



3rd Annual Report 2012-2013

H.P. Cotton Textile Mills Limited

**REGISTERED / CORPORATE OFFICE AND WORKS**

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BOARD OF DIRECTORS

Shri Raj Kumar Agarwal, Whole Time 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

AUDITORS

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 Second Annual General Meeting of the Members of H.P. Cotton Textile Mills Limited will be held on Saturday, the 07th day of September, 2013 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, 2013 and Statement of Profit and Loss for the financial year ended on that date along with the report of the Directors and Auditors thereon.
2. To Declare Dividend.
3. To appoint a Director in place of Sh. Ashok Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sh. Mohan Lal Jain who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. **To consider and if thought fit, to pass with or without modification(s) the following resolution as special resolution:-**

"Resolved that pursuant to the provisions of section 198, 269, 309, 310 and 314 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and such other approvals/ consents/ sanctions/ permission as may be necessary and pursuant to the recommendation of the Remuneration Committee of the Board, the approval of the members be and is hereby accorded for revision of remuneration of Shri Raj Kumar Agarwal, Whole Time Director of the company w.e.f. 01st July, 2013 for the remaining period of his tenure i.e. upto 30th June, 2016 in accordance within the limits specified in the revised Schedule XIII under the Companies Act, 1956.

Salary Basic	: ₹ 68100 per month
HRA	: HRA 25% of Basic Salary
Medical	: Re-imbursement of medical expenses for self and family upto a limit of 5% of Basic salary per annum.
LTA	: Re-imbursement of Leave Travel Concession expenses for self and family upto a limit of 5% of Basic salary per annum.
Bonus	: As per company rule
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.	

"Resolved Further That the Board of Directors of the company is hereby authorized, to do all such acts, deeds and things as may be required in order to comply with the provisions of the Companies Act, 1956 and to give effect to the above resolution."

"Resolved Further that the Board of Directors be and is hereby authorized to alter, vary or modify the remuneration of Shri Raj Kumar Agarwal within the limits specified in Part – II of Schedule XIII of the Companies Act, 1956 for the remaining period of his tenure i.e. upto 30th June, 2016."

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

"Resolved that pursuant to section 314(1B) and other applicable provisions, if any, and subject to such other requisite approvals, if any, approval of the members be and is hereby accorded to the revision in the terms and conditions of remuneration payable to Shri Kashmiri Lal Agarwal, Advisor (Commercial & Technical) of the Company, with effect from 01st July, 2013 for the remaining period of his tenure i.e. upto 31st July, 2014 on the following revised terms:-

Salary	: ₹ 100000 (consolidated) per month
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"Resolved Further That the Board of Directors of the company be and is hereby authorized, to do all such acts, deeds and things as may be required in order to comply with the provisions of the Companies Act, 1956 and to give effect to the above resolution."

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

"Resolved that pursuant to section 314(1B) and other applicable provisions, if any, and subject to such other requisite approvals, if any, approval of the members be and is hereby accorded to the revision in the terms and conditions of remuneration payable to Shri Ravindra Agarwal, President (Commercial) of the Company, with effect from 01st July, 2013 for the remaining period of his tenure i.e. upto 30th June, 2016 on the following revised terms:-

Salary Basic	: ₹ 63000 per month
HRA	: HRA 25% of Basic Salary
Medical	: Re-imbursement of medical expenses for self and family upto a limit of 5% of Basic salary per annum.
LTA	: Re-imbursement of Leave Travel Concession expenses for self and family upto a limit of 5% of Basic salary per annum.
Bonus	: As per company rule
P.F	: As per law
Gratuity	: As per law

"Resolved Further That the Board of Directors of the company be and is hereby authorized, to do all such acts, deeds and things as may be required in order to comply with the provisions of the Companies Act, 1956 and to give effect to the above resolution."

Place: New Delhi
Date: 22nd July, 2013

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 Company has notified closure of Register of Members and Share Transfer Books from Saturday, 31st August, 2013 to Saturday, 07th September, 2013 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares; if declared, at the Meeting.
4. The dividend in respect of equity shares; if declared at the meeting, will be paid to those members whose name will appear on the Company's Register of Members on 30th August, 2013; in respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Security Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
5. 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.
6. 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.
7. 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.
8. 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.

9. EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT 1956
ITEM NO. 6

Sh. Raj Kumar Agarwal was appointed as Whole Time Director for a period of 5 years w.e.f 1st July, 2011 on the following remuneration which was approved at the Annual General Meeting held on 29th September 2011. His remuneration was within the limits prescribed in Schedule XIII of the Companies Act, 1956.

