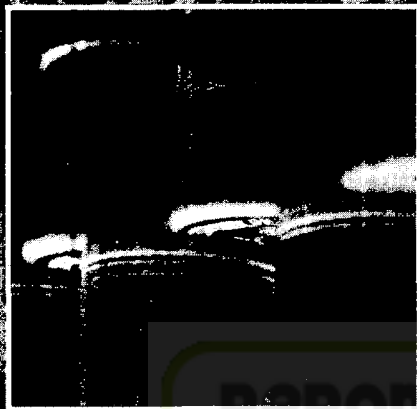
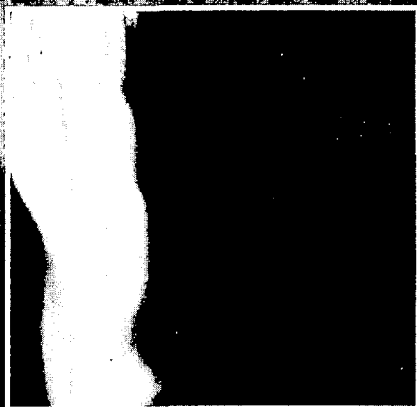
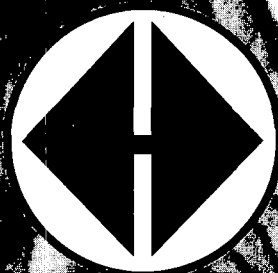


H. P. Cotton Textile Mills Limited



H. P. THREAD



2007-2008

27th ANNUAL REPORT

27th ANNUAL GENERAL MEETING

Day : Saturday

Date : 20th September, 2008

Time : 4:00 P.M.

Venue : 15 K.M. Stone, Delhi Road, V.P.O. Mayar,
Hisar - 125044, (Haryana)

REGISTERED/ CORPORATE OFFICE AND WORKS:

Regd. Office & Works	: 15 K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044, (Haryana)
Kolkatta Branch	: 405 Manglam Building, 24 Hament Basu Sarani, Kolkatta-700001
New Delhi Branch	: 1E/12 , Jhandewalan Extention, Sewak Bhawan , New Delhi-110055
Ahmadabad Branch	: 85, Hira Bhai Market, Ahmedabad-380022
Mumbai Branch	: Shah & Nahar (Worli) Industrial Estate, Unit No. 506, Fifth 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 (upto 31-07-2008)

Shri Ashok Kumar Agarwal, Deputy Managing Director

Shri Kailash Kumar Agarwal, Deputy Managing Director

Shri Bibhuti Charan Talukdar

Shri Parshotam Das Agarwal

Shri Mohan Lal Jain (upto 01-07-2008)

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 Sh. N. K. 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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H.P. Cotton Textile Mills Limited

NOTICE:

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Members of **H. P. Cotton Textile Mills Limited** will be held on Saturday, the 20th day of September, 2008 at 4.00 PM at the Registered Office of the Company at 15th K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044, (Haryana) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2008 and the Profit and Loss Account for the year ended on that date along with the Reports of the Auditors and the Directors thereon.
2. To appoint a Director in place of Sh P. D. Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh Anil Aggarwalla, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

M/s A. K. Associates, Chartered Accountants, the retiring Auditors, being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactment thereof, consent and approval of the Company be and is hereby accorded to Sh Kashmiri Lal Agarwal, relative of a director of the Company, to hold an office or place of profit in the Company as Advisor (Commercial and Technical) on a consolidated monthly remuneration of Rs. 49,500/- for a period of three years with effect from 1st August, 2008."

By order of the Board
For **H. P. Cotton Textile Mills Limited**

Place: New Delhi
Dated: 31.07.2008

SUSHIL SHARMA
Company Secretary

NOTES:

- i) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of himself/herself and proxy need not be a member. Proxy form in order to be effective must be received by the Company not less than 48 hours before the meeting. The blank proxy form is enclosed.
- ii) The Explanatory Statement pursuant to section 173 of the Companies Act, 1956 in respect of business under Item No. 5 is annexed hereto.

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

- iii) All activities for transfer of shares, dematerialization of shares, change of address etc. are carried out by the Company through its Registrar and Share Transfer Agents (RTA). Members are requested to make their requests to RTA at the following address:

M/s Alankit Assignments Limited

2E/21 Alankit House, Jhandewalan Extension,
New Delhi-110 055

- iv) The Register of Members and Share Transfer Books will remain closed from **Tuesday, the 16th day of September 2008 to Saturday, the 20th day of September 2008** (both days inclusive).
- v) The information regarding the directors seeking re-appointment required under clause 49 of the listing agreement is given in the Corporate Governance Report annexed with the Annual Report.
- vi) Documents referred to in the Notice are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 AM to 1.00 PM.
- vii) Member desiring any information on Accounts or other items of Agenda is requested to write to the Company at its Registered Office at least ten days before the date of the Annual General Meeting so as to enable the Management to keep the information ready.
- viii) Members are requested to bring their copies of Annual Report at the meeting and complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall.

