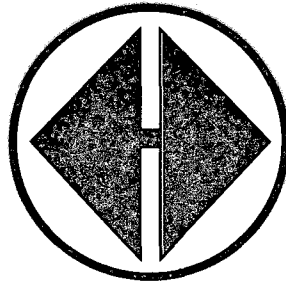


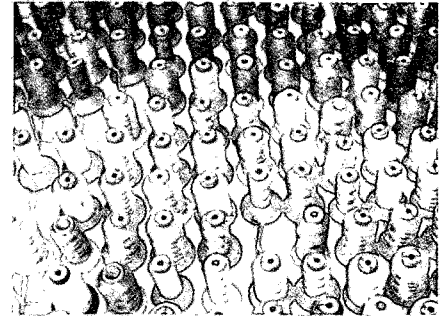
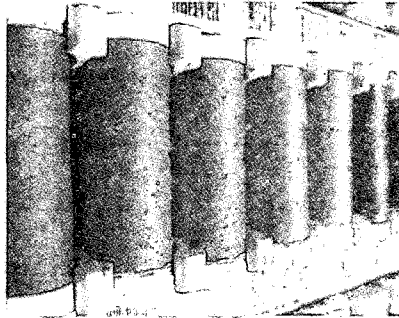
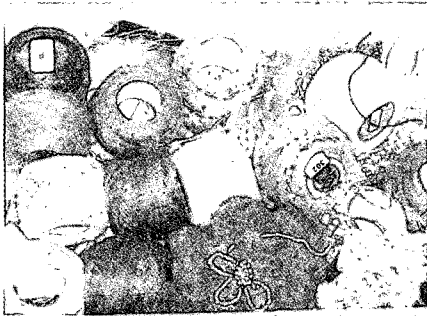
26th ANNUAL REPORT

2006-2007



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H.P. Cotton Textile Mills Limited

26th ANNUAL GENERAL MEETING

Day : Saturday

Date : 29th September, 2007

Time : 4:00 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 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 Extension,

New Delhi-110055

Tel No. : 23541234-42541234

Fax No. : 42541967

Website : www.alankit.com



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NOTICE:

Notice is hereby given that the Twenty Sixth Annual General Meeting of H. P. Cotton Textile Mills Limited will be held on Saturday the 29th September, 2007 at 4.00 p.m. at Regd. 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, 2007 and the Balance Sheet as at that date, together with the report of the Board of Directors and the Auditors' thereon.
2. To appoint a Director in place of Sh. A.D. Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri B.C.Talukdar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Mohan Lal Jain, 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 until 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 thereto and other applicable provisions, if any, of the Companies' Act 1956, Shri Kailash Kumar Agarwal, subject to retirement by rotation, be appointed as Whole Time Director designated as Deputy Managing Director for a period of 5 (five) years with effect from 6th August, 2007 on the following remuneration.

- (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 of the Companies Act 1956 from time to time during this period of 5 years".

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

1. 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.
2. Members / proxies should bring the enclosed attendance slip duly filed in, for attending the meeting, along with the Annual Report.
3. The Register of members and the Share transfer books of the Company shall remain closed from 18.09.2007 to 28.09.2007, both days inclusive.
4. Nomination facility: Members holding Shares in physical form may obtain the nomination forms from the Company's Registrar and Share Transfer Agent. Members holding Shares in electronic form may obtain the nomination forms from their respective depository participants.
5. A member desirous of getting any information in respect of the contents of the Annual Reports is required to forward their queries to the Company at least ten days prior to the Meeting so that, if the Chairman so permits, the required information can be made available at the meeting.

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

ITEM NO. 6

Shri Kailash Kumar Agarwal was re-appointed as Whole Time Director designated as Director- in-charge for a period of 5 years w.e.f 6th August 2002, on the following remuneration which was approved at the Annual General Meeting held on 12th September, 2002. His remuneration was within the limits prescribed in Schedule XIII of the Companies Act, 1956.

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

Perquisites: As per Companies' rule but annual value of perquisites should not exceed his annual salary.

The Remuneration Committee considering responsibilities entrusted to him and the remuneration of his stature paid in other similar Companies, recommended for revision of his remuneration. The Board of Directors on the recommendation of the Remuneration Committee revised his remuneration w.e.f. 01.07.2006 for the remaining period of his tenure i.e. up to August 5, 2007 within the limits prescribed under Schedule XIII of the Companies Act, 1956. This was approved at the Annual General Meeting held on 16th September, 2006.