Salary Basic	: ₹ 40500-2500-50500 per month
HRA	: HRA 25% of Basic Salary
Medical	: Re-imbursement of medical expenses for self and family upto a limit of 5% of Basic salary per annum.
LTA	: Re-imbursement of Leave Travel Concession expenses for self and family upto a limit of 5% of Basic salary per annum.
Bonus	: As per company rule
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.	

The Board of Director in their meeting held on 22nd July, 2013 upon the recommendation of the Remuneration Committee of the company and subject to the approval of the members of the company in the ensuing Annual General Meeting has decided to revise the remuneration of Sh. Raj Kumar Agarwal; as set out in the resolution, for the period 1st July 2013 to 30th June 2016 with an authority to the Board of Directors of the company to alter, vary or modify the terms upon recommendation of Remuneration Committee during the tenure of his holding the office as Whole Time Director.

The remuneration to be paid to Sh. Raj Kumar Agarwal will be within the limits prescribed under Schedule XIII of the Companies Act, 1956. Hence the resolution is recommended for your approval as a special resolution. The above statement may be regarded as an abstract of the terms of contract and memorandum of interest under Section 302 of the Act.

Memorandum of Interest: Sh. Raj Kumar Agarwal is interested in this resolution to the extent of remuneration payable to him. Sh. Ashok Kumar Agarwal, Dy. Managing Director and Sh. Kailash Kumar Agarwal, Dy. Managing Director; being relatives of Shri Raj Kumar Agarwal are interested in this resolution as relatives. None of the other directors is interested or concerned in this resolution.

ITEM NO. 7

The remuneration of Sh. Kashmiri Lal Agarwal was approved by the shareholders at the 30th Annual General Meeting held on 29th September, 2011 at ₹ 75000.00 (Consolidated) per month. The Board of Directors in its meeting held on 22nd July, 2013 has decided to revise the remuneration of Sh. Kashmiri Lal Agarwal as set out in the resolution, subject to the approvals of members in the ensuing Annual General Meeting.

Memorandum of Interest: Sh. Raj Kumar Agarwal; Whole Time Director, Sh. Ashok Kumar Agarwal; Dy Managing Director and Sh. Kailash Kumar Agarwal; Deputy Managing Director; being relatives of Sh Kashmiri Lal Agarwal are interested in this resolution as relatives. None of the other directors is interested or concerned in this resolution.

ITEM NO. 8

The remuneration of Sh. Ravindra Agarwal was approved by the shareholders at the 30th Annual General Meeting held on 29th September, 2011 as under:-

- 1) Salary Basic : ₹ 37500 – 2500 – 47500 per month
- 2) HRA : HRA 25% of Basic Salary
- 3) Medical : Re-imbursement of medical expenses for self and family upto a limit of 5% of Basic salary per annum.
- 4) LTA : Re-imbursement of Leave Travel Concession expenses for self and family up to a limit of 5% of Basic salary per annum.
- 5) P.F. : As per Law
- 6) Bonus : As per company rule
- 7) Gratuity : As per Law

The Board of Directors, in its meeting held on 22nd July, 2013, has decided to revise the remuneration of Sh. Ravindra Agarwal as set out in the resolution, subject to the approval of members in the ensuing Annual General Meeting.

Memorandum of Interest: Sh. Raj Kumar Agarwal; Whole Time Director, Sh. Ashok Kumar Agarwal; Dy Managing Director and Sh. Kailash Kumar Agarwal; Deputy Managing Director; being relatives of Ravindra Agarwal are interested in this resolution as relatives. None of the other directors is interested or concerned in this resolution.

Place: New Delhi
Date: 22nd July, 2013

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

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 Ashok Kumar Agarwal
	DIN NO.	00046627
	Date of Birth	04.10.1957
	Date of Appointment	03.08.1989
	Expertise in specific functional Area	More than 32 years practical experience with this Company itself.
	Qualification	B.Com.
	Directorship in other limited Companies	M/s Atishay Investments & Finance Private Limited. M/s Vardhaman Fabrics Private Limited. M/s Mahalakshmi Bright Steel Industries Private Limited. M/s Radha Tanjore Arts Private Limited M/s Siram Apartments Pvt. Ltd. M/s Supermax Premoters Pvt. Ltd. M/s Shivani Consultants Pvt. Ltd. M/s Annapurna Farms Pvt. Ltd.
	Memberships/Chairmanships of Committees of the Directors of the Company	NIL
	Memberships/ Chairmanships of Committees of the Directors of other Companies	NIL
	Number of share held	75896
2.	Name of the Director	Shri Mohan Lal Jain
	DIN NO.	00063240
	Date of Birth	01.03.1959
	Date of Appointment	23.01.2010
	Expertise in specific functional Area	Practicing Chartered Accountant since 1985. More than 27 years experience in Finance & Audit.
	Qualification	B.Com. (Hons), F.C.A.
	Directorship in other limited Companies	M/s MJ Softech Private Limited. M/s MLJ Financial Consultants Private Limited.
	Memberships/Chairmanships of Committees of the Directors of the Company	Member in Audit Committee.
	Memberships/ Chairmanships of Committees of the Directors of other Companies	NIL
	Number of share held	NIL