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H.P. Cotton Textile Mills Limited

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

ITEM NO. 5

Due to resignation of Sh Kashmiri Lal Agarwal from the Directorship as well as from the position of Managing Director of the Company w.e.f. 31.07.2008, the Board is of the opinion that the continued association of Sh Kashmiri Lal Agarwal would be of immense help to the Company by getting the benefit of his expertise and rich experience in textile sector. The Board of Director at its meeting held on 31.07.2008 has appointed him, subject to the approval of members, as Advisor (Commercial and Technical) at a consolidated monthly remuneration of Rs. 49,500/- for a period of three years with effect from 1st August, 2008.

Sh Kashmiri Lal Agarwal, founder member of the Company, is associated with the Company since its inception. He has served the Company as Managing Director from the very beginning. He has more than 54 years of commercial and technical knowledge and experience in Textile Industry.

Pursuant to the provision of Section 314 of the Companies Act, 1956, to hold an office or place of profit in the Company by Sh Kashmiri Lal Agarwal, a relative of a director of the Company, approval of the members are required.

The Board recommends the resolution for your approval.

Except Sh. Arjun Das Agarwal, who is a relative of Sh. Kashmiri Lal Agarwal, no other Director of the Company is concerned or interested in the proposed resolution.

By order of the Board
For H. P. Cotton Textile Mills Limited

Place: New Delhi

Dated: 31.07.2008

SUSHIL SHARMA
Company Secretary



H.P. THREAD

H.P. Cotton Textile Mills Limited

DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present the Twenty Seventh Annual Report and Audited Accounts for the financial year ended 31st March 2008.

1. FINANCIAL RESULTS

The financial results of the Company for the year under report are given below:

(Rs in Cr)

Particulars	Year ended 31st March, 2008	Year ended 31st March, 2007
Total Income	62.41	71.80
Profit/ (Loss) before interest and depreciation	(2.24)	4.36
Interest	2.41	2.28
Profit/ (Loss) before depreciation	(4.65)	2.08
Depreciation	1.62	1.67
Profit/ (Loss) before tax	(6.27)	0.41
Provision for tax (including Deferred Income Tax)	2.09	(0.23)
Profit/ (Loss) after tax	(4.18)	0.18
Less: Previous year receipt/ expenses (Net)	0.15	(0.14)
Net Surplus	(4.03)	0.04

2. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) INDUSTRY STRUCTURE, DEVELOPMENT AND FUTURE OUTLOOK

Textile Industry, which plays a very vital role in the Indian Economy, has not shown satisfactory growth during the year under review. The higher cotton rates and lower realization of yarn prices has affected the margins significantly.

Appreciation of Rupee against Dollar had badly affected exports from India. Lower quantum of exports of yarn has resulted in excessive availability in the domestic market, which has affected the price line. Power, which is second largest cost component in the textile industry, is in short supply and is affecting the competitiveness of the industry to a great extent.

The Government though has taken a few steps to make Textile Industry competitive but much more is needed to be done to revive this important sector of economy.

b) PERFORMANCE REVIEW

The Total Income of the Company has declined to Rs. 62.41 Cr from Rs. 71.80 Cr resulted in a loss of Rs. 6.27 Cr against a profit of Rs. 0.41 Cr in the previous year. During current year, the export of the Company has increased from Rs. 20.20 Cr to Rs. 24.65 Cr but for appreciation of rupee against Dollar, the margins have substantially declined.

Steep increase in the cost of production without corresponding increase in realization, Unprecedented increase in the minimum wages of the employees by the State Government, Erratic supply and long power cuts from the Electricity Board being the major culprits among others are responsible for this unsatisfactory financial performance.

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

However, the Company has taken various steps to minimize the effect of the above by enriching its product mix, more emphasize on exports, rationalization of employees and curtailment of non-remunerative products and expenses. At our various requests and follow up, the State Electricity Board has assured us to make available continued power supply to the extent possible.

c) OPPORTUNITIES AND THREATS

Since our product range is labour intensive hence most of the manufacturers in the Western countries are downing their shutters and are outsourcing such products from the countries like us, where the labour cost is comparatively cheaper. This opportunity can be availed by us to some extent.

The main raw material cotton is a natural fiber and the quantitative production solely depends on nature. The consumption of cotton is increasing day-by-day world over and therefore price graph is uncertain. Also it has intense competition with manmade fibers like Polyester, Viscose, Filament etc.

d) INTERNAL CONTROL SYSTEMS AND ADEQUACY

Well established and well defined internal controls, checks and systems are in place at all levels and in all departments of the Company, supported by an internal audit conducted by independent Chartered Accountants.

e) HUMAN RESOURCE

Your directors consider human resources very valuable and vital Assets for the development of the organization. To enhance the competencies of the employees, the Company organizes a series of in-house training programs.

f) RISK MANAGEMENT

The Company belief that there is no activity without risk but at the same time it needs to be treaded very cautiously and carefully. The Company encourages the employees to take appropriate measures to manage the risk in their sphere to maximize the value addition, which will result in wealth maximization of stakeholders. It enables the Company to protect its margins in adverse business conditions and maximize in the same favorable markets.

