

122nd Annual Report

OCTOBER 2002 – SEPTEMBER 2003



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THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

DIRECTORS

SUDHIR THACKERSEY

Chairman & Managing Director

CHANDRAHAS K. THACKERSEY

Executive Director

JAGDISH U. THACKERSEY

Executive Director

RAOUL S. THACKERSEY

Executive Director

M. R. B. PUNJA

D. M. POPAT

R. N. BANSAL

D. S. ALVA

P. B. DESAI

Y. A. MANKAD (NOMINEE - IDBI)

SOLICITORS

MULLA & MULLA AND

CRAIGIE BLUNT & CAROE

FEDERAL & RASHMIKANT

MANILAL KHER AMBALAL & CO.

AUDITORS

C. C. CHOKSHI & CO.

Chartered Accountants

BANKERS

BANK OF INDIA

PUNJAB NATIONAL BANK

UCO BANK

SYNDICATE BANK

ICICI BANK LIMITED

CANARA BANK

UNION BANK OF INDIA

REGISTERED OFFICE

SIR VITHALDAS CHAMBERS

16, MUMBAI SAMACHAR MARG

MUMBAI - 400 001

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**122ND ANNUAL GENERAL MEETING ON
WEDNESDAY, THE 16TH JUNE, 2004 AT 11.30 A.M.
AT "PATKAR HALL", MUMBAI - 400 020.**

**Shareholders are requested to bring their copies of
the Annual Report along with them at the Annual
General Meeting.**



NOTICE

Notice is hereby given that the ONE HUNDRED AND TWENTY SECOND Annual General Meeting of the Shareholders of the Company will be held at "Patkar Hall", Nathibai Thackersey Road, Off. Maharshi Karve Road, Mumbai - 400 020, on Wednesday, the 16th June, 2004 at 11.30 A.M. to transact the following business:

1. To receive and adopt the audited Balance Sheet as at 30th September, 2003 and the Profit and Loss Account for the year ended 30th September, 2003 and to consider the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Chandrahas K. Thackersey, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Raoul S. Thackersey, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. D.M. Popat, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the current year and fix their remuneration.

AS SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass with or without modification the following Resolution which will be proposed as a Special Resolution:

"RESOLVED that pursuant to the applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals as may be necessary, Mr. Sudhir Thackersey, be and is hereby reappointed as the Managing Director of the Company for a further period of 5 years with effect from 1st December 2003 on the terms and conditions mentioned hereinbelow and contained in detail in the draft agreement placed before the meeting and initialed by Mr. Jagdish U. Thackersey, the Director of the Company for the purpose of identification, with liberty to the Board of Directors (including any committee of the Board) to alter, vary or modify the terms and conditions of the said Agreement in such manner as may be required and agreed to by the Board and Mr. Sudhir Thackersey.

- (i) **Period of appointment:** 5 years from 1st December 2003 to 30th November 2008.
- (ii) **Duties and powers:** Mr. Sudhir Thackersey shall be entrusted with substantial powers of management

subject to superintendence, control and direction of the Board of Directors of the Company.

- (iii) **Remuneration:** The remuneration to Mr. Sudhir Thackersey during his tenure as the Managing Director of the Company, is as follows:

A. Salary:

Salary of Rs.70,000/- per month in the scale of "Rs.40,000/- - Rs.2,00,000/-", with liberty to the Board of Directors (including any statutory modification or re-enactment thereof for the time being in force) to grant such increments as it may in its absolute discretion deem fit.

B. Commission:

Commission on the net profits of the Company computed in the manner laid down under Section 309(5) of the Act, as may be fixed by the Board of Directors in its absolute discretion from year to year at the time of adoption of the annual accounts each year by the Board of Directors of the Company, to be due and payable after adoption of the accounts by shareholders and subject to the overall ceiling laid down under Sections 198 and 309 of the Act.

