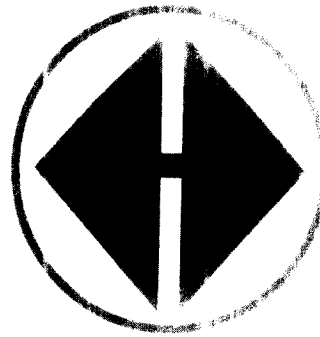



25th ANNUAL REPORT

2005-2006



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H.P. Cotton Textile Mills Limited

25th ANNUAL GENERAL MEETING

Day : Saturday

Date : 16th September, 2006

Time : 4:30 P.M.

Venue : 272, Model Town, Hisar-125 005

REGISTERED/ CORPORATE OFFICE AND WORKS:

Regd. Office	: 272, Model Town, Hisar. Tel. Nos. (01662) 249001/ 02
Works	: 15 km Stone, Delhi Road, Hisar (Village Mayar).
Kolkatta Branch	: 405 Manglam Building, 24 Hament Basu Sarani, Kolkatta
New Delhi Branch	: 1E/12 , Jhandewalan Extention, Sewak Bhawan , New Delhi
Ahmadabad Branch	: 85, Hira Bhai Market, Ahmedabad
Mumbai Branch	: Shah & Nahar (Worli) Industrial Estate, Unit No. 4, Ground Floor, Dr. E.Moses Road, Near Geeta Cinema, Worli Mumbai 400018

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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 and Compliance Officer

Shri Kailash Kumar Agarwal, Director Incharge and C.F.O.

Shri Prakash Chand Kohli

Shri Bibhuti Charan Talukdar

Shri Parshotam Das Agarwal

Shri Mohan Lal Jain

Shri Anil Aggarwalla

BANKERS :

State Bank of Patiala

Oriental Bank of Commerce

AUDITORS OF THE COMPANY

Statutory Auditors M/s A.K.Associates, Chartered Accountants, New Delhi

Internal Auditors M/s Ashok Kumar Goyal & Co., Chartered Accountants, Hisar

Cost Auditors M/s Naresh Goel , Cost Auditors , New Delhi

Tax Auditors M/s HPS Associates , Chartered Accountants, New Delhi

REGISTRAR & SHARE TRANSFER AGENT :

M/s Alankit Assignments Ltd.

2E/21, Alankit House, Jhandewalan Extn.,

New Delhi-110055

Tel No. : 23541234-42541234

Fax No. : 41540064

Website : www.alankit.com



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NOTICE:

Notice is hereby given that the Twenty Fifth Annual General Meeting of H.P.Cotton Textile Mills Limited will be held on Saturday the 16th September, 2006 at 4.30 p.m. at its Registered Office at 272, Model Town, Hisar - 125 005 (Haryana) to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2006 and the Balance Sheet as at that date, together with the Report of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Sh. Anil Aggarwalla, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri P.D. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Kailash 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 to hold office from the conclusion of this meeting untill the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. **To consider and if thought fit, to pass, with or without modification, the following Resolution as Special Resolution:**

"Resolved that the Company hereby accords its consent and approval under Section 198, 269,309 and 314 read with Part ii of the Revised Schedule XIII there to and other applicable provisions, if any, of the Companies, Act 1956, to the re-appointment of Shri Kashmiri Lal Agarwal as Managing Director for a period of 5 (Five) years with effect from July 01, 2006 on the following remuneration.

- (1) Salary : Rs. 43,000/- (consolidated) per month.
- (2) Medical : Re-imbursement of medical expenses for self and family upto a limit of 5% of Annual Salary.
- (3) P.F. & Gratuity : As per Act and shall not be included in the computation of the ceiling on remuneration.
- (4) Encashment of unavailed leave at the time of retirement / cessation of service shall not be included in the computation of the ceiling on remuneration."

"Further Resolved that the Board of Directors be and is hereby authorised to vary, alter, modify the remuneration of Shri Kashmiri Lal Agarwal with in the limits specified in part ii of Schedule XIII during this period of 5 years"

7. **To consider and, if thought fit, to pass with or without modification, the following Resolution as Special Resolution:**

"Resolved that with the consent and approval of the Company under Section 269 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 Shri Ashok Kumar



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Agarwal, Whole Time Director designated as Executive Director be paid revised remuneration as under with effect from July 01, 2006 to the remaining period of his tenure i.e. up to 01.08.2009.

