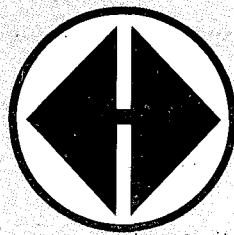
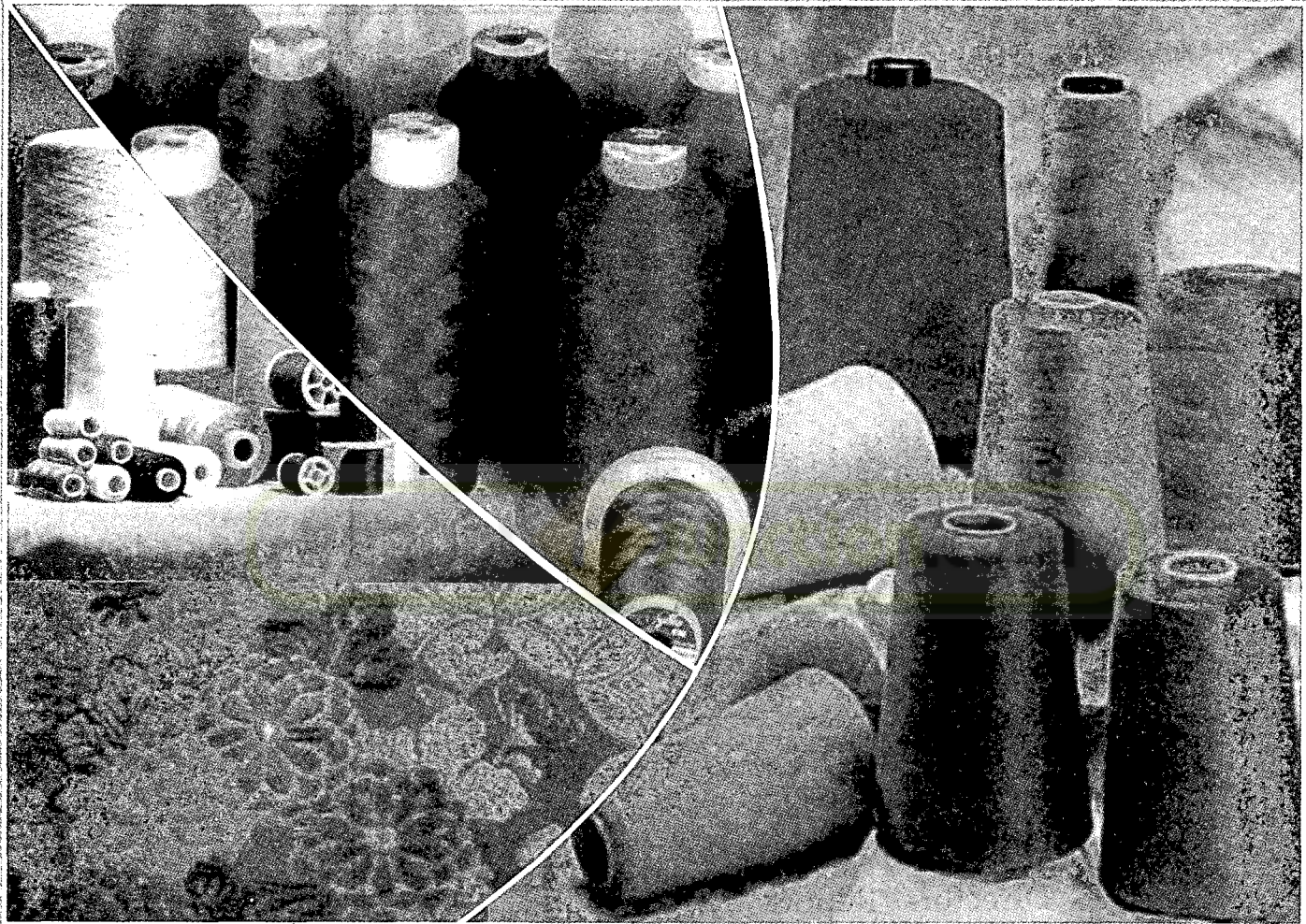


# **28<sup>th</sup> ANNUAL REPORT**

## **2008-2009**



**H.P. THREAD**

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

**28<sup>th</sup> ANNUAL GENERAL MEETING**

Day : Wednesday

Date : 30<sup>th</sup> September, 2009

Time : 4:30 P.M.