REVISED REMUNERATION

- (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."

Since his term of appointment will expire on 05.08.2007, on the recommendation of Remuneration Committee, the Board of Directors subject to the approval of members of the Company in General Meeting held on 28th July, 2007 has appointed Shri Kailash Kumar Agarwal, subject to retirement by rotation, as Whole Time Director designated as Deputy Managing Director, for further period of five years w.e.f. 6th August, 2007 on the same remuneration and on same terms and conditions. Hence the resolution is recommended for approval of 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.

On behalf of the Board of Directors

Date : 28.07.2007
Place : New Delhi

Kashmiri Lal Agarwal
Managing Director



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H.P. Cotton Textile Mills Limited

Detail of Directors seeking appointment / re-appointment at the Annual General Meeting (pursuant to Clause 49 of the listing agreement)

1. NAME OF THE DIRECTOR	Shri Arjun Das Agarwal
DIN No.	00080914
Date of birth	29.11.1928
Date of Appointment	Founder Promoter Director
Expertise in specific functional area	Industrial Experience in manufacturing and trading of cotton Textile of more than 50 years
Qualification	Practical experience of more than 50 years
Directorship in other limited Companies	Sailesh Textile Manufacturing Co. Ltd. Acchar Investment Ltd. Jainish Products Ltd.
Membership of Committees	Nil
No. of Shares held in the Company	12196
2. NAME OF THE DIRECTOR	Shri Bibhuti Charan Talukdar
DIN No.	00024015
Date of birth	01.03.1936
Date of Appointment	30.10.2004
Expertise in specific functional area	Corporate Executive having experience in corporate law and finance over 49 years
Qualification	Post graduate in business management
Directorship in other Companies	Indian City Properties Ltd. Gupkar Investments & Holdings Ltd. Nagreeka Exports Limited. Nagreeka Capital and Infrastructure Ltd.
Membership of Committees	<u>H.P. Cotton Textile Mills Ltd</u> Audit committee Remuneration committee Investors grievances committee Share transfer committee <u>Other Companies</u> Audit Committee- Nagreeka Exports Ltd. Nagreeka Capital and Infrastructure Ltd.
No. of Shares held in the Company	Nil
3. NAME OF THE DIRECTOR	Shri Mohan Lal Jain
DIN No.	00063470
Date of birth	01.03.1959
Date of Appointment	29.01.2005



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H.P. Cotton Textile Mills Limited

Expertise in specific functional area	Expertise in finance and audit
Qualification	Chartered Accountant
Directorship in other Companies	Emfin Services India Pvt Ltd. Mj Softech Private Ltd. Flair Studio Private Limited. Channel Nine India Pvt. Ltd.
Memberships of Committees	<i>H.P.Cotton Textile Mills Ltd</i> Audit Committee Remuneration Committee Investors Grievances Committee
No. of Shares held in the Company	Nil
4. NAME OF THE DIRECTOR	Shri Kailash Kumar Agarwal
D I N No.	00063470
Date of birth	17 July 1961
Date of appointment	Promoter Director since 03.09.1981. Reappointed as Director incharge on 06 August 2002 for five years.
Expertise in specific functional area	27 years experience with this Company itself.
Qualification	B.Com., L.L.B
Directorship in other Companies	Acchar Investment Ltd. Jaini sh. Products Ltd. Saile sh. Textile Mfg. Co.Ltd. Shivani Consultants Pvt Ltd. Annapurnafarms Pvt Ltd. Sunrise Finvest (P) Ltd.
Membership of Committees	<i>H.P.Cotton Textile Mills Ltd</i> Share transfer committee
No. of Shares held in the Company	85320



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H.P. Cotton Textile Mills Limited

DIRECTORS' REPORT

To
The Members
H.P. Cotton Textile Mills Ltd.