- (1) Salary : Rs. 38,000/- (Consolidated) per month.
- (2) Medical : Re-imbursement of medical expenses for self and family upto a limit of 5% of annual salary.
- (3) P.F. & Gratuity : As per act and shall not be included in the computation of the ceiling on remuneration.
- (4) Encashment of unavailed leave at the time of retirement / cessation of service shall not be included in the computation of the ceiling on remuneration."

"Further Resolved that the Board of Directors be and is hereby authorised to vary, alter, modify the remuneration of Shri Ashok Kumar Agarwal with in the limits specified in Part ii of Schedule XIII from July 01, 2006 to the remaining period of his tenure i.e. up to 01.08.2009.

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as Special Resolution:

"Resolved that with the consent and approval of the Company under Section 269 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 Shri Kailash Kumar Agarwal, Whole Time Director designated as Director incharge be paid revised remuneration as under with effect from July 01, 2006 to the remaining period of his tenure i.e. up to 05.08.2007.

- (1) Salary : Rs. 38,000/- (consolidated) per month.
- (2) Medical : Re-imbursement of Medical Expenses for self and family upto a limit of 5% of annual salary.
- (3) P.F. & Gratuity : As per Act and shall not be included in the computation of the ceiling on remuneration.
- (4) Encashment of unavailed leave at the time of retirement / cessation of service shall not be included in the computation of the ceiling on remuneration."

"Further Resolved that the Board of Directors be and is hereby authorised to vary, alter, modify the remuneration of Shri Kailash Kumar Agarwal with in the limits specified in part ii of Schedule XIII from July 01, 2006 to the remaining period of his tenure i.e. up to 05.08.2007.

To consider and, if thought fit, to pass with or without modification, the following Resolution as Special Resolution:

" Resolved that the Company hereby accords its consent and approval under Section 314 and other applicable provisions, if any, of the Companies Act 1956 , to Shri Raj Kumar Agarwal, a relative of Shri Arjun Das Agarwal, Shri Kashmiri Lal Agarwal, Shri Ashok Kumar Agarwal and Shri Kailash Kumar Agarwal, Directors of the Company , who holds an office or place of profit under the Company, for holding and continuing to hold an office or place of profit as President Exports under the Company with effect from July 01, 2006 on the following remuneration:

- Salary of Rs. 25,000 (Rupees Twenty Five Thousand) per month
- An annual increment of Rs. 2500 per month
- All other allowances and benefits will be as applicable to other employees subject to a limit that monthly remuneration should not exceed more than Rs. 50,000 or such limit specified by the Government from time to time.

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10. To consider and if thought fit, to pass, with or without modification, the following Resolution as Special Resolution:

" Resolved that the Company hereby accords its consent and approval under Section 314 and other applicable provisions, if any, of the Companies Act 1956, to Shri Ravinder Kumar Agarwal, a relative of Shri Arjun Das Agarwal, Shri Kashmiri Lal Agarwal, Shri Ashok Kumar Agarwal and Shri Kailash Kumar Agarwal, Directors of the Company, who holds an office or place of profit under the Company, for holding and continuing to hold an office or place of profit as President Commercial under the Company with effect from July 01, 2006 on the following remuneration:

- Salary of Rs. 25,000 (Rupees Twenty Five Thousand per month)
- An annual increment of Rs. 2500 per month
- All other allowances and benefits will be as applicable to other employees subject to a limit that monthly remuneration should not exceed more than Rs. 50,000 or such limit specified by the Government from time to time.

11. To consider and, if thought fit, to pass with or without modification, the following Resolution as Special Resolution.

"Resolved that Article 104 of Articles Of Association of the Company be altered by substituting the following:

- (a) The fee payable to the Non-Executive Directors for attending each meeting of the Board or any Committee of Directors shall be such sums as may be prescribed by the Companies Act or by the Central Government from time to time and decided by the Board of Directors of the Company within prescribed limits.
- (b) "In addition to the remuneration payable as above, a Director if he is not a resident of the place where the meeting is held, will further be entitled to actual traveling charges incurred for attending the meeting by air or rail or car from his usual place of residence in India and back and also reimbursement of actual expenses, on boarding, lodging plus out of pocket expenses up to Rs. 1,500 for attending and returning from the meeting of the Board of Directors or any Committee thereof or General Meeting of the Company or otherwise in connection with the business."