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting to you, the Thirty Second Annual Report on the activities of your Company along with the Audited Annual Accounts for the financial year ended 31st March, 2013.

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.

(₹ In Lacs)

Particulars	Year ended 31.03.13	Year ended 31.03.12
Sales and other Income	8664	7376
Profit before financial charges and depreciation	898	579
Financial charges	(242)	(284)
Profit before depreciation	656	295
Depreciation	(131)	(144)
Profit before tax	525	151
Prior year adjustment	10	(13)
Profit before Tax	535	138
Less: Provision for Tax		
- Current Tax (including 1 lac for earlier year)	(195)	-
- Deferred Tax	(1)	(48)
Profit after Tax	339	90
Basic and Diluted Earning Per Share (₹)	8.89	2.36
Dividend Recommended ₹/Share	1	-
Dividend Recommended (%)	10	-

OPERATIONAL PERFORMANCE

The total sale of the company for the year was ₹ 8625 lacs as compared to the ₹ 7354 lacs in the preceding financial year. The exports of the Company increased from ₹ 5248 lacs to ₹ 5965 lacs, showing an increase of 14% over the preceding financial year. Packed production for the year was 1986 MT as compared to 1484 MT in the preceding financial year. During the year under review, Company has earned profit before financial charges and depreciation of ₹ 898 lacs as against ₹ 579 lacs in the preceding financial year and profit after tax of ₹ 339 lacs as against ₹ 90 lacs in the preceding financial year.

APPROPRIATIONS

Reserves

Out of the profits of the Company, a sum of ₹ 50 lacs has been transferred to the General Reserves during the year and total reserves and surplus of the Company are ₹ 1029 lacs (Including Share Premium) as on 31st March, 2013.

**Dividend**

Your Directors are pleased to recommend for your consideration and approval dividend @ 10% for the financial year 2012-13 i.e. ₹ 1/- per equity share of ₹ 10/- each. The dividend if approved at ensuing Annual General Meeting will absorb ₹ 44.58 lacs including corporate dividend tax amounting to ₹ 6.48 lacs.

The dividend in respect of equity shares; if declared at the meeting, will be paid to those members whose name will appear on the Company's Register of Members on 30th August, 2013; in respect of the shares held in dematerialized form, the dividend will be paid to members whose names are furnished by National Security Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**a) Industry Structure & Development**

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 turnover and enhancement profitability. The remunerative export sale prices and good demand for threads in foreign countries helped the company to overcome the escalation in cost of raw material, power and labour.

b) Risks, Concerns and Opportunities

The cotton price is subject to climatic variations and market volatility. Changes in government policies also have impact on cotton and yarn prices. Power shortage and shortage of labour are major concerns, which lead to escalation in cost of production. In financial year 2012-13 inflation has increased rapidly and touched record highs. Usually, growing inflation dampens consumer demand for household goods, including textiles and apparels. If India's inflation continues to stay at such a level, there is risk that domestic sales would be negatively impacted. We suffer on account of poor infrastructure, high transaction cost, not so favorable labour laws, increased power tariff and fuel cost etc. Structural weaknesses need to be addressed particularly in the wake of growing threats from China and other Countries. 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 raising population, sustained increase in per capita income and disposable surplus, favorable demographic profile and changing lifestyle, India is poised for health growth. These positive factors indicate extreme bring and positive future for the healthy growth of the Indian Textile Industry and provide ample opportunities to the Company. Moreover opportunities for exports have increased and to take full advantage, improvement in quality will have to be given priority.

c) Outlook

The economy is passing through difficult phase and the GDP growth in the preceding year has been very low and the inflation is also very high. Weakening rupee against foreign currencies is increasing the cost of petroleum, gas and coal which is ultimately raising the cost of power, transportation and other similar products which results in higher inflation. Cotton prices are dependent upon the monsoon and the government policies. Any adverse change in cotton prices will adversely affect the working for the current year.