C. Perquisites:

- (a) Perquisites such as furnished accommodation or house rent allowance, provision of gas, electricity, water, furnishings and maintenance in respect of such accommodation, medical reimbursement for self and family, club fees, leave benefits, leave travel concessions for self and family, personal accident insurance and such other perquisites and allowances and on such terms and conditions as the Board of Directors may in its absolute discretion determine from time to time.
- (b) The monetary value of such perquisites shall be restricted to a maximum of 200% salary of the Managing Director. Such value is to be determined in accordance with the relevant rules laid down in this regard under the Income Tax Act. In the absence of such rules, the monetary value of such perquisites shall be determined at cost.
- (c) Company's contribution to Provident Fund and Superannuation Fund shall not be included in the computation of the ceiling on

perquisites referred to in (b) above to the extent these either singly or put together are not taxable under the Income Tax Act as applicable from time to time. Gratuity payable shall not exceed half month's salary for each completed year of service. Such gratuity and the encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites.

- (d) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to Mr. Sudhir Thackersey or appropriate recoveries will be made from his salaries as per Income-tax Act, 1961 towards the use of car and telephone for personal purposes.

D. The above remuneration payable to him by way of salary, perquisites and commission shall be subject to the limit of 10% of net profits as laid down in Section 309(3) of the Companies Act, 1956, and the overall limit of 11% of the net profits as laid down in Section 198(1) of the said Act.

(iv) Other Conditions:

- (a) Mr. Sudhir Thackersey shall not be liable to retire by rotation as a Director.
- (b) Mr. Sudhir Thackersey shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.
- (c) Mr. Sudhir Thackersey shall be reimbursed all expenses actually and properly incurred by him for the business of the Company.
- (d) The appointment may be terminated by either the Company or Mr. Sudhir Thackersey, giving three months' written notice.

RESOLVED FURTHER that the Board of Directors of the Company be and are hereby authorized to execute necessary agreement with such modifications and alterations as may be required and agreed to by the Board of Directors of the Company and the Managing Director.

RESOLVED FURTHER that any of the Directors and/or Company Secretary of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary, expedient or desirable to give effect to the above resolution".

7. To consider and if thought fit, pass with or without modifications, the following resolution as special resolution:

"**RESOLVED** that pursuant to the provisions of sections 198(4) and 309(3) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals as may be necessary including approval of Central Government, Mr. Sudhir Thackersey, Managing Director of the Company be paid the following remuneration (including perquisites) as minimum remuneration in the event of loss or inadequate profits during the currency of his tenure from 1st December 2003 to 30th November 2008, subject to the ceiling as specified in Para A of Clause 1 of Section II of Part II of Schedule XIII to the Companies Act 1956 (as amended from time to time):

(A) Salary:

Salary of Rs.70,000/- per month in the scale of "Rs.40,000/- - Rs.2,00,000/-", with liberty to the Board of Directors (including any statutory modification or re-enactment thereof for the time being in force) to grant such increments as it may in its absolute discretion deem fit.

(B) Commission:

Commission on the net profits of the Company computed in the manner laid down under Section 309(5) of the Act, as may be fixed by the Board of Directors in its absolute discretion from year to year at the time of adoption of the annual accounts each year by the Board of Directors of the Company, to be due and payable after adoption of the accounts by shareholders and subject to the overall ceiling laid down under Sections 198 and 309 of the Act.

(C) Perquisites:

- (a) Perquisites such as furnished accommodation or house rent allowance, provision of gas, electricity, water, furnishings and maintenance in respect of such accommodation, medical reimbursement for self and family, club fees, leave benefits, leave travel concessions for self and family, personal accident insurance and such other perquisites and allowances and on such terms and conditions as the Remuneration Committee may in its absolute discretion determine from time to time.
- (b) The monetary value of such perquisites shall be restricted to a maximum of 200% salary of the



Managing Director. Such value is to be determined in accordance with the relevant rules laid down in this regard under the Income Tax Act. In the absence of such rules, the monetary value of such perquisites shall be determined at cost.