The Directors hereby present Twenty-Sixth Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the year ended March 31, 2007:

Financial Highlights	Rupees in crores.	
	2006-07	2005-06
Total Production Value / Income	76.63	71.67
Profit Before Depreciation	2.08	2.09
Less: Depreciation	1.67	1.60
Profit Before Tax	0.41	0.49
Less- Income Tax	0.03	0.02
Fringe Benefit Tax	0.08	0.08
Deferred Income Tax	0.12	0.08
Profit After Taxes	0.18	0.31
Less: previous year receipts / expenses	(0.14)	(0.17)
Net Surplus	0.04	0.14

There is constant improvement in per unit realization in sewing threads however increase in the cost of power and appreciation of Rupee against other currencies, particularly during last quarter of the financial year ended 31st March 2007, has reduced profits by about Rs. 45 lacs. Further appreciation in Rupee during the period April-June 2007 quarter has also affected adversely profit margins. Increase in the minimum wages of the employees by about 40% by the State Government effective from 1st July, 2007 will further strain the finances and the profits of the Company in Current Year.

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. Direct export earning during 2006-07 was Rs 20.20 crores that is around 26% of total sales.

DIVIDEND: Due to inadequate profits your Directors regret their inability to recommend 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, Delhi who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and being eligible are recommended for re-appointment. The retiring Auditors have furnished certificate of their eligibility under Section 224 (1) of the Companies Act, 1956 for re-appointment.

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

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 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 2006-07. The cost audit report will be forwarded to the Central Government after being approved by the Board of Directors, as required under the



H.P. Cotton Textile Mills Limited

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law.

DIRECTORS: Shri P.C.Kohli resigned from the Board of Directors of the Company with effect from 20th July, 2007. The Board place on record their appreciation for the valuable guidance extended by him during his tenure as Director of the Company.

Shri Ashok Kumar Agarwal was appointed as Executive Director for a period of five years w.e.f. 2.08.2004. During his total tenure of around 25 years at various positions with this Company, he has rendered his services diligently and have gradually gained experience and expertise of a diversified nature and complexity of operations for successfully running a large textile enterprise.

Considering his expertise, experience and responsibilities Shri Ashok Kumar Agarwal has been re-designated, as Deputy Managing Director of the Company for his remaining period of appointment i.e. up to 1st August, 2009.

The five-year tenure of Shri Kailash Kumar Agarwal, Director-Incharge will expire on 5.08.2007. The Board of Directors in their meeting held on 28.07.2007 with the recommendation of remuneration committee of Directors and subject to your approval, has appointed Shri Kailash Kumar Agarwal as Whole Time Director designated as Deputy Managing Director for further period of five years effective from 6.08.2007. Necessary resolution in this respect has been included in the notice conveying Annual General Meeting.

In accordance with the requirement of Companies Act, 1956 and Article 110 of the Articles of Association of the Company Shri A.D.Agarwal Shri, B.C. Talukdar and Shri Mohan Lal Jain, Directors of the Company retire by rotation and being eligible, offer themselves for reappointment. All the above Directors have given declaration that they are not disqualified to act as a Director u/s 274 of the Companies Act, 1956.

CORPORATE GOVERNANCE: The Company has adopted code of conduct for the directors and senior officers of the Company and is proactive in following the principles and practices 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 complied with. A separate report on Corporate Governance together with auditors certificate regarding compliance of the SEBI code of Corporate Governance is annexed hereto.

EQUITY SHARES: 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 entered into an agreement 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 has appointed M/s Alankit Assignments Ltd, 2 E/21, Alankit House, Jhandewalan Extension, New Delhi 110055, to act as Registrar and Share Transfer Agent. As on 30th June, 2007 - out of 38,10,000 Equity Shares of the Company 26,99,670 (70.36%) Equity Shares (face value Rs. 10 each) has been dematerialised at the request of the Shareholders.

MANAGEMENT'S DISCUSSIONS AND ANALYSIS REPORT:

OUTLOOK: Since preferential quota regime for Europe and America is abolished, a new era of development, advancement and improved environment for export of yarn and threads has strengthened. Your Company has/is adding regularly new range of products including of blended threads in its product range.

CHALLENGES: In the liberalized economic environment, your Company faces challenges from domestic and international competitors in the market place. However, it is expected that the improved business strategies, personalized relations and quality consciousness will enable your Company to successfully compete in the market.

RISKS AND CONCERNS: Operation of the Company might effect substantially or materially from those expressed or implied important developments including availability of raw material and power at reasonable quantity and rates, global and or domestic market behaviour, pollution and other environmental aspect,