





H.P. THREAD

H. P. Cotton Textile Mills Limited

21ST ANNUAL GENERAL MEETING

Day : Thursday
Date : 12-09-2002
Time : 4.50 P.M.
Venue : 272, Model Town, Hisar-125005

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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.
 Shri Keshar Dev Sharma.

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 Auditors.
M/s N. K. Goel & Co., New Delhi	-	Cost Auditors.
M/s Ashok Kumar Goel & Co., Hisar	-	Internal Auditors.
M/s HPS Associates, New Delhi	-	Tax Auditors.



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NOTICE:

Please be informed that the Twenty First Annual General Meeting of the Shareholders of H.P. Cotton Textile Mills Ltd., Hisar will be held on Thursday, 12th September, 2002 at 04.50 p.m. at the Registered Office of the Company at 272, Model Town, Hisar, (Haryana) to transact the following Business.

TO ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended on that date together with Directors' Report and the Auditors Report thereon.
2. To appoint Director in place of Lt. Gen.(Retd.) Depinder Singh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Director in place of Shri Anil Aggarwalla who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Director in place of Shri Ashok Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s A.K.Associates, Chartered Accountants, New Delhi as Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting to the Conclusion of next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS :

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 Kailash Kumar Agarwal as Director-In-Charge of the Company for further period of five years i.e. 06.08.2002 to 05.08.2007 be and is hereby approved."

It is further resolved that pursuant to the provision of section 269, 309, 314 & Schedule XIII 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 Kailash Kumar Agarwal re-appointed as Director Incharge, for a period of five years effective from 6th August, 2002 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 vary/alter at any time the remuneration, terms and conditions of the said appointment in such manner as may be approved by the Board of Directors of the Company and acceptable to Shri Kailash Kumar Agarwal "

"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".

7. To appoint Shri K.D.Sharma as Director of the Company and for that matter to pass with or without modification the following resolution as an ordinary Resolution.

"Resolved that Shri K.D.Sharma who was appointed as an Additional Director of the Company and who ceases to hold office under section 260 of the Companies Act 1956 (after the conclusion of this Annual General Meeting) be and is hereby appointed a Director of the Company, subject to retirement by rotation under the Articles of Association of the Company."

PLACE : HISAR

DATE : 31ST JULY 2002

By Order of the Board
ARJUN DAS AGARWAL
CHAIRMAN



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ANNEXURE TO THE NOTICE:

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

Item No.6

The Board of Director of the Company (The Board) in its Meeting held on 31st July, 2002 resolved to re-appointment Shri Kailash Kumar Agarwal as Director Incharge of the Company for a period of Five years with effect from 06th August 2002 to 5th August, 2007 upon the terms and conditions set out hereunder, subject to the approval by a resolution of the Shareholders of the Company in this General Meeting:

1. **Period:** Shri Kailash Kumar Agarwal shall act as Director Incharge of the Company for a period of five years w.e.f. August 6, 2002.
2. **Remuneration :** Shri Kailash Kumar Agarwal is entitled to receive the followings by way of remuneration :
 - a) **Salary:** Rs. 15000 - 1000- 19000 per month.
 - b) **Perquisites:** In addition to the above, Shri Kailash Kumar Agarwal shall be entitled to perquisites like furnished accommodation or house rent allowance, 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; reimbursement of medical expenses incurred for himself and his family; club fees, personal accident insurance, leave encashment, contribution to Provident, Superannuation and Gratuity Funds etc.as per companies rule along with a 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 Kailash Kumar 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 Companies Act, 1956, may be deemed as the remuneration payable to him.

Memorandum of Interest: Shri Kailash Kumar Agarwal is the relative of Shri Arjun Das Agarwal, Shri Krishan Kumar Agarwal, Shri Ashok Kumar Agarwal and Shri Kashmiri Lal 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.

The following additional particulars as required by schedule XIII of the Companies Act, 1956 are given hereunder:

The Textile Industry has high weightage in the national production and is a major Export earner where a substantial number of people are employed gain fully. The Government announced a Technology Upgradation Fund scheme that has a specific focus on modernisation and expansion of textile industry. Your Company with modern plant for manufacturing single and multifolded yarn and threads has very good potential in domestic and export markets.

Your Company with 24960 spindles and complete process house machineries has an established name in the market since 1985. It has been a regular profit-making unit except since 1999 when the textile market as a whole was under the grip of worldwide recession. However to improve upon productivity and profitability the Company has recently modernised its plant and machineries costing above Rs. 800 Lacs which will increase production of high value sewing threads and it is expected that with such increase in production of sewing threads the company will again reach to its previous glory in very short span of time.

* Information about the appointee, his background...etc.



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Shri Kailash Kumar Agarwal is a law graduate from the University of Delhi and is attached with this Company since inception. He is devoting his full time and complete attention to the affairs of the Company and is looking after Finances, commercial matters and Marketing including Export promotion. Considering his qualification and experience the remuneration proposed is very nominal comparing with other such person enjoying the similar status in other Companies.