- (c) Company's contribution to Provident Fund and Superannuation Fund shall not be included in the computation of the ceiling on perquisites referred to in (b) above to the extent these either singly or put together are not taxable under the Income Tax Act as applicable from time to time. Gratuity payable shall not exceed half month's salary for each completed year of service. Such gratuity and the encashment of leave at the end of the tenure shall not be included in the computation of the ceiling on perquisites.
- (d) Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to Mr. Sudhir Thackersey or appropriate recoveries will be made from his salaries as per Income-tax Act, 1961 towards the use of car and telephone for personal purposes.

RESOLVED FURTHER that any of the Directors and/or Company Secretary of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary, expedient or desirable to give effect to the above resolution".

8. To consider and, if thought fit, to pass with or without modifications, the following resolution as special resolution :

"RESOLVED that subject to provisions of the Securities Contracts (Regulation) Act, 1956, Listing Agreements with the Stock Exchanges and Guidelines/Rules of the Securities Exchange Board of India and all other applicable laws, rules, regulations and guidelines and subject further to such approvals and sanctions as may be required, the delisting of equity shares of the Company from National Stock Exchange of India Ltd., as proposed by the Board of Directors be and is hereby approved .

RESOLVED FURTHER that for the purpose of giving effect to this resolution, any of the Directors be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents, deeds and writings as may be necessary, proper or expedient for the purpose of

giving effect to this resolution and for matters connected therewith or incidental thereto".

By Order of the Board of Directors,

SUDHIR THACKERSEY
Chairman & Managing Director

Registered Office:

"Sir Vithaldas Chambers",
16, Mumbai Samachar Marg,
Mumbai - 400 001.

Dated : 19th April, 2004.

NOTES FOR MEMBERS' ATTENTION

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. PROXIES TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. The Explanatory Statement as required by Section 173(2) of the Companies Act, 1956, in respect of all the items of Special Business is hereto annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 4th June, 2004 to 16th June, 2004 (both days inclusive).
4. Members intending to require information about accounts to be explained at the meeting are requested to write to the Company atleast ten days in advance of the Annual General Meeting, so as to enable the Company to keep the information ready.
5. The shareholders are hereby informed that all unclaimed dividends upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government in terms of provisions of Section 205A of the Companies Act, 1956. Shareholders who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, in the prescribed manner.

Pursuant to the Provision of Section 205(A) & 205(C) of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 1996 which remain unpaid or unclaimed for a period of seven years has been transferred to the INVESTOR EDUCATION AND PROTECTION FUND of Central Government.

Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1997 are requested to make their claims to the company. It may also be noted that once the unclaimed dividend is transferred to the Central Government, no claim shall lie in respect thereof.

6. Members are requested to bring their copies of the Annual Report and Attendance Slip at the Meeting.
7. As required in terms of paragraph VI(A) of Clause 49 of the Listing Agreement, details of Directors seeking re-appointment at the ensuing Annual General Meeting are given hereunder:-

Name of the Director	Mr. C.K. Thackersey	Mr. R.S. Thackersey	Mr. D.M. Popat
Date of appointment	06.11.1985	16.01.1997	08.02.1995
Expertise in specific Functional areas	Industrialist having business experience	Industrialist having business experience	Solicitor and Sr. Partner of Mulla & Mulla and Craigie Blunt & Caroe
List of Directorship held*	The Sirdar Carbonic Gas Co. Ltd. Delta investment Ltd. Bodyguard Mfg. & Exports Ltd. Western Holdings Ltd. Earnest Holdings Ltd. Aristocrat Investment Ltd. Sukta Investment Ltd. Satark Investment Ltd. Assured Investments Ltd. Makarand Investments Ltd.	Art Leather Ltd. Bintex Investments Ltd. Bodyguard Mfg. & Exports Ltd. Western Holdings Ltd. Sukta Investment Ltd. Aristocrat Investments Ltd. Prudential Holdings Ltd.	Ashok Organics (India) Ltd. Hindustan Construction Co. Ltd. Morarjee Goculdas Spg. & Wvg. Co. Ltd. Oxford Industries Ltd. The Ruby Mills Ltd. Tak Machinery & Leasing Ltd. Bombay Incorporated Law Society
Chairman / Member of the committees of the Board of the Companies on which he is a Director	<u>Share Transfer Committee</u> The Sirdar Carbonic Gas Co. Ltd.	—	—

