

24th Annual Report

2004-2005

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H.P. Cotton Textile Mills Limited

24th ANNUAL GENERAL MEETING

Day : Saturday

Date : 24th September, 2005

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 Prakash Chand Kohli

Shri Bibhuti Charan Talukdar

Shri Parshotam Das Agarwal

Shri Mohan Lal Jain

Shri Anil Aggarwalla

REGISTERED AND ADMINISTRATIVE OFFICE :

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

BANKERS :

State Bank of Patiala

Oriental Bank of Commerce

STATUTORY AUDITORS

M/s. A. K. Associates, New Delhi

REGISTRAR & SHARE TRANSFER AGENT :

Ms/ Alankit Assignments Ltd.

2E/8, 1st Floor, Jhandewalan Extn.,

New Delhi-110055

Tel No. : 51540060 To 51540063

Website : www.alankit.com



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

Notice is hereby given that the Twenty Forth Annual General Meeting of the Members of H.P.Cotton Textile Mills Ltd., Hisar will be held on Saturday the 24th-day of September 2005 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 31st March 2005 and Profit & Loss Account for the year ended on that date together with Directors' Report and the Auditors Report thereon.
2. To appoint a Director in place of Sh. Arjun Das Agarwal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Ashok Kumar Agarwal who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of next Annual General Meeting of Share Holders at a remuneration to be recommended by the Audit Committee and fixed by the Board of Directors of the Company. The retiring Auditors, M/s A.K.Associates, Chartered Accountants, New Delhi are eligible for re-appointment.

AS SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s) the following resolution(s) as Ordinary resolution:
 "Resolved that Shri Bibhuti Charan Talukdar who was appointed as an Additional Director of the Company on 30 October 2004 by the Board of Directors of the Company under Section 260 of the Companies' Act 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice under Section 257 of the Companies' Act 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and if thought fit, to pass with or without modification(s) the following resolution(s) as ordinary resolution:
 "Resolved that Shri Prakash Chand Kohli who was appointed as an Additional Director of the Company on 30 October 2004 by the Board of Directors of the Company under Section 260 of the Companies' Act 1956 and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies' Act 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification(s) the following resolution(s) as ordinary resolution:
 "Resolved that Shri Mohan Lal Jain who was appointed as a Director of the Company to fill casual vacancy caused by the resignation of Shri K.D.Sharma on 29th January 2005 by the Board of Directors of the Company under Section 262 of the Companies' Act 1956 and holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies' Act 1956, be and is hereby appointed as a Director of the Company liable to retire by rotation."

Place: New Delhi
 Date: 12 August 2005

By order of the Board
 Arjun Das Agarwal
 Chairman



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*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 appointed Shri Bibhuti Charan Talukdar as an Additional Director of the Company on 30 October 2004. By virtue of Section 260 of the Companies' Act 1956 read with Article 101 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting. The Company has received a notice from a shareholder proposing his name for the Directorship under Section 257 of the Companies' Act 1956. The resolution is put before the Members for their approval.

Memorandum of interest: Shri. Bibhuti Charan Talukdar is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

A Brief Resume of Shri Bibhuti Charan Talukdar as required in terms of Clause 49 of the Listing Agreement is appended here under.

Item no 6

The Board of Directors appointed Shri Prakash Chand Kohli as an Additional Director of the Company on 30 October 2004. By virtue of Section 260 of the Companies' Act 1956 read with Article 101 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting. The Company has received a notice from a shareholder proposing his name for the Directorship under Section 257 of the Companies' Act 1956. The resolution is put before the Members for their approval.

Memorandum of interest: Shri. Prakash Chand Kohli is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

A Brief Resume of Shri Prakash Chand Kohli as required in terms of Clause 49 of the Listing Agreement is appended here under.

Item no 7

The Board of Directors appointed Shri Mohan Lal Jain as an Additional Director of the Company to fill up casual vacancy caused by the resignation of Shri K.D.Sharma on 29 January 2005. Shri Sharma is due to retire at this Annual General Meeting. By virtue of Section 262 of the Companies' Act 1956 read with Article 102 of the Articles of Association of the Company, he holds office upto the date of this Annual General Meeting. The Company has received notice from a shareholder proposing his name for the Directorship under Section 257 of the Companies' Act 1956. The resolution is put before the Members for their approval.

Memorandum of interest: Shri. Mohan Lal Jain is interested in the resolution to the extent of his appointment as Director. No other Director of the Company is in any way concerned or interested in the proposed resolution.

A Brief Resume of Shri Mohan Lal Jain as required in terms of Clause 49 of the Listing Agreement is appended here under.

Brief Biography of Directors proposed to be appointed/reappointed as required in Terms of Listing Agreement

1. Shri Arjun Das Agarwal is an industrialist having experience in manufacturing and trading of Cotton Textiles is about 77 years of age. He is the founder Director of the Company.