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

**REGISTERED/ CORPORATE OFFICE AND WORKS:**

Regd. Office : 15 K.M. Stone, Delhi Road,  
& V.P.O. Mayar,  
Works 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 Ashok Kumar Agarwal, Deputy Managing Director

Shri Kailash Kumar Agarwal, Deputy Managing Director

Shri Bibhuti Charan Talukdar

Shri Parshotam Das Agarwal

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 &amp; Co., Chartered Accountants, Hisar

Cost Auditors Sh. N. K. Goel, Cost Accountants, 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. : 23552001

Website : [www.alankit.com](http://www.alankit.com)



H.P. THREAD

## H.P. Cotton Textile Mills Limited

**NOTICE:**

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Members of **H.P.Cotton Textile Mills Limited** will be held on Wednesday, the 30<sup>th</sup> day of September, 2009, at 4.30 p.m. 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 Audited Balance Sheet of the Company as at 31st March 2009 and the Profit and Loss Account for the financial year ended on that date along with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Arjun Das Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Kailash Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration and for this purpose to consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

" Resolved that M/s A.K.Associates, Chartered Accountants, the retiring auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be recommended by the Audit Committee and accepted by the Board of Directors."

**SPECIAL BUSINESS**

5. 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, for re-appointment of Shri Ashok Kumar Agarwal, subject to retirement by rotation, as Whole Time Director designated as Deputy Managing Director for a period of 5 (five) years with effect from 2<sup>nd</sup> August, 2009 on the following remuneration.

Salaries	Rs. 38,000 (consolidated) per month
Medical Re-imbusement	Expenses for self and family upto a limit of 5% of annual salary
P.F.and Gratuity	As per Act and shall not be included in the computation of the ceiling on remuneration.
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 Sh. Ashok Kumar Agarwal within 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. Cotton Textile Mills Limited

## H.P. THREAD

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

## Item No. 5

Shri Ashok Kumar Agarwal was re-appointed as whole time Director designated as Executive Director for a period of five years w.e.f. 2<sup>nd</sup> August, 2004, on the following remuneration, which was approved at the Annual General Meeting, held on 17<sup>th</sup> September, 2004. His remuneration was with-in the limits prescribed in Schedule XIII of the Companies Act, 1956.

Remuneration	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 up to 1st August 2009 with in the limits prescribed under Schedule XIII of the Companies Act, 1956. This was approved at the Annual General Meeting held on 16<sup>th</sup> September, 2006

## Revised Remuneration:

Salaries	Rs. 38,000 (consolidated) per month
Medical Re-imbursement	Expenses for self and family upto a limit of 5% of annual salary
P.F. and Gratuity	As per Act and shall not be included in the computation of the ceiling on remuneration.
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 1st August 2009, on the recommendation of Remuneration Committee of the Board of Directors subject to the approval of members of this Company in General Meeting to be held on 30<sup>th</sup> September, 2009 and other statutory Authorities as may be required and subject to retirement by rotation, has appointed Sh. Ashok Kumar Agarwal, as Whole Time Director designated as Deputy Managing Director, for a further period of five years from 2<sup>nd</sup> August, 2009 on the same remuneration and on the same terms and conditions. Hence the resolution is recommended for approval of the members.

Memorandum of Interest: Shri Ashok Kumar Agarwal, himself is interested or concerned in this resolution to the extent of remuneration and perquisites given to him. None of the Other Directors is interested or concerned in this appointment.

