

# 23<sup>rd</sup>

## ANNUAL REPORT

### 2003-2004

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H.P. THREAD

# H.P. Cotton Textile Mills Ltd.



**H. P. Cotton Textile Mills Limited**

## **23rd ANNUAL GENERAL MEETING**

**Day: Friday**

**Date: 17th September, 2004**

**Time: 4:30 P.M.**

**Venue: 272, Model Town, Hisar-125 005**

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## 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.  
Shri Anil Aggarwalla.  
Shri Keshar Dev Sharma.  
Shri Parshotam Das Agarwal (w.e.f. 09.08.2004)

### 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

### BANKERS:

State Bank of Patiala  
Oriental Bank of Commerce

### AUDITORS:

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

### REGISTRAR & SHARE TRANSFER AGENT:

M/s Alankit Assignments Ltd.,  
2E/8, 1st Floor, Jhandewalan Extn.,  
New Delhi-110055



## H. P. Cotton Textile Mills Limited

### NOTICE:

Please be informed that the Twenty Third Annual General Meeting of the Shareholders of H.P. Cotton Textile Mills Ltd., Hisar will be held on Friday the 17th September 2004 at 04.30 p.m. at the Registered Office of the Company at 272, Model Town, Hisar, (Haryana) to transact the following Business as:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2004 and Profit and Loss Account for the year ended on that date together with Directors' Report and Auditors Report thereon.
2. To appoint Director in place of Sh. K.D.Sharma who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Shri Anil Agarwalla who retires by rotation and being eligible offers himself for reappointment.
4. 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:

5. 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 Ashok Kumar Agarwal as Executive Director of the Company for further period of five years i.e. 02.08.2004 to 01.08.2009 be and is hereby approved".

It is further resolved that pursuant to the provision of section 198, 269, 309, 310, 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 Ashok Kumar Agarwal re-appointed as Executive Director, for a period of five years effective from 2<sup>nd</sup> August 2004 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".

6. To consider, and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:  
"RESOLVED that appointment of Shri Raj Kumar Agarwal as Executive of the Company be and is hereby approved."

It is further resolved that pursuant to the provision of section 314 and other applicable provisions if any, of the Companies Act, 1956, the consent of the Company is hereby accorded for remuneration to be paid to Shri Raj Kumar Agarwal appointed as Executive effective from 1<sup>st</sup> December 2003 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".

7. To consider and if thought fit to pass with or without modification the following resolution as an ordinary Resolution.

"Resolved that Shri P.D. Agarwal who was appointed as an Additional Director of the Company on 9th August 2004 and who ceases to hold office under section 260 of the Companies Act 1956 (on the day of this Annual General Meeting) be and is hereby appointed as a Director of the Company, subject to retirement by rotation under the Articles of Association of the Company."

By Order of the Board  
ARJUN DAS AGARWAL  
CHAIRMAN

PLACE : HISAR  
DATE : 09<sup>th</sup> AUGUST 2004



## H. P. Cotton Textile Mills Limited

### ANNEXURE TO THE NOTICE:

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

#### Item No.5

The Board of Directors of the Company (The Board) in its Meeting held on 29<sup>th</sup> June, 2004 resolved to re-appoint Shri Ashok Kumar Agarwal as Executive Director of the Company for a period of Five years with effect from 02<sup>nd</sup> August 2004 to 01<sup>st</sup> August, 2009 upon the terms and conditions set out hereunder, subject to the approval(s) as may be required including special resolution of the Shareholders of the Company in this General Meeting:

1. **Period:** Shri Ashok Kumar Agarwal shall act as Executive Director of the Company for a period of five years w.e.f. August 2, 2004.
2. **Remuneration:** Shri Ashok Kumar Agarwal will be entitled to receive the followings by way of remuneration
  - a) **Salary:** Rs. 16000 - 1000- 20,000 per month.
  - b) **Perquisites:** In addition to the above, Shri Ashok Kumar Agarwal shall be entitled to house rent and other allowances and perks as per Companies rule subject to maximum limits prescribed in schedule XIII of the Companies Act 1956 and rules framed there under, such perquisites shall not exceed to 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 Ashok 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 Ashok Kumar Agarwal is the relative of Shri Arjun Das Agarwal, Shri Kashmuri Lal 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.

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. Your Company is manufacturing single and multifolded yarn and threads has very good potential in domestic and export markets.