**H.P. THREAD*****H.P. Cotton Textile Mills Limited*****Directorship in other Company:**

1. Sailash Textile Mfg.Co.Ltd. Kolkata
2. Achhar Investment Ltd., Delhi
3. Jainish Products Ltd. Delhi

Your Director's Commend the Resolution for approval

2. Shri Ashok Kumar Aggarwal, aged about 48 years, is a Commerce Graduate having in-house experience (Mills Administration) of about 20 years in this Company itself. He is one among the Promoters of the Company.

Directorship in other Company:

1. Atishay Trading & Investment (P) Ltd., Delhi.

Your Director's Commend the resolution approval.

3. Shri Bibhuti Charan Talukdar aged about 70 years a Post Graduate in Business Management is a Corporate executive. He is having Experience in Corporate Law and Finance over 47 years. Considering his qualification and experience the Directors are of the opinion that, if he is appointed,. It will be beneficial to the Company.

Directorship in other Company:

1. Indian City Properties Ltd.,
2. Gupkar Investments & Holdings Ltd.,
3. Nagrika Exports Limited

Your Directors recommend the Resolution for approval.

4. Shri Prakash Chand Kohli, a Textile Engineer having expertise in Yarn and Thread Manufacturing is 70 years of age. He is having above 45 years experience in this type of industry. Considering his qualification and experience the Directors are of the opinion that, if appointed, he will prove an Asset to the Company. Your Directors recommend the Resolution for approval.

Directorship in other Company:

1. Prakash Threads (P) Ltd.,
5. Shri Mohan Lal Jain, a Chartered Accountant by Profession and having expertise in Finance and Audit is about 45 years of age. He is having experience of above 20 years in his profession. Considering his qualification and experience the Directors are of the opinion that, if he is appointed, the Company will be beneficial.

Your Directors recommend the Resolution for approval.

Directorship in other Company:

1. Emfin Services India Pvt. Ltd.
2. Channel Nine India Pvt. Ltd.,

Place - New Delhi

Dated 12th August 2005

By Order of the Board
Arjun Das Agarwal
Chairman



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*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. In order to be effective the proxy must be lodged at the Registered Office of the Company at least 48 hours before the Scheduled time of the Meeting. The blank Proxy Form is enclosed.
2. 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 DPID Numbers for easier identification of attendance at the Meeting.
3. All documents referred to in the Company 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.
4. The Register of Transfers and Share Transfer Books of the Company will remain closed from 1st Sept.2005 to 15th Sept.2005.
5. Members holding shares in Physical mode are requested to quote their folio number in all correspondence and must notify the change in their address/Bank Account Number to M/s Alankit Assignments Ltd., 2 E/8, 1ST Floor, Jhandewalan Extn. New Delhi 110055, the Registrar and Share Transfer Agents (R&T Agent) of the Company.
6. Members holding shares in demat electronic form are requested to get the change in address/bank details in the records of their Depository Participant(s)
7. 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 (available at request with the Company) 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.



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*H.P. Cotton Textile Mills Limited***DIRECTORS' REPORT****To the Members,**

Your Directors are pleased to present twenty forth Annual Report of your Company together with Audited Accounts and Audit Report for the year ended on March 31, 2005.

FINANCIAL PERFORMANCE (RUPEES IN LACS)	Year 2004-05	Year 2003-04
Net profit for the year after Income Tax	1.07	(41.35)
Depreciation charged on Fixed Assets	167.13	165.22
Cash Profit from operations	168.20	104.63
Transferred to / from general reserve	Nil	Nil

The performance of the Company has improved since last quarter of the year Under Review and it is expected that the trend of improvement will continue in future.

EXPORTS: Intensified export promotion efforts made by the Company have added new Countries and Overseas Customers as regular indentures for a number of our existing and newly developed range of Sewing Threads. During the year Under Review direct export earning has increased to Rs.1584.78 lacs from Rs. 1465.81 lacs in previous year.

DIVIDENDS: Due to inadequate profits your Directors regret their inability to propose dividend for the year under review.

FIXED DEPOSITS: Your Company has not accepted / invited any deposits within the meaning of section 58-A of the Companies' Act 1956 and the Rules made there under.

AUDITORS: M/s A.K.Associates, Chartered Accountants, was appointed Auditors of the Company to hold office till the conclusion of 24th 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) of the Companies' Act 1956 that their appointment, if made, would be within the prescribed limit.

AUDIT REPORT AND THEIR OBSERVATION: The observation of the Auditors in their report is self explanatory & therefore do not call for any further comments.

COST AUDITORS: Pursuant to a respective of the Central government your company is required to conduct the Cost Audit. Accordingly, qualified Cost Auditor have appointed to carry out of the cost Audit of the Cost Accounts indemnified by the Company for the year ended 31-03-2005.

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 Ashok Kumar Agarwal, Director(s) of the Company retire by rotation and being eligible, offered themselves for reappointment. .