Place : New Delhi

Date : 25th July 2009

For and on Behalf of the Board of Directors

Arjun Das Agarwal  
Chairman



H.P. THREAD

H.P. Cotton Textile Mills Limited

**DETAILS 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	03.09.1981
	Expertise in specific functional Area	Industrial Experience in manufacturing and trading of cotton textile for more than 50 years
	Qualification	Practical experience of more than 50 years
	Director ship in other limited Companies	M/s Achhar Investment Ltd., Delhi M/s Jainish products Ltd. Delhi
	Membership of the Committee	Nil
	Number of share held	12196
2.	Name of the Director	Shri Ashok Kumar Agarwal
	DIN NO.	00046627
	Date of Birth	04.10.1957
	Date of Appointment	03.09.1989
	Expertise in specific functional Area	28 years experience with this Company itself.
	Qualification	B.Com.
	Director ship in other limited Companies	M/s Atishay Investment & Finance Pvt. Ltd.
	Membership of the Committee	Share Transfer Committee and Audit Committee of the Company.
	Number of share held	75896
3.	Name of the Director	Shri Kailash Kumar Agarwal
	DIN NO.	00063470
	Date of Birth	22.08.1961
	Date of Appointment	03.09.1981
	Expertise in specific functional Area	28 years experience with this Company itself.
	Qualification	B.Com. LL.B
	Director ship in other limited Companies	M/s Achhar Investment Ltd., Delhi M/s Atishay Investment & Finance Pvt. Ltd. M/s Jainish Products Ltd. Delhi
	Membership of the Committee	Share Transfer Committee and Audit Committee of this company
	Number of share held	85320

**NOTES:**

- 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.
- The Company must receive instrument of Proxies in order to be effective not less than 48 hours before the meeting.
- Members/proxies should bring the enclosed attendance slip duly filed in, for attending the meeting along with the Annual Report.
- The Register of members and the Share transfer Books of the Company shall remain closed from 23<sup>rd</sup> September, 2009 to 30<sup>th</sup> September, 2009 both days inclusive.
- 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.
- 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.



## H.P. Cotton Textile Mills Limited

H.P. THREAD

DIRECTORS REPORT

To  
The Share Holders  
H.P. Cotton Textile Mills Ltd.,

Your Directors present the Twenty Eight Annual Report together with the Audited Statements of Accounts of the Company for the year ended 31st March 2009.

**FINANCIAL HIGHLIGHTS**

The financial results of the Company for the year under review are compared below with the previous year's results for your consideration.

Rs. In crores	Year ended 31.03.09	Year ended 31.03.08	Belying high expectations after the removal of quota resigm, textile industry particularly the yarn and threads continued to slip downwards. Exports have slumped. Local market was flooded. This was attributed to severe Global demand recession. Compelling conditions prevailed. The Mills were left with no alternative except to sell what ever could be sold at whatever the rates but still could not survive. Most of the Mills curtailed their production to the extent of above 50%. There was no exception to your Company also. Your Directors had revisited product profile, cost structure, market scenario and all related and allied matters and restructured the same to overcome this worst ever phase. Your Directors could reduce the operating losses to Rs. 89 Lacs against Rs 627 Lacs in the corresponding previous year. Your Company earned cash profit of RS. 71 lacs against a cash loss of Rs. 465 lacs in the previous year.
Sales and other Income	51.18	62.41	
Profit/(Loss) before financial charges and depreciation	3.01	(2.24)	
Financial charges	2.30	2.41	
Profit /(Loss) before depreciation	0.71	(4.65)	
Depreciation	1.60	1.62	
Profit before tax	(0.89)	(6.27)	
I.T And FBT provisions	0.05	0.07	
Profit after Tax	(0.94)	(6.34)	
Deferred Tax Assets	0.25	2.16	
Prior year Adjustment	0.08	0.15	
Transferred to Reserve	(0.61)	(4.03)	

**REPORT ON MANAGEMENT DISCUSSION, ANALYSIS, RISKS, OPPORTUNITIES AND THREATS:** Yarn and Thread Industry is highly competitive and fragmented. The Competitors includes numerous Indian and Foreign Manufacturers and established Companies. Some of the competitors are much larger in size and therefore are better placed to take advantage of efficiencies created by size, and have bigger financial resources or greater access to capital at lower costs. Moreover, as the industry is fragmented, Your Company also face competition from small re-reelers, who may for variety of reasons such as their lower cost of production, easier access to local markets, quality compromise etc, are able to cater to local demands in much better way and at much lower selling rates. Also gradually the cotton threads are being replaced by polyester and other man made fibers having technical edge on cotton at much competitive rates. To survive in these circumstances, Your Directors have reoriented product mix and restricted to high value addition items for home consumption and Exports. Though it has reduced over all volume of production but at the same time has added in a better way to the bottom line though not sufficient to survive but at least not added to cash losses in present day context. In few segments capability of producing a small lot size put your Company in advantageous position and are availing it as such. Also, your Directors are, at their best, making all endeavors to fill in the vacancy created by the Western Countries who are continuously downing their shutters due to labour intensive nature of these products, and are out sourcing such products from countries like India, where the labour is comparatively cheaper and required technology is available. The Company is positive about its performance during coming years.



