

31st ANNUAL REPORT
2011-2012



H. P. Cotton Textile Mills Limited



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C O N T E N T S

Notice.....	03
Directors' Report.....	06
Report on Corporate Governance	11
Auditors' Report	23
Balance Sheet.....	27
Profit & Loss Account.....	28
Schedule & Notes to Accounts	29
Cash Flow Statement	42
Request for E-mail Address.....	43
Proxy Form	45

BOARD OF DIRECTORS

Shri Raj Kumar Agarwal, Director

Shri Ashok Kumar Agarwal, Deputy Managing Director

Shri Kailash Kumar Agarwal, Deputy Managing Director

Shri Parshotam Das Agarwal, Director

Shri Bibhuti Charan Talukdar, Director

Shri Anil Agarwalla, Director.

Shri Mohan Lal Jain, Director

BANKERS

State Bank of Patiala

Oriental Bank of Commerce

IDBI Bank Limited

AUDITOR

A.K. Associates, New Delhi

REGISTRAR & SHARE TRANSFER AGENT

M/S. Alankit Assignments Ltd.

2E/ 21, Alankit House, Jhandewalan Extension,

New Delhi – 110 055

Tel. No. : (011) 23541234-42541234

Fax No. : (011) 23552001

Website: www.alankit.com

NOTICE

Notice is hereby given that the Thirty First Annual General Meeting of the Members of H.P. Cotton Textile Mills Limited will be held on Friday, the 28th day of September, 2012 at 3:00 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 2012 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. Kailash Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Bibhuti Charan Talukdar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:-

"Resolved that the Company hereby accords its consent and approval under section 198, 269, 309, 314 and 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 Kailash 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 6th August, 2012 on the following remuneration.

Salary Basic	Rs. 39700-2500-49700 per month.
House Rent Allowance	25% of Basic Salary.
Provident Fund & Gratuity	As per Employee Provident Fund Act and Payment of Gratuity Act and shall not be included in the computation of the ceiling of remuneration.
Medical	Re-imbursement of medical expenses for self and family upto a limit of 5% of basic salary as per rules of the Company.
Leave Travel Assistance	Re-imbursement of Leave Travel expenses for self and family upto a limit of 5% of Basic Salary as per rules of the Company.
Earned Leave	Encashment of un-availed leave at the time of retirement/ cessation of service shall not be included in the computation of the ceiling on remuneration. Earned leave will be maximum 30 days per annum as per rules of the Company.
Minimum Remuneration	That if during any financial year during the currency of the tenure of Shri Kailash Kumar Agarwal, the Company has no profits or its profits are inadequate, the Company shall pay to Shri Kailash Kumar Agarwal the above remuneration as the minimum remuneration for a period not exceeding 3 years or till the tenure of appointment, whichever is earlier, by way of salaries, perquisites and other allowances and benefits as specified above subject to receipt of requisite approvals, if any.

"Further Resolved that the Board of Directors with the recommendation of Remuneration Committee be and are hereby authorized to alter, vary or modify the terms and conditions of the said re-appointment including remuneration, subject to the limits laid down in sections 198, 269, 309, 310 and 311 and all other applicable provisions; if any of the Companies Act, 1956 and the rules framed there under read with Schedule XIII of the Companies Act, 1956 and subject to approval of Central Government, if necessary, and subject to the requisite approvals, if any, being obtained and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution".

Place: New Delhi
Date: 14th August 2012

By Order of the Board of Directors
Ashok Kumar Agarwal
Deputy Managing Director

NOTES:

1. Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the company. The instrument appointing a Proxy, in order to be effective, must be duly filled, stamped and signed and must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting.
2. Corporate Members are requested to send to the Company a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
3. The Register of members and the Share transfer Books of the Company shall remain closed from 19th Sept., 2012 to 28th Sept., 2012 both days inclusive.
4. Members holding shares in the certificate form are requested to notify / send the following to the Company's Registrars and Share Transfer Agents, Alankit Assignments Limited, Alankit House, 2E/ 21, Jhandewalan Extension, New Delhi-110055 to facilitate better servicing:-
 - i. Any change in their address / mandate / bank details.
 - ii. Particulars of their bank account, in case the same have not been furnished earlier, and
 - iii. Share certificates held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into a single account.
5. Additional particulars of Directors retiring by rotation and eligible for appointment/re-appointment pursuant to Clause 49 of Listing Agreement are mentioned in the Annexure 'A' to the Notice.
6. Members desirous of making a nomination in respect of their shareholders, as permitted by section 109A of the Companies Act, 1956, are requested to write to the Share Transfer Agent of the Company for the prescribed form.
7. Members 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.

8. EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956
Item No. 5

Shri Kailash Kumar Agarwal was re-appointed as Whole Time Director designated as Dy. Managing Director for a period of 5 years w.e.f. 6th August, 2007 on the following remuneration which was approved at the Annual General Meeting held on 29th September, 2007. His remuneration was within the limits prescribed in Schedule XIII of the companies Act, 1956.

- | | | |
|---|---|--|
| (1) Salary | : | Rs. 38000/- (Consolidated) per month. |
| (2) Medical | : | Re-imbursement of medical expenses for self and family up to a limit of 5% of basic salary as per rules of the Company. |
| (3) Provident Fund & Gratuity | : | As per Employee Provident fund Act and Payment of Gratuity 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. Earned leave will be maximum 30 days per annum as per rules of the Company. |

The Board of Directors in their meeting held on 30th May 2012 upon the recommendation of the Remuneration Committee of the Company and keeping in view that the term of appointment of Shri Kailash Kumar Agarwal as Whole Time Director designated as Deputy Managing Director will be expiring on 5th August 2012 and also in the interest of the company has reappointed Shri Kailash Kumar Agarwal as Whole Time Director designated as Deputy Managing Director for a further period of 5 years w.e.f. 6th August, 2012 subject to the approval of the members of the Company in this Annual General Meeting on a remuneration as mentioned in the resolution with an authority to the Board to alter, vary or modify the terms with recommendation of Remuneration Committee during the tenure of his holding the office as Whole Time Director designated as Deputy Managing Director.

The remuneration to be paid to Shri Kailash Kumar Agarwal will be within the limits prescribed under Schedule XIII of the Companies Act 1956. Hence the resolution is recommended for your approval.

Memorandum of interest: Shri Kailash Kumar Agarwal, self, Shri Raj Kumar Agarwal, Director, Shri Ashok Kumar Agarwal, Dy. Managing Director, being relatives, are interested in this resolution. None of the other Directors is interested or concerned in this appointment.

By Order of the Board of Directors

Ashok Kumar Agarwal

Deputy Managing Director

Place: New Delhi

Date: 14th August, 2012

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE ANNUAL GENERAL MEETING

(PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

1.	Name of the Director	Shri Kallash Kumar Agarwal
	DIN NO.	00063470
	Date of Birth	17.07.1961
	Date of Appointment	06.08.1992
	Expertise in specific functional Area	27 years experience with this Company itself.
	Qualification	B.Com, L.L.B
	Directorship in other limited Companies	M/s Acchar Investment Ltd. M/s Jainish Products Ltd. M/s Atishay Investments & Finance Pvt. Ltd. M/s Tayal Tuff Private Ltd. M/s Tayal Vegcraft Private Ltd.
	Memberships/ Chairmanships of Committees of the Directors of the Company	Member in Share Transfer Committee.
	Memberships/ Chairmanships of Committees of the Directors of other Companies	NIL
	Number of share held	85320
2.	Name of the Director	Shri Bibhuti Charan Talukdar
	DIN NO.	00024015
	Date of Birth	01.03.1936
	Date of Appointment	31.10.2004
	Expertise in specific functional Area	Retired Corporate Executive having experience in Corporate Law and Finance over 51 years.
	Qualification	B.Com, Post Graduation Diploma in Business Management.
	Directorship in other limited Companies	Nagreeka Exports Ltd. Nagreeka Capital & Infrastructure Ltd. Prabhu Switch Gear Private Ltd.
	Memberships/ Chairmanships of Committees of the Directors of the Company	Chairman in Remuneration Committee and Shareholder's/Investor's Grievances Committee. Member in Audit Committee and Share Transfer Committee.
	Memberships/ Chairmanships of Committees of the Directors of other Companies	In Nagreeka Exports Ltd. member of Audit Committee, Shareholder's/Investor's Grievance Committee and Remuneration Committee. In Nagreeka Capital & Infrastructure Ltd. member of Audit Committee and Shareholder's/Investor's Grievance Committee.
	Number of share held	NIL