Shri Keser Deo Sharma has resigned from the Board of Directors and Audit Committee 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 Prakash Chand Kohli and Shri Bibhuti Charan Talukdar have been adopted on the Board of Directors of the Company as additional Director(s) to hold office of Director upto the date of 24th Annual General Meeting.

Shri Mohan Lal Jain was adopted on the Board of Directors of the Company to fill casual vacancy caused by the resignation of Sh.Keser Deo Sharma. Shri Mohan Lal Jain also will hold office of the Director upto the date of 24th Annual General Meeting.

The Company has received notice(s) along with requisite Fee from Member(s) under section 257 of the Companies' Act, 1956 proposing candidature of Shri Prakash Chand Kohli,, Sh. Bibhuti Charan Talukdar and Shri Mohan Lal Jain as Director(s) of the Company.

SECRETARY AND COMPLIANCE OFFICER: Shri Amit Amarpuri resigned as Company Secretary and Compliance Officer of the Company on 05th April 2005 and hence Shri Ashok Kumar Agarwal, Executive Director of the Company has been designated as Compliance Officer under clause 47 of the Listing Agreement entered into with the stock exchange (s). Efforts are being made to appoint a Company Secretary.

CORPORATE GOVERNANCE: The Company has been proactive in following the principles and practices



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of good Governance. The Company has ensured that the Corporate Governance requirements as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges are duly / fully complied with. A separate report on Corporate Governance together with Auditors' Certificate regarding Compliance of the SEBI code of Corporate Governance is annexed herewith.

SHARE HOLDERS EQUITY: 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. Also the Company has entered into an Agreement with M/s Alankit Assignments Ltd, 2 E/8, 1st Floor, Jhandewalan Extn., New Delhi 110055, to act as Registrar and Share Transfer Agent. As on 30th June 2005 10,62,650 Equity Shares (face value Rs. 10 each) out of 38,10,000 Equity Shares of the Company has been dematerialised at the request of the Share Holders.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS REPORT:

OUTLOOK: Since 1st of January 2005 Preferential Quota regime is abolished, opening a new Era of development, advancement and improved environment for Textile Industry/ Marketing as a whole. Export as well domestic demand has strengthened. Your Company has added many a new range of products including Viscose/ Filament/ Polyester and blended Threads in its product range.

CHALLENGES: In the Liberalised Economic Environment, your Company faces challenges from Domestic and International competitors in the Market Place. However, it is expected that the improved business strategies, personalised relations and quality consciousness will enable your Company to successfully compete in the Market.

RISKS AND CONCERNS: Major Raw Material Cotton being an Agricultural produce, is exposed to/ dependent on required Monsoon and level of Crop/ available stock internationally. Any major demand supply gap affects the dynamics on price front significantly, which may effect adversely on cost structure thereby potentially effecting margins.

ENERGY CONSERVATION: Your Company has adopted Energy Management as one of the important steps for reducing the cost of production in order to remain competitive in the Market and also to ensure that scarce Energy Resources are utilised in the most efficient manner. 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.

Details/disclosures of particulars in the Report of Directors (Rule 1988) is appended as Annexe 1 hereto and forms part of this report.

RESEARCH AND DEVELOPMENT: Your Company continuously focus on quality concept and take initiative in quality improvement measures for the entire range of its products with an objective to meet the customers' requirement and satisfaction. Several new quality/range of product mix are 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. Your Company is making continuous efforts 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, water, steam and Spare parts.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS: Your 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 2004-05 was 1722 including around 90% from socially backward classes.

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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 Company (particulars of employees) Rules, 1975 as amended from time to time.

SAFETY: Your Company accords highest priority in maintaining the best safety practices and standards. Safety management system is constantly being reviewed and updated on continuous basis

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.

INTERNAL CONTROL: Your Company has implemented proper and sufficient mechanism including internal and external audit for safeguarding the Assets of the Company including for preventing and detecting of fraud and other irregularities. Internal Auditors periodically review, check, verify and audit adequacy and effectiveness of system and mechanism as per the scope of Internal Audit assigned to them which covers a wide range of operational and financial matters including Company (Auditors Report) order 2003 as amended from time to time 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 such periodical reports of the Internal Auditors and submit their report/ comments / suggestions / recommendations to the Board.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217 (2AA) of the Companies' Act 1956, the Directors hereby confirm that:

- a) Your Company had followed the applicable accounting standards along with proper explanations relating to material departures in the preparation of the Annual Accounts.
- b) Your Company had selected such Accounting Policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the Profit or Loss Account of the Company for that period.
- c) Your Company had 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 your Company and for preventing fraud and other irregularities, and
- d) The accounts of your Company have been prepared 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 Share Holders, Financial Institutions, Consortium Bankers, Customers and Suppliers, State, Central Governments and other Agencies. The Company also wishes to thank all the employees for their dedicated services rendered.

For and on behalf of the Board

Place - New Delhi

Date: 12th August 2005

Arjun Das Agarwal
Chairman