## H.P. Cotton Textile Mills Limited

### H.P. THREAD

**INTERNAL CONTROL SYSTEM AND THEIR ADEQUACIES:** The Company has adequate internal control procedures commensurate with the size and the nature of the business. This system is supplemented by extensive audit by qualified independent outside Auditors to ensure accuracy and reliability of financial and all other records prepared and maintained by the Company. All the systems and verification process adopted by the Company ensures that all the assets are safeguarded and protected against any loss from unauthorized use or disposition and that transaction are transparent, authorised, recorded and reported correctly. To keep constant check on the cost structures and to prevent revenue leakage the Audit Committee of the Board reviews the findings and recommendations of the external auditors periodically at regular intervals.

**HUMAN RESOURCES:** The Company regards its' human resources as amongst its most valuable assets and proactively reviews policies and processes by creating a work environment that encourages initiative, challenges, opportunities and recognizes the performance and potential of its employees attracting and retaining the best manpower available by providing high degree of motivation, training and structured compensation.

The Management is pleased to report that the Industrial relations remained cordial and harmonious throughout the year.

Since 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 part of the year, hence statement showing particulars of the employees as required under Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended, has not been given.

**SAFETY AND HEALTH:** The Company regularly encourages its employees for taking all the safety measures at all the operations especially at the floor level. Regular training program(s) are being conducted to bring awareness about the importance of safety at the work place.

Though most of the employees are covered under the contributory E.S.I.Scheme of the Government but the Company at its own is also providing immediate and regular in-house first aid medical facilities under the supervision of an experienced Medical Personnel.

**ENVIRONMENT AND POLLUTION CONTROL:** The Company is regularly taking adequate measures to comply with all the related statutory regulations. It is Companies' intrinsic belief that sustainable progress will only accrue to organizations with social responsibility and care for environment and ecology. The Company shall continue to strive for work practice that seeks to improve on existing standards.

**DIRECTORS:** During the year Sh. Kashmiri Lal Agarwal has resigned from the office of Managing Director and also from the Board w.e.f.01.08.2008 due to his inadvertent health. However at the request of the Company he has very kindly agreed to tower over the new leadership, but in a much-mellowed manner as a strategic guide.

In accordance with Article 110 of the Articles of the Association of the Company Shri Arjun Das Agarwal and Shri Kailash Kumar Agarwal Directors are liable to retire by rotation and being eligible, offer themselves for reappointment.

**AUDITORS AND AUDIT REPORT:** The retiring Statutory Auditors M/s A.K.Associates, Chartered Accountants, hold office until the conclusion of the ensuring Annual General Meeting .The Company has received a letter from them that their reappointment, if made, would be with in the prescribed limits under section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment/ reappointment with in the meaning of section 226 of the said Act or under any other Act(s), mandatory rules and regulations applicable for such appointment/reappointment.

The report of the Statutory Auditors on the Balance Sheet and Profit and Loss Account for the year-ended 31.03.2009 is self-explanatory and does not require any statement from the company.





## H.P. Cotton Textile Mills Limited

### H.P. THREAD

**CORPORATE GOVERNANCE:** A separate report on Corporate Governance is enclosed as a part of this Annual Report. A certificate from the Auditors of the Company regarding compliance with Corporate Governance norms stipulated in Clause 49 and others, as are applicable, of the Listing Agreement is annexed to the Report of Corporate Governance.

**INVESTOR SERVICES:** The Company has appointed M/s Alankit Assignments Limited, New Delhi as Registrar and Share Transfer Agent (RTA). It has been informed to the Company that no complaint/ query from any of the shareholder is pending to be resolved by the RTA.

**LISTING OF SHARES:** The company had applied for delisting of its Equity Shares from the Stock Exchange(s) of Ludhiana, Delhi, Jaipur and Kolkatta and accordingly has not paid listing fee to Ludhiana, Jaipur and Kolkatta Exchange(s) since 2004-05 and to Regional Exchange of Delhi since 2007-08. However, the Company is regularly paying the Listing Fee to Bombay Stock Exchange (BSE) Where, the shares of the Company will continue to be listed.