Shri Kailash Kumar Agarwal is the relative of Shri Arjun Das Agarwal, Shri Kashmiri Lal Agarwal, Shri Krishan Kumar Agarwal and Shri Ashok 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 Companies Act 1956 and the same is not separately been sent to the ShareHolders.

Item No. 7.

The Board of Directors appointed Shri K.D.Sharma as an Additional Director of the Company. By virtue of Section 260 of the Companies Act 1956, he holds office till the conclusion of this Annual General Meeting and shall cease to be the Director immediately thereafter unless the members of the Company appoint him as a Director. Being eligible for appointment, he offers himself for the same. We have also received notice from a shareholder proposing his name for the Directorship. The resolution is put before the members for their approval.

Memorandum of Interest: None of the Directors is interested in this resolution, except Shri. K.D.Sharma himself.

By order of the Board

PLACE : HISAR
DATED 31st July 2002

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. IN ORDER TO BE EFFECTIVE THE PROXY MUST BE LODGED AT THE REGD. OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
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. and 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, 2002 to 5th September, 2002.
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.
7. Members holding shares in the same/ identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant Share Certificates.
8. Dividends, remaining unpaid/unclaimed, upto the financial year 1994-95 had been transferred to the General Revenue Account of the Central Government. Pursuant to the provisions of Section 205A read with section 205 C of the Companies Act 1956, dividend declared in the financial year 1995-96 and onwards, which remain unpaid/unclaimed for a period of 7 years, is required to be transferred to the Investor Education and Protection Fund (Fund) of the Central Government. It may be noted that no claim will lie against the Company or the 'Fund' in respect of the said unclaimed dividend amount so transferred to the 'FUND'. Accordingly, Members who have not claimed their dividend for the financial year 1995-96 and onwards are requested to make their claim to the Company.



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DIRECTOR'S REPORT

To the Members

Your Directors are pleased to present the Twenty First Annual Report of your Company together with audited accounts for the year ended on March 31, 2002.

RESULTS FINANCIAL: (year 2001-02)

NET LOSS FOR THE YEAR	RS. 221.64 LACS
LESS LOSS ON SALE OF FIXED ASSETS REPLACED	RS. 48.06 LACS
OPERATIONAL LOSS	RS. 173.58 LACS
DEPRECIATION CHARGED ON FIXED ASSETS 2001-02	RS. 182.20 LACS
NET CASH PROFIT	RS. 8.62 LACS

FUTURE PROSPECTS:

Textile Industry has continuously been going through a tough phase of incessant recession. Though during recent past there has been little improvement in the demand in our product segment but dry climatic conditions may not allow the industry to come out of recession in the near future.

Modernisation, relocation and upgradation of technology to improve upon productivity, quality and capacity utilisation particularly in sewing thread segment, has since been completed. 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.

DIVIDENDS

Your Directors, after considering all the relevant financial and other constraints, decided not to recommend distribution of dividend for this year.

EXPORTS

Intensified export promotion efforts made by the Company have added many new Countries and overseas Customers as regular indentures for a number of our existing and newly developed range of sewing threads. In spite of weak and challenging market conditions, your company could increase direct export earnings from Rupees 812 Lac in the previous year to Rupees 1078 Lacs in the current year.

SAFETY HEALTH AND ENVIRONMENTAL PROTECTION

Your company continues to maintain high level of awareness amongst all employees by integrating safety, health and environment as essential part of the business process and has adhered to all the regulatory principles prescribed by the Government and local authorities for environmental protection, pollution control and maintenance of ecological balance. Utmost care has been taken to provide state of the art facilities to safeguard the environment in and around the plant.

ENERGY CONSERVATION, TECHNOLOGY AND FOREIGN EXCHANGE

All out efforts for energy conservation at every stage of production are being made and standards reviewed regularly. Maximum captive power generation is encouraged with optimum fuel efficiency. Details/disclosures of particulars in the report of Directors (Rule 1988) is appended as annexe I, hereto and forms part of this report.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company continued its efforts to endeavour to keep staff motivated at the highest level and to enhance and maximise the contribution of human resources towards optimising organisational goals and to meet the challenges of changing business environment. As in the past, harmonious and congenial industrial relations have been maintained throughout the year.

Since none of the employees has been paid emoluments above the prescribed limit of disclosure, hence no detail is being submitted under sub section 2(A) of section 217 of the Companies Act 1956.

INSURANCE

All the properties and insurable interests of the company including building, plant, machinery and stocks etc. wherever necessary and to the extent desirable are adequately insured against fire and natural calamities.

The Company has since received reimbursement of a sum of Rs.77.05 Lacs from the Insurance Company against the



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loss suffered in the devastating fire in the finished goods godowns in the factory premises on 28th January and again on 28th February 2001.

FIXED DEPOSITS

The Company has not invited/accepted fixed deposits in terms of Section 58 A of the Companies Act, 1956.

OTHER LOANS

The Company has not defaulted in payment of interest or repayment of loans to any of the financial institutions and/or Banks during the period under review.