NOTES:

1. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item No. 6 to 11 set out above are annexed hereto. The relevant details in respect of item No. 6, 7 and 8 above, as required by Clause 49 of the listing agreement entered into with Stock Exchanges are also annexed.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Members / Proxies should bring the enclosed attendance slip duly filled in, for attending the meeting, along with the Annual Report.
4. The register of members and the share transfer books of the Company would remain closed from 06.09.2006 to 16.09.2006, both days inclusive.
5. Nomination facility : Members holding shares in physical form may obtain the nomination forms from the Company's Registrar and Share Transfer Agent.



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Members holding shares in electronic form may obtain the nomination form from their respective Depository Participants.

6. A Member desirous of getting any information in respect of the contents of the Annual Report is required to forward the queries to the Company at least ten days prior to the meeting so that, if the chairman so permits, the required information will be made available at the meeting.

On behalf of the Board of Directors

Date 27.06.2006

Kashmiri Lal Agarwal
Managing Director

REGISTERED OFFICE:
272, Model Town,
Hisar - 125 005 (Haryana).

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF
THE COMPANIES ACT, 1956**

The following explanatory statement pursuant to Section 173 of the Companies Act, 1956 (The Act) sets out all material facts relating to the business mentioned under Item No. 6 to 11 of the accompanying Notice dated 27.06.2006.

ITEM NO. 6

Shri Kashmiri Lal Agarwal aged over 70 years is the promoter Director of the Company and is associated with this Company as Managing Director since beginning. His previous tenure as Managing Director ends on 30.06.2006.

The Board of Directors of the Company in its meeting held on 24.06.2006 with the approval of remuneration Committee, has unanimously re-appointed Shri Kashmiri Lal Agarwal as Managing Director for a period of Five Years with effect from 1st July 2006 to 30 June 2011, subject to the approval of members by Special Resolution in General Meeting.

In compliance with the provisions of Section 269 read with Schedule XIII of the Act, the remuneration payable to Shri Kashmiri Lal Agarwal are now being placed before the members for their approval. The Board commends the resolution for acceptance by the members.

Memorandum of interest: Shri Kashmiri Lal Agarwal, himself, Shri Arjun Das Agarwal, Chairman, Shri Ashok Kumar Agarwal, Executive Director and Shri Kailash Kumar Agarwal, Director incharge, being relatives are interested in this resolution. None of the other Directors is interested or concerned in this appointment.

ITEM NO. 7:

Shri Ashok Kumar Agarwal was re-appointed as Whole Time Director designated as Executive Director of the Company w.e.f. 02nd August 2004 at the Annual General Meeting of the Company held on 17 September 2004 on the following remuneration.

Period of appointment 02.08.2004 to 01.08.2009

Salary Rs. 16,000- 1000-20000 per month

PERQUISITES:

In addition to the above, Shri Ashok Kumar Agarwal is entitled to house rent allowances and perks as per Companies rule subject to maximum limits prescribed in Schedule XIII of the Companies Act 1956. Such perquisites shall not exceed to an Amount equal to his Annual Salary in that year.

Considering responsibilities entrusted to him and the remuneration of his stature paid in other similar Companies it is proposed to revise his remuneration w.e.f. 01.07.2006 for the remaining period of his tenure i.e. up to 01.08.2009 in accordance with the conditions specified in part ii of the revised Schedule XIII.

The matter was referred to Remuneration Committee to consider the revised remuneration. The Remuneration Committee determined /approved his remuneration in accordance with the conditions specified in part ii of the revised Schedule XIII.

In compliance with the provisions of Section 269 and 314 read with Schedule XIII of the Act, the revised terms of remuneration payable to Shri Ashok Kumar Agarwal are now being placed before the members for their approval. The Board commends the resolution for acceptance by the members.

MEMORANDUM OF INTEREST: Shri Ashok Kumar Agarwal, himself, Shri Arjun Das Agarwal, Chairman, Shri Kashmiri Lal Agarwal, Managing Director, and Shri Kailash Kumar Agarwal, Director Incharge, being relatives, are interested in this resolution none of the other Directors is interested or concerned in this appointment.

ITEM NO. 8

Shri Kailash Kumar Agarwal was re-appointed as Whole Time Director designated as Director Incharge of the Company w.e.f. 06 August 2002 at the Annual General Meeting of the Company held on 12 Sept. 2002 on the following remuneration.

Salary Rs. 15,000- 1000-19000 per month.