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

Shri Ashok Kumar Agarwal is a commerce graduate from Kolkata and is attached with this Company since inception. He is devoting his full time and attention to the affairs of the Company and is stationed at Hisar. Considering his qualification and experience the remuneration proposed is very nominal comparing with other such person enjoying the similar status in other Companies.

#### Item No. 6

The Board of Directors in their meeting held on 28 January 2004 has appointed Shri Raj Kumar Agarwal as an Executive to look after the affairs of the Company at Mumbai office. This office mainly deals with our requirement of Import of Cotton and Chemicals, Export of Finished goods and marketing of our products in and around Mumbai.

Shri Raj Kumar Agarwal, who is having experience in this line for more than 15 years has been appointed to look after the affairs of this office at the following terms and conditions.



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Salary	Rs. 15,000/- per month
House Rent	25% of the salary
Other allowances and perks	As applicable to other employees of the Company
Date of Appointment	December 01, 2003
Designation	Executive

Shri Raj Kumar Agarwal is the relative of Shri Kashmiri Lal Agarwal, the Managing Director, Shri Arjun Das Agarwal, the Chairman, Shri Ashok Kumar Agarwal, Executive Director and Shri Kailash Kumar Agarwal Director Incharge of the Company and hence this appointment is covered under section 314 of the Companies Act 1956 and notification No. GSR 286 (13) dated 01.03.1994. Accordingly this appointment is required to be approved by the Share Holders in General Meeting by a special 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 Share Holders.

### Item No. 7.

The Board of Directors appointed Shri P.D. Agarwal as an Additional Director of the Company in the meeting of Board of Directors held on 09th August, 2004. By virtue of Section 260 of the Companies Act 1956, he holds office till the date 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. P.D. Agarwal himself.

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

Shri P.D. Agarwal is a law graduate with MBA and is having vast experience of above 30 years in textiles and other manufacturing activity. He is working as President in M/s Shri Krishna Paper Mills Ltd. (paper division) since April 2000. He is also a Director in five other Companies. Considering his qualification and experience the Directors are of the opinion that if appointed, he will prove an asset to the Company.

By Order of the Board  
ARJUN DAS AGARWAL  
CHAIRMAN

PLACE : HISAR  
DATE : 09<sup>th</sup> AUGUST 2004

### 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. In order to be effective the proxy must be lodged at the Registered 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 1<sup>st</sup> Sept. 2004 to 10<sup>th</sup> Sept. 2004.
4. 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.
5. Members are requested to immediately intimate to the Company any change in their address as registered with the company, mentioning the Pin Code Number.  
send relevant Share Certificates.
6. Dividends, remaining unpaid/unclaimed, upto the financial year 1996-97 will be transferred to the General Revenue Account of the Central Government by Sept. 2004 end. Pursuant to the provisions of Section 205A read with section 205 C of the Companies Act 1956, dividend declared and 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'.
7. Members/proxies should bring the Attendance Slip duly filled in for attending the meeting. Members who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easier identification of attendance at the meeting.
8. Member(s) / Investor(s) are advised to avail nomination facilities pursuant to Section 109A of the Companies (Amendment) Act, 1999. Member(s) may at any time nominate a person in prescribed manner i.e. by sending Form 2 B (enclosed with the Annual Report) under Rule 4 CCC and 5 D duly filled and signed by the Members/ investor(s) to whom his/her shares shall vest in the unfortunate event of his/ her death.
9. Members are requested to quote their Folio No/DP ID Number along with Client ID Number in all their correspondence.





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## H. P. Cotton Textile Mills Limited

### DIRECTOR'S REPORT

To the Members,

Your Directors are pleased to present Twenty Third Annual Report of your Company together with audited accounts for the year ended on March 31, 2004.

#### **FINANCIAL RESULTS (RUPEES IN LACS)**

	<u>Year 2003-04</u> (Rupees in Lacs)	<u>Year 2002-03</u> (Rupees in Lacs)
Net Profit for the year after Income Tax	(41.35)	(1.60)
Less Loss on Sale of Fixed Assets replaced	—	4.24
Depreciation charged on fixed assets	165.22	190.73
Cash profit from operations	104.63	193.37

**PERFORMANCE:** The Company has incurred operational loss of Rs.60.59 Lacs as the Profit margins has shrunk severely during the year mainly due to advance booking of orders made at lower rates and un-expected increase in the cost of raw materials without corresponding increase in per unit realisation. Appreciation of Rupee vs. US \$ has also taken its toll Changes in market preference from Cotton to polyester / polyester mixed threads has also reduced our competitiveness and market share.