DIRECTORS REPORT

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

Your Directors have pleasure in presenting the Thirty First Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March 2012.

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.

(Rupees In Lacs)

Particulars	Year ended 31.03.12	Year ended 31.03.11*
Sales and other Income	7376	7395
Profit before financial charges and depreciation	579	413
Financial charges	(284)	(231)
Profit before depreciation	295	182
Depreciation	(144)	(146)
Profit before tax	151	36
Prior year adjustment	(13)	9
Profit before Tax	138	45
Less: Provision for Tax		
- Current Tax		(8)
- Deferred Tax	(48)	(10)
Profit after Tax	90	27
Surplus as per last year	30	3
Surplus carried forward to next year	120	30

*Previous year's figures have been reclassified/ regrouped wherever necessary to correspond with those of current year.

OPERATIONAL PERFORMANCE:

During the year under review, your Company has earned profit before financial charges and depreciation of Rs 579 lacs as against Rs 413 lacs in the previous year and profit after tax of Rs 90 lacs as against Rs 27 lacs in the previous year. The exports of the Company increased from Rs 4258 lacs to Rs 5248 lacs, showing an increase of 23% over the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry Structure & Development:

The Indian textile industry plays a vital role in the economy of the country by contributing to GDP, generating employment and earning foreign exchange. The textile industry faces a particularly acute challenge as the price of its raw material, viz. cotton, has been fluctuating day to day. The industry has not been able to take the advantage of investments made in recent years because of lack of demand particularly in the local market.

During the year under review your company was able to effect an improved performance through dedicated efforts aimed at improving operational efficiency, quality enhancement, focus on optimal product mix and effective cost saving practices, all of which resulted in improved export sales and enhancement profitability. The remunerative export sale prices and good demand for thread in foreign countries helped the company to overcome the escalation in cost of raw material, power and labour to certain extent.

b) Risks, Concerns and Opportunities

The cotton price is subject to climatic variations and market volatility. Frequent changes in government policies will have impact on cotton and yarn prices. Power shortage and shortage of labour are major concerns, which could lead to escalation in cost of production. Higher inflation and substantial increase in interest rate would have adverse impact on profit margins of the company. Moreover, the increased incentives being provided by the Governments of our competitors like China, Pakistan, Bangladesh, Vietnam etc. are enabling the manufacturers in those countries to get ahead of us in various export markets.

In view of rising income levels and resultant higher demand, the industry has an opportunity for the growth which has to be fully exploited in both domestic and export markets. Once the global demand recession is over, opportunities for exports should increase and to take full advantage, improvement in quality will have to be given priority.

c) Outlook:

The company is taking all efforts to improve the quality and productivity to get more orders at competitive rates. Your Directors are hopeful that the demand for cotton textiles in the long run should remain strong in India and abroad. Continued efforts to maintain quality, variety in product mix and scouting for new and better markets shall promote growth. Barring unforeseen circumstances the company is confident of achieving better results in the current year.

QUALITY MANAGEMENT SYSTEM

The company continues to lay emphasis on excellence in quality and services and is committed to total customer satisfaction. The high quality of the company products is reflected in the company ability to export its product in quality conscious European markets. The company continues to be on a mission to provide customer with products that can match with international standards and will surpass their expectations.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACIES

The Company has adequate Internal Control systems in all areas of operations commensurate with the size of the operation. Your Company has an adequate and effective internal control system to ensure that assets and interests of the Company are safeguarded and reliability of accounting data and accuracy are ensured with proper checks and balances.