*Directorship of Private Limited Companies not considered

By Order of the Board of Directors,

SUDHIR THACKERSEY

Chairman & Managing Director

Registered Office:

"Sir Vithaldas Chambers",
16, Mumbai Samachar Marg,
Mumbai - 400 001.

Dated : 19th April, 2004.



ANNEXURE TO THE NOTICE

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956.

Item Nos.6 & 7

Mr. Sudhir Thackersey was reappointed as the Managing Director of the Company for a period of 5 years with effect from 1st December 1998 and his term expired on 30th November 2003. Considering the long association of Mr. Sudhir Thackersey with the Company, the valuable contribution made by him to the business and operations of the Company, and his experience in business and management, Board of Directors has reappointed him as the Managing Director of the Company for a period of 5 years with effect from 1st December 2003 vide resolution dated 18th November 2003. The terms of reappointment and remuneration of the Managing Director, are same as earlier and are in accordance with the provisions of sections 269 & 309 read with Schedule XIII to the Companies Act, 1956.

It is proposed that the remuneration payable to Mr. Sudhir Thackersey as per the terms of his reappointment as the Managing Director of the Company be paid to him as minimum remuneration in the event of loss or inadequacy of profits in any year during the currency of his tenure, subject to the ceiling as prescribed under Para A of Clause 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956. Payment of minimum remuneration in the event of loss or inadequate profits in any year during the currency of his tenure as the Managing Director is subject to approval of the Central Government under sections 198(4) and 309(3) of the Companies Act, 1956.

The Remuneration Committee of the Board has approved the terms of remuneration including the payment of minimum remuneration in the event of loss or inadequate profits.

Mr. Sudhir Thackersey is a Commerce Graduate of Bombay University majoring in Commerce and Economics. Immediately after his graduation in 1954, he joined The Hindoostan Spg. & Wvg. Mills Ltd. After serving the company in various capacities he joined the Board in 1969 and became Chairman and Managing Director of the Company in 1978 and continues to be in that position till date. He is the past Chairman of the Bombay Mill Owners' Association (1986-89), The Bombay Textile Research Association (1989-92), The Cotton Textiles Export Promotion Council (1979-81 & 1994-96), The Textile Committee (1977-78) and The Indian Cotton Mills Federation (1998-2000). Presently, he is the President of the International Textile Manufacturers Federation (ITMF).

Mr. Thackersey continues to be associated with various trade associations particularly in the field of textiles. Besides heading various Charitable and Educational Institutions belonging to the Thackersey Family, he is also associated with other Educational Institutions.

He is also a Director in The Sirdar Carbonic Gas Co. Ltd., and Delta Investments Ltd.

The draft agreement is available for inspection between 10.30 a.m. to 12.30 p.m. on any working day till 15th June, 2004 at the registered office of the Company. This explanatory statement read with the terms as detailed in Resolutions contained at Item Nos. 6 and 7 of the accompanying Notice may also be treated as an abstract of the Agreement between the Company and Mr. Sudhir Thackersey pursuant to Section 302 of the Companies Act, 1956.

Necessary resolutions for reappointment of Mr. Sudhir Thackersey as Managing Director and payment of minimum remuneration to him form part of the Notice of the Annual General Meeting and the Directors commend approval of resolutions set out in item Nos.6 & 7 of Notice.

Mr. Sudhir Thackersey, Mr. Chandrahas K. Thackersey and Mr. Raoul S. Thackersey, the Directors of the Company are interested in the said resolutions.

