs.per Tonne	2741	2602
Total Cost	Rs. Lacs	112.08	93.16
b) <i>Liquid Petroleum Gas</i>			
L.P.G. Consumed	000'Kg. LPG	24.61	0.29
Average Cost	Rs. per Tonne	25350	20811
Total Cost	Rs. Lacs	6.24	6.05
* Total Power consumed	000'Units	19858	18210
* Steam consumed	000'kgs.	20451	21017
B. CONSUMPTION PER KILOGRAM OF PRODUCT			
1. Electricity	Kwh/Kg.	4.73	4.63
2. Steam	Kg./Kg.	4.87	5.34
3. Reasons for variation	The consumption of electricity L.P.G. and coal varies depending upon various range/counts and quality of yarn/ thread produced.		
4. In case production of different qualities/ specifications consumption details may be given for equivalent production.	Fixation equivalent production standard is not practicable since all the different counts/range of products have various qualities colours and processes involved.		