The main risks to which the Company is exposed are Competition risk, Technological risk, Credit risk, Liquidity risk, Foreign exchange risk etc.

g) CAUTIONARY STATEMENT

Economy as whole and textile in particular is facing severe recession. All the concerned, we at our end, the government, Trade as a whole are contributing their best to come out from this reversionary cycle and we all are hopeful that the industry will come back to its rail soon.

3. CHANGE OF REGISTERED OFFICE OF THE COMPANY

The Registered Office of the Company has been shifted from 272, Model Town, Hisar - 125005 (Haryana) to 15th K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044 (Haryana) with the approval of the Shareholders through postal ballot w.e.f. 07.01.2008.

4. DIRECTORS

During the year under review, Sh P C Kohli has resigned from the directorship w.e.f. July 20, 2007 due to his preoccupation. Your directors place on record appreciation for services rendered by him during his tenure as Director of the Company.



H.P. Cotton Textile Mills Limited

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In accordance with the provisions of the Companies Act, 1956, Article 110 of the Articles of Association of the Company Sh P D Agarwal and Sh Anil Aggarwalla, Directors are liable to retire by rotation and being eligible, offer themselves for re-appointment.

5. CORPORATE GOVERNANCE

A report on Corporate Governance along with Auditors' certificate regarding compliance with the clause 49 of the Listing Agreement is annexed to this Annual Report.

6. SAFETY HEALTH AND ENVIRONMENT

The Company gives top priority to safe & better environment and physical safety to its employees and there fore regularly encourages for taking safety measures at all operations especially at the floor level. Regular training programs are being conducted to bring awareness about the importance of safety at the work place. Regular medical facilities are also provided to workers.

During the year, the Company was awarded with "HARYANA STATE SAFETY AND WELFARE AWARD - 2007" for holding first position in two categories for large scale textile factories "LOWEST FREQUENCY RATE" and "LONGEST ACCIDENT FREE PERIOD" by State Safety and Welfare Award Committee.

Besides this, two employees of the Company were awarded with "HARYANA SHARAM BHUSHAN PURSKAR", one with "HARYANA SHARAM VIR PURSKAR" and another one with "HARYANA SHARAM VIRANGNA PURSKAR" by Hon'ble Labour and Employment Minister, Haryana

7. INVESTOR SERVICES

The Company is committed to provide the best services to its shareholders. M/s Alankit Assignments Limited, New Delhi is working as Registrar and Share Transfer Agents (RTA) of the Company. No complaint/ query from any shareholder is pending with the Company.

8. FIXED DEPOSITS

The Company has not accepted/renewed any deposits from the public/members during the year under review.

9. DIVIDEND

The directors regret their inability to recommend dividend for the year under review due to inadequacy/ non-availability of profit.

10. LISTING OF SHARES

The shares of the Company were listed at Delhi, Mumbai, Kolkata, Jaipur and Ludhiana Stock Exchanges. The Company has applied for delisting of its equity shares from Ludhiana, Delhi, Jaipur and Kolkatta Stock Exchanges in 2004 and accordingly the Company had not paid the listing fee to Ludhiana, Jaipur and Kolkatta since 2004-05 and to Regional Stock Exchange at Delhi since 2007-08. However, the Company is regularly paying the Listing fee to Bombay Stock Exchange (BSE).

11. AUDITORS AND AUDITORS' REPORT

M/s A. K. Associates, Chartered Accountants, Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Auditors' Report on the accounts is self-explanatory.

**H.P. THREAD****H.P. Cotton Textile Mills Limited****12. COST AUDITORS**

The cost records maintained by the Company are required to be audited by a qualified Cost Accountant as required by the Central Government. Accordingly, the Board, subject to the approval of the Central Government has appointed Sh. N.K. Goel, Cost Accountant, New Delhi as Cost Auditors, for the year 2008-09.

13. INDUSTRIAL RELATIONS

The industrial relations remained cordial and harmonious throughout the year.

14. ENERGY CONSERVATION/TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Energy conservation continues to be an area of major emphasis in the Company. A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as Annexure I and forms part of the report.

15. INFORMATION ON PERSONNEL

The statement showing the particulars of the employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, is not given as no employee was in receipt of remuneration equal to or exceeding Rs 24 lacs per annum, if employed for the full year or exceeding Rs 2 lacs per month if employed for the part of the year.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to provisions of section 217(2AA) of the Companies Act, 1956, it is hereby confirmed that:

1. In preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanations relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgments 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 2008 and profit and loss for the year 2007-08.
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The director had prepared the annual accounts on a going concern basis.

17. ACKNOWLEDGEMENT

Your Directors are pleased to place on record their sincere gratitude and appreciation for the assistance and co-operation received from the Government, Financial Institutions, Bankers, Members, Customers and Business Constituents.

Your Directors also place on record their sincere appreciation for the contribution made by the employees at all level. The Company's consistent growth is made possible by their devoted, sincere and unstinted services.

For and on behalf of the Board

Arjun Das Agarwal
Chairman

Place : New Delhi
Dated : 28.06.2008