Item No.8

Equity shares of the Company are presently listed on the Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd (NSE), both having nationwide trading terminals as specified in "Delisting of Securities Guidelines - 2003", notified by The Securities and Exchange Board of India (SEBI). As per the guidelines, a Company may seek voluntary delisting of its shares from Stock Exchanges provided shares are listed for a minimum period of 3 years on any Exchange and need not offer exit opportunity if shares continue to be listed on a Stock Exchange having nationwide trading terminals.

The Company's equity shares are specified by the SEBI for trading and settlement only in electronic (dematerialised) form with effect from 25.06.2001. The trading volumes on NSE are much less compared to those on BSE. As such, continued listing on 2 nationwide trading terminals does not result in the desired and commensurate benefit to the shareholders. In view of this and in order to reduce recurring costs and administrative work, it is proposed to voluntarily delist the equity shares of the Company from NSE. However, the shares

will continue to be listed on BSE. With the nationwide extensive net-working of trading terminals of BSE, shareholders and investors shall have access to the on-line dealings in the Company's shares and therefore the proposed delisting of Company's shares from NSE will not affect them adversely. Accordingly, the Board of Directors at its meeting held on 06.01.2004 decided to have Company's shares voluntarily delisted from NSE.

Necessary resolution for the proposed voluntary delisting forms part of the notice of the Annual General Meeting and the Directors commend approval of the resolution set out in item No. 8 of the Notice.

None of the Directors is interested or concerned in the proposed resolution.

By Order of the Board of Directors,

SUDHIR THACKERSEY
Chairman & Managing Director

Registered Office:

"Sir Vithaldas Chambers",
16, Mumbai Samachar Marg,
Mumbai - 400 001.

Dated : 19th April, 2004.

DIRECTORS' REPORT

TO

**THE MEMBERS,
THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED**

Your Directors present herewith the 122nd Annual Report together with the audited statements of accounts for the year ended 30th September, 2003.

FINANCIAL HIGHLIGHTS

	Current Year (12 months)	Previous Year (18 months)
	(Rs. in lakhs)	(Rs. in lakhs)
Gross Profit/(Loss) for the period before providing for Interest, Depreciation and Taxation	(3982.47)	(1804.86)
Interest	2681.74	3793.87
Gross Profit/(Loss) after Interest but before Depreciation	(6664.21)	(5598.73)
Depreciation	1013.40	2192.22
Profit/(Loss) before Taxation	(7677.61)	(7790.95)
Provision for Wealth Tax (Net)	0.23	1.15
Profit/(Loss) after Tax	(7677.84)	(7792.10)
(Loss) as per Profit & Loss Account brought forward from last year	(18541.22)	(10749.12)
Balance in Profit & Loss Account carried to Balance Sheet	(26219.06)	(18541.22)

The present Accounting Year ended 30th September, 2003 is for a period of 12 months as against previous Accounting Year for a period of 18 months from 1st April, 2001 to 30th September, 2002.

DIVIDEND :

In view of losses incurred for the year under review, the Directors regret their inability to recommend any dividend for the year ended 30th September, 2003.



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

COMPANY RESULTS :

In terms of financial performance, the results for current 12 months ended 30.9.03 showed substantially lower turnover and higher losses compared to annualised figures for previous 18 months period. The Sales Turnover for the current year at Rs.75 crores was substantially lower as compared to Rs.238 crores for the previous year. Company's exports also reduced in line with the lower turnover. The losses at operating level (PBDIT) increased to Rs.40 crores in the current year from Rs.18 crores in the previous year.

The reduction in production and consequent dip in turnover was mainly due to suspension of production activities in Mumbai units for major part of the year. While operations in Mahalaxmi unit were already closed for full year, the production activities in Crown Mill unit at Dadar and Process House at Prabhadevi were suspended from January 2003.