**OUT LOOK:** The industry is facing major challenges and threats with the phasing out of preferential quota regime. Competition in domestic market will increase further due to cheaper imports from South Eastern Countries and the China. To make our product competitive, the Company is diversifying a part of its product range and is planning to add polyester / polyester mixed Cotton Threads in its product basket.

**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. Inspite of weak and challenging market conditions, your company could increase direct export earnings from Rs. 1202.58 Lac in the previous year to Rs. 1465.81 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.

**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-1 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 average total number of employees employed during 2003-04 were 1446.

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 / Industrial risks and natural calamities like flood and earthquake.

**STATUTORY AND OTHER DUES:** The Company is regular in payment of statutory dues 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 Mumbai, Stock Exchange. As per the resolution passed in the previous Annual General Meeting of the share holders, process of delisting of equity shares with Delhi, kolkatta, Jaipur and Ludhiana stock Exchange is under progress.



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The Equity 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, Delhi to act as Share Transfer Agent and DP for the said purposes. As on 30<sup>th</sup> June 2004 total 993900 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 practicing 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 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, New Delhi was appointed Auditors of the Company to hold office till the conclusion of 23rd 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 2004-05. The Cost Audit Report will be forwarded to the Central Government as required under the law.

**INTERNAL CONTROL SYSTEMS:** The Company has implemented proper and sufficient mechanism including of internal and external Auditors and auditing practices for verification of transactions and maintenance of accounts for safeguarding the assets of the Company including for preventing and deducting of fraud and other irregularities. It has adequate internal control system and procedures to ensure factual and financial accuracy, efficiency, protection of resources and compliance with established Company policies and Government statutes. These systems, procedures and relevant records are periodically reviewed, checked, verified and audited by the independent internal Auditors M/s Ashok Kumar Goyal & Co., Chartered Accountants, Hisar to ensure its adequacy and effectiveness. The scope of internal audit has been prepared and assigned to the internal auditors covers a wide range of operational and financial matters including Companies (Auditors Report) order 2003 and includes a follow up review of corrective actions taken for implementation. The Audit Committee of the Board of Directors, where the statutory auditors are regular and permanent invitee, regularly reviews periodical reports of the internal auditors and submit their report/comments/ suggestions to the Board. Hence the Board of Directors believes that appropriate procedures and controls are operating and monitoring mechanisms are in place.

**DIRECTORS:** In accordance with the requirement of Companies Act 1956 and Article 110 of the Article of Association of the Company, Shri Keshar Deo Sharma and Shri Anil Kumar Agarwalla retire by rotation and are eligible, have offered themselves for reappointment.

Lt. Gen. (Retd) Shri Depinder Singh has resigned from the Board and other Committee(s) due to his elderly age. The Board placed on records their appreciation for his guidance, constructive role, tremendous dedication to work, honesty and forbearance.

Shri P.D. Agarwal has been appointed on the Board of Directors of the Company to fill the vacancy caused by the resignation of Lt. Gen. (Retd.) Depinder Singh, Shri P.D. Agarwal will hold office of Director till the conclusion of this 23<sup>rd</sup> General meeting of Share Holders.

Shri P.D. Agarwal being eligible, offers himself for reappointment as Director.

The tenure of appointment of Executive Director Sh. Ashok Kumar Agarwal expires on 1<sup>st</sup> August 2004. The Board in its meeting held on 29 June 2004, has re-appointed him as Executive Director for a further period of five year.





## H. P. Cotton Textile Mills Limited

**DIRECTOR'S RESPONSIBILITY STATEMENT:** Your Directors submit:

- a) That in the preparation of annual accounts, all the applicable accounting standards have been followed along with 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 31<sup>st</sup> March, 2004 and of profit and loss account for the period ended 31<sup>st</sup> March, 2004.
- 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, Customers and Suppliers, 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: 09<sup>th</sup> August 2004

For and on behalf of the Board

Arjun Das Agarwal  
Chairman

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**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 for 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-Chemicals and spares.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

Foreign Exchange Earned Rs. 14,65,81,756

Foreign Exchange used. Rs. 2,61,12,124

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