The internal control system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors, Statutory Auditors and the business heads are periodically appraised of the internal audit findings and the corrective actions taken. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal controls systems and suggests improvements for strengthening them.

HUMAN RESOURCES AND SAFETY OF WORKERS

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel.

During the year under review, the industrial relations continued to be cordial and satisfactory.

DIVIDEND

To conserve the resources for working capital and capital expenditure the directors do not recommend any dividend for the financial year under review.

REMUNERATION OF EMPLOYEES

No employee was in receipt of remuneration equal to or exceeding Rs.60 lacs per annum, if employed for the full year or exceeding Rs. 5 lacs per month if employed for part of the year. Therefore, 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, is not applicable.

ENVIRONMENT AND POLLUTION CONTROL

The Company is conscious of the importance of environmentally clean and safe operations. The company's policy is the conduct of all operations in a manner to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

DIRECTORS

Shri Kailash Kumār Agarwal and Shri Bibhuti Charan Talukdar, directors are liable to retire by rotation and being eligible, offer themselves for re-appointment. The information on the particulars of Directors seeking appointment and re-appointment as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges, are provided in the notes to Notice forming part of the Annual Report.

AUDITORS AND AUDIT REPORT

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

The Auditor's Report on the accounts is self explanatory

COST AUDITORS

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 HMVN & Associates, Cost Auditors with approval of Central Government to conduct the cost audit of the products manufactured by the company for the period under review.

COMPANIES (COMPLIANCE CERTIFICATE)

Compliance Certificate pursuant to Section 383A of the Companies Act, 1956 is annexed hereto.

CORPORATE GOVERNANCE

Company has complied with the requirements of Corporate Governance through constitution and reconstitution of various committees and has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as provided in the Listing Agreement with the Stock Exchanges are duly complied with. A separate report on Corporate Governance along with the Auditors certificate on compliance with the Corporate Governance as stipulated in Clause 49 forms part of this Annual Report.

INVESTOR SERVICES

The Company has appointed M/s Alankit Assignments Limited, New Delhi as Registrar and Share Transfer Agent (RTA). No complaint/ query from any of the shareholder is pending to be resolved by the Company or the RTA.

LISTING OF SHARES

Company's shares are listed on Delhi Stock Exchange & Bombay Stock Exchange.

FIXED DEPOSITS

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

CASH FLOW

Inconformity with the provisions of clause 32 of the Listing Agreement the Cash Flow Statement for the year ended 31.03.2012 is annexed hereto.

PUBLICATION OF 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 2011; 30th Sept. 2011; 31st December 2011 and audited financial result for the quarter/ year ended on 31st March 2012. The summarized results are published in Business Standard (English), Delhi & Dainik Bhaskar (Hindi), Hisar.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUT GO

The information required under Section 217(l)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 is annexed hereto as annexure A and forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 and on the basis of compliance certificates received from the concerned executives of the respective departments of the Company and subject to disclosures in the annual accounts, as also on the basis of the discussion held with the statutory Auditors of the Company from time to time, we state:

1. That in the preparation of annual accounts, applicable accounting standards have been followed and proper explanations have been provided relating to material departures, if any;
2. That the Directors have selected appropriate 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 at the end of the financial year and of the profit of the Company for that period;
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any,
4. That the Directors have prepared the annual accounts on a going concern basis.

APPRECIATION

The Directors place on record their thanks and appreciation to all workers, staff members, executives and business associates for their co-operation and contribution to the operations of the company. The Directors are thankful to the Bankers, Financial Institutions for their continued support to the company. The Directors also place on record their sincere thanks to the shareholders for their continued support, co-operation and confidence in the Management of the Company.

For and on behalf of the Board

Ashok Kumar Agarwal
Deputy Managing Director

Kailash Kumar Agarwal
Deputy Managing Director