**COST AUDITORS:** In pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, the Company has appointed M/s N.K.Goel, Cost Accountants to conduct the audit of the products manufactured by the Company and to give their report on it in the prescribed format and time. Such report for 2008-09 has since been received, reviewed and adopted by the Board of Directors of the Company.

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

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

**CASH FLOW:** Inconformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31.03.2009 is annexed hereto along with the financial statements.

**UNAUDITED FINANCIAL RESULTS:** In conformity with the provisions of clause 41 of the Listing Agreement the Company has published unaudited financial results for the quarter ended 30th June, 08; 30th Sept., 08; 31st December, 08 and audited financial results for the year / quarter ended 31st March 2009 in Business Standard in English and in Dainik Bhaskar Hindi News Papers.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUT GO:** Statement giving particulars of conservation of energy, technology absorption, foreign exchange earning and out go, in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked as Annexure 'A' and forms part of this report.

**APPRECIATION:** The Company places on record its deep appreciation of the devoted services of all the employees of the Company, who have contributed in no small measures to the improved performance of the Company. It also extends grateful thanks to Central and State Government, the Investors, the Bankers, the Financial Institutions and district level authorities for their continued support extended to the Company from time to time.

Place : New Delhi  
Dated: 25<sup>th</sup> July, 2009

For and on behalf of the Board  
Arjun Das Agarwal  
Chairman



H.P. THREAD

H.P. Cotton Textile Mills Limited

**ANNEXURE-I TO THE DIRECTORS' REPORT****FORM - A**

Particular	Unit	2008-09	2007-08
<b>A. Power and Fuel Consumption</b>			
1) <b>Purchased From HVPNL:</b>			
Units	000' KWH	11457	12183
Rate	RS/UNIT	4.39	4.43
Total amount	RS. LACS	502.97	539.28
2) <b>Own Generation</b>			
Units generated	000' KWH	366	4218
Average rate	RS/UNIT	9.44	7.61
Total amount	RS. LACS	34.55	320.99
2) <b>Fuel:</b>			
a) <b>Steam generation</b>			
Quantity of petcock consumed	Tonnes	2150	2197
Average cost of petcock	RS.PER TON	7961	6350
Total cost of pet cock	RS.LACS	171.17	139.51
b) <b>LIQUEFIED PETROLEUM GAS</b>			
Lpg consumed	000'KG	21.31	31.62
Average cost	RS.PER TON	51205	44001
Total cost	RS.LACS	10.91	13.91
<b>C. CONSUMPTION PER KILOGRAM OF PRODUCT</b>			
a) <b>ELECTRICITY</b>			
i) Upto ring frame	KWH/KG	2.44	2.19
ii) Mills as a whole	KWH/KG	5.60	4.94
Total power consumed	000'UNIT	11823	16401
b) <b>STEAM</b>	KG/KG	4.87	3.80

<b>Reasons for variation</b>	Consumption of electricity and coal varies depending upon range/counts and Quality produced.
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<b>In case of production of different qualities/specifications, consumption details may be given for equivalent production.</b>	Equivalent production standard is not practicable since all the different counts/range of products has various qualities, colors and process involved
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**FORM - B****B. TECHNOLOGY ABSORPTION****RESEARCH AND DEVELOPMENT(R&D)****I) SPECIFIC AREA IN WHICH THE COMPANY CARRIES OUT R & D**

1. Developed new products and product mix
2. Reduction in waste generation in the process
3. Reuse of waste recycled water
4. Steam, power and Water conservation
5. Improvement in production process resulting in quality Improvement

**II) BENEFIT DERIVED AS A RESULT OF ABOVE R&D**

1. New range of Milange were produced
2. Reduced generation in waste
3. Reutilization of water
4. Reduction in cost of color and chemical used

**III) FUTURE PLAN OF ACTION**

We will Continue R & D efforts to attain objectives of cost reduction, energy conservation, efficient inventory management, waste utilization, value addition, environmental improvement and efficient management of water.

- iv) 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.

**v) FOREIGN EXCHANGE EARNING AND OUT.GO**

Foreign Exchange earned	Rs. 24,47,80,207	Previous year Rs.24,65,35,901
Foreign Exchange Used	Rs. 41,83,845	Previous year Rs 59,53,425