

22ND

REPORT JUNCTION . . .

ANNUAL REPORT 2002-2003



H.P. THREAD

**H. P. COTTON
TEXTILE MILLS LTD.**



H.P. THREAD

H. P. Cotton Textile Mills Limited

22nd ANNUAL GENERAL MEETING

Day : Monday
 Date : 29th September, 2003
 Time : 4:30 P.M.
 Venue : 272, Model Town, Hisar-125 005

CONTENTS

Notice.....	02
Directors' Report.....	05
Auditors' Report.....	16
Balance Sheet.....	18
Profit & Loss Account.....	19
Schedule.....	20
Cash Flow Statement.....	35
Nomination Form.....	37
Proxy Form.....	39



H.P. THREAD

H. P. Cotton Textile Mills Limited

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.
 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.



H.P. THREAD

H. P. Cotton Textile Mills Limited

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of **M/s H.P.Cotton Textile Mills Ltd.**, will be held on Monday the 29th September 2003 at 04.30 P.M. at the Registered office of the Company at 272, Model Town, Hisar-125 005 (Haryana) to transact the following businesses as :

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March 2003 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 Shri Arjun Das Agarwal, Director, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Shri Kailash Kumar Agarwal, Director Incharge, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s A.K. Associates, Chartered Accountants, New Delhi as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of Next Annual General Meeting at a remuneration to be fixed by the Board of Directors.

SPECIAL BUSINESS:

5. To Consider and if thought fit to pass with or without modification(s) the following resolution as Special Resolution

“Resolved that the consent of the Company be and is hereby accorded in getting its equity shares delisted at the following Stock Exchanges namely Kolkatta, Ludhiana, Jaipur and Delhi and that the Board of Directors be and are hereby authorised to take further necessary steps, as may be required, in the furtherance of this resolution”.

PLACE : HISAR
DATE : 31-7-2003

By order of the Board
SUNIL AGARWAL
COMPANY SECRETARY



H.P. THREAD

H. P. Cotton Textile Mills Limited

NOTES

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. The instrument appointing a proxy has to be deposited at the registered office of the company not less than 48 hours before the schedule time of the Annual General Meeting. A blank proxy form is enclosed.
3. All documents referred to 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.
4. The register of transfers and share transfer books of the Company will remain closed from 01st September 2003 to 10th September 2003.
5. For any further information regarding the annual accounts to be explained in the meeting, the member should give advance intimation and ensure reaching the same at Registered Office at least 10 days in advance of Annual General meeting.
6. Shareholder, who continue to hold shares in physical forms are requested to intimate the changes, if any, in their registered address including Pin code number to the Company's Registrars and Share Transfer Agent M/s Alankit Assignments Limited, 2E/8, 1st floor, Jhandewalan Extn., New Delhi-110055.
7. Member(s) holding shares in Dematerialised form are required to get their change of address recorded with the Depository Participant.
8. Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and which remained unpaid/unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956 by 03.11.2003.

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek revalidate warrant(s) by writing to the company.

Shareholders are requested to note that no claims shall lie against the Company or the said fund in respect of any amounts, which were unclaimed and unpaid for a period of 7 years from the date that they first became due for payment and not payment shall be made in respect of any such claims.

9. Members holding shares in the identical Name(s) under different folio are requested to apply for consolidation of such folios and send relevant Share Certificates to Company's Registrar and Share Transfer Agent M/s Alankit Assignments Limited, 2E/8, First Floor, Jhandewalan Extension, New Delhi-110055.
10. Member(s) / Investor(s) are invited to avail information to Section 109A of Companies Amendment Act, 1999, Member may at any time nominate a person in prescribed manner (i.e.) by sending Form 2(B) (enclosed with Annual Report) under rule 4ccc and 5D duly filled and signed up by the member(s) / Investor(s) with whom his/her share shall vest in the unfortunate event of his/her death.
11. Members are requested to quote their Folio No/DP ID Number alongwith Client ID Number in all their correspondence.



H.P. THREAD

H. P. Cotton Textile Mills Limited**ANNEXURE TO THIS NOTICE****Explanatory Statement as required by section 173 (2) of the Companies Act, 1956****Item no. 5**

Directors of the Company while review have felt that the transactions/trading of the shares of the company at Kolkata, Ludhiana, Jaipur, and Delhi Stock Exchanges for the last so many years are virtually nonexistent and therefore decided that the securities namely equity shares of the Company by got-delisted from these stock exchanges. Such delisting requires the approval of shareholder in general meeting on Special Resolution and therefore recommended for the same. The resolution was earlier approved by the shareholders and got lapsed due to the technicalities involved. The SEBI has come out with guidelines on delisting of securities from the Stock Exchanges and the Company is hopeful that the process of delisting would be smoothly completed.

None of your director has any interest in this resolution.

PLACE : HISAR
DATE : 31-7-2003

By order of the Board
SUNIL AGARWAL
COMPANY SECRETARY



Report Junction.com



H.P. THREAD

H. P. Cotton Textile Mills Limited

DIRECTOR'S REPORT

DIRECTORS REPORT

To the Members,

Your Directors are pleased to present Twenty Second Annual Report of your Company together with audited accounts for the year ended on March 31, 2003.