COMPLIANCE OF GUIDELINES OF SEBI/ STOCK EXCHANGE(S)

The performance of your Company as to compliance of various guidelines issued by SEBI and Stock Exchange(s) from time to time is satisfactory. The shares of the Company are listed at Delhi, Mumbai, Kolkata, Ludhiana and Jaipur Stock Exchanges. The Company has paid required listing fee to all above stock Exchanges during the year 2001-02.

The shares of your Company is compulsory traded on the Stock Exchange(s) under electronic dematerialised form and, therefore, the Company has established connectivity with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable the investors to hold their Equity Shares in electronic form.

The company had entered into agreement with M/s Alankit Assignments Ltd, Delhi to act as Share Transfer Agent and DP for the said purposes. As on date 6,72,532 Equity Shares out of total 38,10,000 Equity Shares of the Company has been dematerialised at the request of the ShareHolders.

Considering that very few or nil transactions took place at Calcutta, Ludhiana and Jaipur Stock Exchanges, your Company, in its previous Annual General Meeting, had decided to get the securities of your Company delisted at these Stock Exchanges. The Stock Exchanges have advised the Company to initiate various procedural steps required to be taken for delisting of Shares. The matter is under the consideration of the Board.

CORPORATE GOVERNANCE

Your Company has been practising the principles of good Corporate Governance over the years and the Board of Directors lay strong emphasis on transparency, accountability and integrity. The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in clause 49 of the listing Agreements of the Stock Exchanges effective on your Company from 31.03.2003 are complied with.

DISCLOSURES

Except as detailed in Note No. 11 to the Schedule 19 to The Balance Sheet and Profit and Loss Account there was no other transaction with the Directors or the Management, their subsidiaries and relatives etc., that have any potential conflict with the interest of the Company at large. Also there has not been any non-compliance by the Company, in respect of which penalties or strictures were imposed by the Stock Exchange(s) or SEBI or any other Statutory Authority during last year.

MEANS OF COMMUNICATION

The Company communicates with the shareholders at large through its Annual Reports, publication of financial results, press releases etc., in the leading newspapers and by filing of various reports and returns with the Statutory Bodies like Stock Exchanges and Registrar of Companies. The quarterly results are published in English and Hindi daily newspapers.

AUDITORS

M/s A.K.Associates, New Delhi were appointed Auditors of the Company to hold office till the conclusion of 21st 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(1) of the Companies Act 1956) that their appointment, if made, would be within the prescribed limit.

AUDIT REPORT

The Auditors' Report on the Accounts is self- explanatory and requires no Management comments.



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TAX AUDITORS

The Board of Directors of the Company has appointed M/s H.P.S.Associates, Chartered Accountants , New Delhi as Tax Auditors of the Company to prepare and submit report u/s 44 AB of the Income Tax Act 1961 for the financial year 2002-03 at a remuneration to be fixed by the Board of Directors of the Company.

COST AUDITORS

The Board of Directors has appointed M/s N.K.Goel & Co., Cost Accountants, as the Cost Auditors of the Company under section 233-B of the Companies Act 1956 subject to the approval of the Central Government, for the year 2002-03 at a remuneration to be fixed by the Board of Directors of the Company. The Cost Auditors Report will be forwarded to the Central Government as required under the law.

INTERNAL AUDIT AND COMPLIANCE

The Company has appointed M/s Ashok Kumar Goel & Co., Chartered Accountants, Hisar as internal Auditors to audit accounting records of the Company for the year 2002-03 at a remuneration to be fixed by the Board of Directors of the Company and to submit their report on quarterly basis to the Company with a view to ensure strict compliance to various statutory requirements and internal control guidelines and also to proactively recommend improvements in operational process.

DIRECTORS

In accordance with the requirement of Companies Act 1956 and Article 110 of the Article of Association of the Company, Lt. Gen. (Retd.) Depinder Singh, Sh. Ashok Kumar Agarwal and Shri Anil Aggarwalla retire by rotation and are eligible, have offered themselves for re-appointment.

The tenure of appointment of Director Incharge Sh. Kailash Kumar Agarwal will expire on 5th August 2002. Considering his valuable contribution, your Directors recommend for his re-appointment for another term of 5 years as per the details given in the resolution.

Shri K.D.Sharma has been appointed as additional director on the Board of the Company who shall retire at the conclusion of 21st Annual General Meeting of the Company. A notice u/s 257 of the Companies Act 1956 has been received from a shareholder for his appointment as Director on the Board of the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Directors submit:

- That in the preparation of annual accounts, all the applicable accounting standards have been followed alongwith proper explanation relating to material departures.
- That the Directors have selected such accounting policies and applied them 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, 2002 and of profit and loss account for the period ended 31st March, 2002.
- 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.
- That the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

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.

PLACE : HISAR

DATED 31st July 2002

For and on behalf of the Board

ARJUN DAS AGARWAL

CHAIRMAN



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Annexure to the Directors' 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 are an ongoing 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 equipment/Plant and 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 with technology upgradation, energy conservation and optimisation of product process.

The plant performance is being closely monitored for optimisation of operational efficiencies and to reduce consumption of raw material, Color and chemicals and spares.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earned Rs. 1078.15 Lacs

Foreign Exchange used. Rs. 265.46 Lacs.

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