CLOSURE OF MUMBAI UNITS :

As reported last year, your Company had entered into VRS Agreements with the Rashtriya Mill Mazdoor Sangh (RMMS) for company's units in Mumbai at Mahalaxmi, Dadar and Prabhadevi. While all employees in Mahalaxmi Unit and majority employees in Crown Mill unit and Process House opted for VRS, about 589 employees did not do so and got themselves affiliated to unrecognised unions, viz. Hindoostan Crown Mills Siddhivinayak Kamgar Karmachari Sangharsh Sanghatana and Hindoostan Mills Process House Siddhivinayak Kamgar Sangarsh Sanghatana.

Upon your Company filing applications for closure under Industrial Disputes Act, 1947, for Crown Mill Unit and Process House, the Labour Commissioner granted permission for closure on 30th June, 2003. On an appeal filed against Labour Commissioner's Order, a reference was made to Industrial Tribunal which has since issued an Award dated 21.2.2004, upholding the closure of said two units w.e.f. 1.7.2003.

KARAD UNIT :

The operations in Karad unit were severely affected due to shortage of working capital, delay in getting sanction for the Rehabilitation Scheme and delay in shifting Sulzer Weaving machines from Crown Mill Unit due to obstructive tactics adopted by the unrecognised union. The Company has shifted during the year 28 Sulzer weaving machines from Mahalaxmi Unit and 40 such machines from Crown Mill Unit to Karad. The Karad unit has 124 Sulzer weaving machines and at present 100 weaving machines are working. All weaving machines are expected to be fully operational by September 2004.

DRAFT REHABILITATION SCHEME :

As reported last year, your company was declared as a "Sick Industrial Unit" by BIFR on 4.12.2002.

As directed by the BIFR, the Company submitted a Draft Rehabilitation Scheme (DRS) to the Financial Institutions during the year under review. The DRS submitted by the Company to IDBI (Operating Agency) was discussed in a joint meeting held in February, 2003 as also in subsequent meetings of Committee of Lenders and Consortium Banks and finally the DRS was approved on 4.08.03 by the CDR Empowered Group under the RBI sponsored CDR mechanism. The DRS was then submitted to BIFR on 14.08.03 by the Operating Agency (OA). In a joint meeting convened by the Operating Agency on 19.8.2003, the scheme was also approved by all concerned including the RMMS, company's recognised union.

The proposed Rehabilitation Scheme is aimed at optimising operational parameters through relocation of certain manufacturing assets at Karad, closure of all operations in Mumbai units and unlocking the value of land therein. The scheme further envisages that the proceeds from the development of land at Mumbai units would be utilised for repaying workers dues, statutory dues and for retiring secured debts of Secured Lenders through sale of assets/property at Mumbai by evolving 3 separate Special Purpose Vehicles and continuing an efficient textile unit at Karad supplemented by outsourcing activities to capitalise on company's brands and market share.

In the BIFR hearing held on 7.11.03, the DRS was discussed and it was decided to circulate the same u/s.19(1) and u/s.19(2) of SICA after obtaining certain further information and clarifications from OA and the company. The DRS was accordingly circulated vide BIFR letter dated 23.1.04 and a public notice to this effect was also published in the Newspapers on 31.1.04.

Your Directors have pleasure in informing you that Hon'ble BIFR has since sanctioned the DRS in its hearing held on 1.4.2004 and its written order is awaited. In the absence of such written order from BIFR, the financial results for the year ended 30.9.03 are presented without giving effect to the Rehabilitation Scheme, so as to comply with the statutory time limit for holding the Annual General Meeting. The retrospective effects of the rehabilitation scheme will be incorporated during the next Accounting Year ending 30.9.2004.

JOINT DEVELOPMENT OF LAND AT MUMBAI UNITS :

As reported last year, Memorandum of Understanding was signed for development of a small piece of land admeasuring 3,800 sq.mtrs. at Crown Mill Unit at Dadar and also for development of FSI of about 64,370 sq. mtrs. at Mahalaxmi Units, consequent upon permissions received from the State Government. The Developer of land at Mahalaxmi Units has

agreed to release substantial advance amount for payment of workers dues on signing of the development agreement. In view of the BIFR approval for the scheme on 1.4.04, steps are being taken to complete the Development Agreements in both cases so as to expedite payment of workers dues and implementation of the scheme.