RESULTS FINANCIAL (RUPEES IN LACS)

	<u>Year 2002-03</u>	<u>Year 2001-02</u>
	(Rupees in Lac)	(Rupees in Lac)
NET PROFIT FOR THE YEAR AFTER INCOME TAX	(1.60)	(221.64)
LESS LOSS ON SALE OF FIXED ASSETS REPLACE	4.24	48.06
OPERATIONAL PROFIT/LOSS	2.64	(173.58)
DEPRECIATION CHARGED ON FIXED ASSETS	190.73	182.20
CASH PROFIT	193.37	8.62

PERFORMANCE: After three years of continued recession, since last year there has been little improvement in demand in our product segment. The sales have increased from Rs. 5406 lacs to Rs. 7067 lacs registering an increase of around 31%. But however, demand and sales during current year 2003 has suffered severely due to introduction of Excise Duty on Hosiery and Readymade Garments, introduction of VAT system of taxation and unprecedented increase in the cost of raw material (Cotton). It is hoped, the demand for our product mix will stabilise soon and will increase in near future.

OUT LOOK: Continued Global recession particularly in United States of America, the European Union and allied Countries, due to IRAQ war has made direct impact on Textile Exports from India. Also the industry is facing major challenges and threats with the phasing out of preferential quota regime by the end of 2004. Competition in domestic market will increase further due to cheaper imports from southeastern countries and the china.

EXPORTS: Intensified exports 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 Rs. 1078 Lac in the previous year to Rs. 1203 Lacs in the year under reference.

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

ENERGY CONSERVATION, TECHNOLOGY AND FOREIGN EXCHANGE: All out efforts for energy conservation at every stage of production are being made and standards reviewed regularly. Details/disclosures of particulars in the report of Directors (Rule 1988) is appended as annexure I hereto and forms part of this report.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS: The Company continued its efforts to endeavour to keep employees motivated at the highest level. As in the past, harmonious and congenial industrial relations have been maintained throughout the year. The total number of employees employed during 2002-03 were 2118 against 2005 during previous year.



H.P. THREAD

H. P. Cotton Textile Mills Limited

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, read with Companies (particulars of Employees) Rules, 1975 as amended from time to time.

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.

STATUTORY AND OTHER DUES: The Company is regular in payment of statutory dues, term loan installments and interest and nothing is over due as on date. The Company has not invited/accepted fixed deposits under Section 58 A of the Companies Act, 1956.

LISTING OF EQUITY SHARES: The Equity shares of your Company are listed with Delhi, Mumbai, Kolkata, Jaipur and Ludhiana Stock Exchange. Also these shares of your Company need to be compulsorily 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, New Delhi to act as Share Transfer Agent for the said purposes. As on date 8.09,550 Equity Shares out of total 38,10,000 Equity Shares of the Company has been dematerialised at the request of the shareholders.

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 detailed note on Corporate governance is appended with this report.

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

AUDITORS: M/s A.K.Associates, Chartered Accountants, New Delhi was appointed Auditors of the Company to hold office till the conclusion of 22nd Annual General Meeting. Accordingly the said Auditors retire on the conclusion of ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Auditors have furnished to the Company the requisite certificate (under section 224(1-B) and 226(3) of the Companies Act 1956) that their appointment, if made, would be within the prescribed limit.

COST AUDITORS: At the recommendation of the Audit Committee of Directors, The Board of Directors of the Company has appointed M/s N.K.Goel, 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 2003-04. The Cost Audit Report will be forwarded to the Central Government as required under the law.

INTERNAL CONTROL SYSTEMS: The Company has adequate internal control procedures commensurate with its size and nature of the business. These control procedures ensure the efficient use and protection of resources and compliance with established Company policies and Government statutes.

The prime objective of such procedures is to evaluate the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness. The scope of internal audit covers a wide range of operational and financial matters and includes a follow up review of corrective actions taken for implementation. The Board believes that appropriate procedures and controls are operating and monitoring mechanisms are in place. The Audit Committee of the Board of Directors reviews the adequacy of the internal control systems from time to time.



H.P. THREAD

H. P. Cotton Textile Mills Limited

DIRECTORS: In accordance with the requirement of Companies Act 1956 and Article 110 of the Article of Association of the Company, Shri Arjun Das Agarwal and Shri Kailash Kumar Agarwal retire by rotation and are eligible, have offered themselves for reappointment. .

Shri Krishan Kumar Agarwal, promoter Director has resigned from the Board of Directors we 1st April 2003 to make room for one more independent director on Board. The Members on the Board has appreciated his services to the company during his long association with the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT: Your Directors submit:

- a) That in the preparation of annual accounts, all 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 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, 2003 and of profit and loss account for the period ended 31st March, 2003.
- 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.

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, Indentures, 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.

Report Junction.com

PLACE : HISAR
DATED 31st July 2003

For and on behalf of the Board
Arjun Das Agarwal
Chairman



H.P. THREAD

H. P. Cotton Textile Mills Limited

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 and usage's of fresh water 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

Production process and process equipment/Plant and Machineries have been rearranged to achieve optimum operational efficiency/synergies/cohesiveness of plant and 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, colour and chemicals and spares.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earned	Rs. 1202.59 Lacs
Foreign Exchange used.	Rs. 323.67 Lacs.