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Perquisites: in addition to the above, Shri Kailash Kumar Agarwal is entitled to house rent 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.

Considering responsibilities entrusted to him and the remuneration of his stature paid in other similar Companies it is proposed to revise his remuneration w.e.f. 01.07.2006 for the remaining period of his tenure i.e. up to 05.08.2007 in accordance with the conditions specified in part ii of the revised Schedule XIII.

The matter was referred to Remuneration Committee to consider the revised proposed remuneration. The Remuneration Committee determined /approved his remuneration in accordance with the condition specified in part ii of the revised Schedule XIII.

In compliance with the provisions of Section 269 and 314 read with Schedule XIII of the Act, the revised terms of remuneration payable to Shri Kailash Kumar Agarwal are now being placed before the members for their approval the Board commends the resolution for acceptance by the members.

Memorandum of interest: Shri Kailash Kumar Agarwal, himself, Shri Arjun Das Agarwal, Chairman, Shri Kashmiri Lal Agarwal, Managing Director, Shri Ashok Kumar Agarwal, Executive Director, being relatives, are interested in this resolution. None of the other Directors is interested or concerned in this appointment.

ITEM NO. 9

Shri Raj Kumar Agarwal, a relative of the Directors, was appointed as an executive of the Company with salary of Rs. 15,000 per month and other allowances and benefits as applicable to other employees of the Company. His appointment was approved by the Company at the Annual General Meeting held on 17th September 2004. During this period he has rendered his services diligently. With gradual increase in the cost of living, it is proposed that his monthly remuneration should be revised and he should be re designated as President Export from July 01, 2006.

The Board of Directors in its meeting held on 24.06.2006 has approved revision of the remuneration of Shri Raj Kumar Agarwal as President (Exports) with effect from 1st July 2006 subject to the approval of Members by special resolution under Section 314 of the Companies Act 1956.

Memorandum of Interest: Shri Arjun Das Agarwal, Chairman, Shri Kashmiri Lal Agarwal, Managing Director, Shri Ashok Kumar Agarwal, Executive Director and Shri Kailash Kumar Agarwal, Director Incharge, being relatives, are interested in this resolution. None of the other Directors is interested or concerned in this appointment.

ITEM NO. 10

Shri Ravinder Kumar Agarwal is a Commerce (Honors) graduate and is working with the Company for last 5 years as Executive - Exports. His present tenure ends on 30.06.2006. Since Shri Ravinder Kumar Agarwal has acquired experience in foreign trade during the period of last 5 years, hence it was proposed that he should be re-appointed for the interest and benefit of the Company.

- The Board of Directors of the Company in its meeting held on 24.06.2006 has resolved to appoint Shri Ravinder Kumar Agarwal as President (Commercial) with effect from 1st July 2006 subject to the approval of members by special resolution under Section 314 of the Companies Act 1956.

Memorandum of Interest: Shri Arjun Das Agarwal, Chairman, Shri Kashmiri Lal Agarwal, Managing Director, Shri Ashok Kumar Agarwal, Executive Director and Shri Kailash Kumar Agarwal, Director Incharge, being relatives, are interested in this resolution. None of the other Directors is interested or concerned in this appointment.

ITEM NO. 11

In accordance with the provisions of Article 104 of the Articles of Association, every Non-Executive Director including Independent Director can be paid a sitting fee not exceeding Rs. 500 for attending Board /Committee Meeting out of the funds of the Company.

Keeping in view the existing sitting fees and the contribution made by the Directors in framing progressive policies and also giving their valuable guidance / suggestions from time to time to the Company, the Board of Directors in their meeting held on 24.06.2006 has proposed to revise the sitting fee payable to the Non-Executive Director (s) including Independent Director (s) with in the limits prescribed by the Central Government.

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

Such revision of sitting fee payable to the Non Executive Director (s) including Independent Director (s) require alteration in Article 104 of the Article of Association of the Company by a Special Resolution.

Accordingly the Board commends the resolution as set out in the notice for approval by the members.

A copy of the Company's Article of Association together with the proposed amendment is available at the Registered Office of the Company for inspection at any time during business hours.

Except Whole Time Directors Shri Kashmiri Lal Agarwal, Shri Ashok Kumar Agarwal and Shri Kailash Kumar Agarwal, all other Directors are interested in this resolution.

On behalf of the Board of Directors

Date : 27.06.2006

Kashmiri Lal Agarwal
Managing Director

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