The company has since received permission from the State Government to develop also the balance portion of land at Mahalaxmi units by a communication dated 15th April, 2004. This would enable the company to develop the full area at the Mahalaxmi units as envisaged under the scheme.

As regards development of land at Crown Mill Unit and Process House, Company has taken steps to seek necessary permissions from State Government and the matter is being followed up with Government authorities. Since the Industrial Tribunal has now upheld the closure of these 2 units, the permissions are expected in the near future.

REDEMPTION OF DEBENTURES :

As reported last year, Non-convertible Redeemable Debentures (NCDs) of Rs.15 crores under "Series A" were fully redeemed and cancelled as per the terms of the issue and NCDs of Rs. 35 crores under "Series B" were outstanding as on 30.9.2003. Out of these NCDs of Rs.35 crores, Debentureholders holding NCDs of Rs. 25 Crores have since exercised "put option" and for the remaining NCDs of Rs.10 crores, the Company has exercised "call option". Accordingly, said NCDs of Rs.35 Crores have since been repaid by ICICI Bank (guarantor) on our behalf and are thus fully redeemed on 29.12.2003 i.e. on expiry of 36 months from the allotment date as per terms of the Issue.

Thus, NCDs of Rs.50 crores now stand fully redeemed as stated above. In the absence of profits, no debenture redemption reserve was created in accordance with Sec.117(c) of the Companies Act, 1956.

DELISTING AT NATIONAL STOCK EXCHANGE :

As the Members may be aware, Company's shares are presently listed at 2 nationwide trading terminals viz. The Stock Exchange, Mumbai and The National Stock Exchange of India Ltd. There is no tangible advantage accruing to the shareholders in continuing to keep the shares listed on both the nationwide Stock Exchanges and it entails recurring additional cost and administrative work for the Company. Accordingly, requisite resolutions for getting Company's shares delisted from the National Stock Exchange have been proposed at the ensuing Annual General Meeting.

SUBSIDIARY COMPANIES :

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts along with the Report of the Board of Directors of Makarand Investments Limited and

Satark Investments Limited and the respective Auditors' Reports thereon for the year ended 30th September 2003 are annexed.

These two subsidiary companies do not intend to carry out any business activity in future and have since made an application for striking of their names as per Section 560 of the Companies Act, 1956, under Simplified Exit Scheme, 2003 and permission from Registrar of Companies, Mumbai, is awaited.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO :

Your Company has been making continuous efforts to conserve energy and upgrade / absorb technology.

A statement containing information required under 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 and forming part of this Report is annexed herewith.

INSURANCE :

Adequate insurance cover has been taken for all the properties and insurable interests of the Company.

FIXED DEPOSITS :

In view of negative net worth, the company has already suspended acceptance / renewal of fixed deposits. Despite several reminders, deposits of Rs.1.41 lakhs from 17 deposit holders remained unclaimed as on 30.9.03. Subsequently, 4 depositors claimed deposits of Rs.0.45 lakhs which were paid by the company leaving unclaimed balance of Rs.0.96 lakhs against 13 depositors as on date. The company has been following up with these depositors so as to clear the unclaimed deposits.

PARTICULARS OF EMPLOYEES :

There are no employees covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CASH FLOW STATEMENT :

In conformity with the provisions of Clause 32 of the Listing Agreements with Stock Exchanges, the cash flow statement for the year ended 30.9.2003 is annexed herewith.

CONSOLIDATED ACCOUNTS :

The audited consolidated accounts and cash flow statement comprising of The Hindoostan Spinning and Weaving Mills Limited and Its subsidiary companies, together with the Auditors Report thereon appear in this Report. The Consolidated Accounts have been prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard.