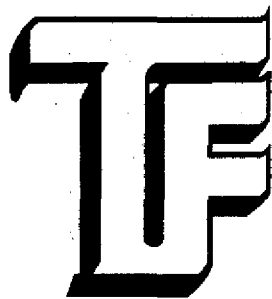


124th Annual Report

OCTOBER 2004 – SEPTEMBER 2005

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THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

DIRECTORS

SUDHIR THACKERSEY

Chairman & Managing Director

RAOUL S. THACKERSEY

Vice-Chairman & Executive Director

CHANDRAHAS K. THACKERSEY

Executive Director

JAGDISH U. THACKERSEY

Executive Director

M. R. B. PUNJA

D. M. POPAT

R. N. BANSAI

D. S. ALVA

P. B. DESAI

Y. A. MANKAD (NOMINEE - IDBI)

R. V. IYER (SPECIAL DIRECTOR - BIFR)

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

<u>CONTENTS</u>	<u>PAGE NOS.</u>
Notice	2-3
Directors' Report	4-7
Management Discussion and Analysis	8
Corporate Governance	9-13
Auditors' Report	14-17
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statement	20-21
Schedules "1" to "18"	22-44
Proxy Form & Attendance Slip	45

**124th ANNUAL GENERAL MEETING ON
WEDNESDAY, THE 8TH MARCH 2006 AT 12.00 NOON
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.**



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

NOTICE

Notice is hereby given that the **ONE HUNDRED AND TWENTY FOURTH** Annual General Meeting of the Shareholders of the Company will be held at "Pakar Hall", Nathibai Thackersey Road, Off, Maharshi Karve Road, Mumbai - 400 020, on Wednesday, the 8th March, 2006 at 12.00 Noon to transact the following business:

1. To receive and adopt the audited Balance Sheet as at 30th September, 2005 and the Profit and Loss Account for the year ended 30th September, 2005 and to consider the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. M.R.B. Punja, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. D.S. Alva, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Chandras K. Thackersey, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors for the current year and fix their remuneration.

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 : 7th December, 2005.

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 Register of Members and the Share Transfer Books of the Company will remain closed from 1st March 2006 to 8th March 2006 (both days inclusive).
3. 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.
4. 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.
5. Members are requested to bring their copies of the Annual Report and Attendance Slip at the Meeting
6. As required in terms of paragraph VI(A) of Clause 19 of the Listing Agreement, details of Directors seeking re-appointment at the ensuing Annual General Meeting is attached herewith:-

Name of the Director	Mr. M.R.B. Punja	Mr. D.S. Alva	Mr. C.K. Thackersey
Date of appointment	01.07.1987	29.07.1998	06.11.1985
Expertise in specific Functional areas	Ex-CMD of IDBI and rich experience in finance and Banking	Ex-Chairman of TEXPROCIL & Ex-Managing Director of Bombay Dyeing & Mfg. Co. Ltd. with a vast experience in Textile industry	Industrialist having business experience.
List of Directorship held*	Andhra Petrochemicals Ltd. LML Ltd. Suprajit Engineering Ltd. Adeep Roloforms Ltd. Adeep Locks Ltd. Apollo Tyres Ltd. Deepak Nitrite Ltd. Chowgule Stemships Ltd. Sushruta Medical Aid & Research Hospital Ltd. Seshasayee Paper & Boards Ltd.	Banswara Syntex Ltd. Sanghi Polyesters Ltd. Krissteel Shinwa Industries Ltd	Delta investments Ltd. The Sirdar Carbonic Gas Co. Ltd. Sukta Investments Ltd. Assured Investments Ltd. Western Holdings Ltd. Aristocrat Investments Ltd. Earnest Holdings Ltd. Capricorn Realty Ltd. Bhishma Realty Ltd. Chaitra Realty Ltd. Art Leather Ltd. Satark Investments Ltd. Makarand Investments Ltd.
Chairman / Member of the committees of the Board of the Companies on which he is a Director	<u>Chairman of Audit Committee</u> LML Ltd. Deepak Nitrite Ltd. Suprajit Engineering Ltd. Seshasayee Paper & Boards Ltd. Apollo Tyres Ltd. <u>Member of Shareholders Grievances Committee</u> LML Ltd. <u>Member of Share Transfer Committee</u> LML Ltd. Suprajit Engineering Ltd. <u>Member of Remuneration Committee</u> Seshasayee Paper & Boards Ltd. Apollo Tyres Ltd.	<u>Chairman of Audit Committee</u> Banswara Syntex Ltd. <u>Member of Audit Committee</u> Sanghi Polyesters Ltd. <u>Chairman of Shareholders Grievances Committee</u> Banswara Syntex Ltd.	<u>Member of 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 : 7th December, 2005.



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

DIRECTORS' REPORT

TO

THE MEMBERS,

Your Directors present herewith the 124th Annual Report together with the audited statements of accounts for the year ended 30th September, 2005.

SUMMARISED FINANCIAL RESULTS

	Current Year 30.9.2005	Previous Year 30.9.2004
	Rs. in lakhs	Rs. in lakhs
Gross Profit for the year before interest, depreciation and tax (PBITD)	511.53	27660.32
<i>Less:-</i> Interest	54.58	332.62
Gross Profit after interest but before depreciation (PBD)	456.95	27327.70
<i>Less:-</i> Depreciation	551.33	848.76
(Loss)/Profit before taxation	(94.38)	26478.94
<i>Less:-</i> Provision for Wealth Tax	0.50	0.60
- Fringe Benefit Tax	3.75	—
(Loss)/Profit after tax	(98.63)	26478.34
Profit/(Loss) as per Profit & Loss Account brought forward from last year	259.28	(26219.06)
Balance in Profit & Loss Account carried to Balance Sheet	160.65	259.28

The current year's results are not comparable with previous year since profit for the previous year was only on account of gain on transfer/assignments and relief/concession on restructuring of loans as one time adjustment upon incorporation of the effects of the BIFR scheme.

DIVIDEND

Due to the loss for the year under review, your Directors regret their inability to declare any dividend for the year ended 30th September, 2005.

COMPANY RESULTS

The sales turnover for the year was higher at Rs.61 crores against Rs.57 crores in the previous year. Exports were lower at Rs.16 crores as against Rs. 28 crores in the previous year. The company has posted a cash profit of Rs 4.57 crores for the year. The performance and overall view of textile business has been covered in the Management Discussions and Analysis report which forms part of this Directors' Report.

REHABILITATION SCHEME

To give full effect to the scheme, your company is engaged in certain litigations pertaining to land development and workers' dues to members of the unrecognized union on behalf of the Special Purpose Vehicles (SPVs).

AAIFR ORDER

The Company approached the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) to clarify certain aspects of the scheme. The AAIFR, vide its Order dated 12th April 2005, has agreed to the Company's contentions and accordingly directed suitable modifications to BIFR Scheme.

ISSUE OF SPV SHARES

Equity shares of 3 SPVs were allotted in January 2005 to the shareholders of the Company existing as on the record date and proceeds of fractional coupons were distributed to them in June 2005, thus completing the process of issue of equity shares of SPVs envisaged under the sanctioned scheme.

SUBSIDIARY CO'S ACCOUNTS

As reported last year, two subsidiaries of the Company viz; Makarand Investments Ltd. and Satark Investments Ltd. had discontinued functioning w.e.f. 27th March 2004 and had applied to Registrar of Companies (ROC) for striking off their names as per section 560 of the Companies Act, 1956. The notification of removal of names by ROC is still awaited. In view of the above, no accounts of said two subsidiaries were prepared for the period after 27th March 2004 and hence statement u/s 212 of the Companies Act and the accounts are not annexed hereto.

Considering that the control of Holding company is intended to be temporary pending notification by ROC, there is no case for presentation of consolidated accounts by the Holding company in view of the above.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTIONS AND FOREIGN EXCHANGE, EARNINGS 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

Despite reminders, deposits of Rs.0.83 lakhs from 11 deposit holders remained unclaimed as on 30th September 2005. The Company has been following up with these depositors for repayment of unclaimed deposits.

PARTICULARS OF EMPLOYEES

There were no employees during the year 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 Agreement with the Bombay Stock Exchange Ltd., the cash flow statement for the year ended 30th September 2005 is annexed herewith.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205(A) and 205(C) of the Companies Act, 1956, unpaid Equity dividend for the financial year ended 31st March 1997 falling due for transfer in October 2004 and unpaid dividend on Preference Shares redeemed on 15th June 1998 and falling due for transfer in July '05, have been transferred to the Investor Education and Protection Fund of the Central Government.

DIRECTORS

In accordance with article 139 of the Articles of Association of the Company, Mr. M.R.B. Punja, Mr. D.S. Alva and Mr. C.K. Thackersey retire by the rotation and they, being eligible, offer themselves for re-appointment.

DEPOSITORY SYSTEM

Trading in Equity Shares of your Company is permitted only in dematerialized (electronic) form as per SEBI notification. Since dematerialization facilitates quick transfers and prevents possibilities of forgery, those shareholders who have not opted for this facility so far are advised to get their shares

dematerialized with National Securities Depository Limited (NSDL) or Central Depository Services (India) Limited (CDSL) through their depository participants.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (hereinafter referred to as "the Act"), your Directors confirm that:

- (i) In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September 2005 and of the loss of the company for the year ended 30th September 2005;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a "going concern" basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchange, a separate report on Corporate Governance is included in the Annual Report and the certificate from the company's Auditors confirming compliance of conditions on Corporate Governance, is annexed hereto.

AUDITORS

The retiring Auditors, M/s. C.C. Chokshi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment. You are requested to appoint the Auditors to hold office from the conclusion of the meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Auditors observations in the Annexure to the Auditors Report (CARO Report) read with the notes forming part of the accounts are self-explanatory.

APPRECIATION

The Board of Directors places on record its appreciation for continued co-operation and excellent support extended to the company by IDBI Bank, the Monitoring Agency, Secured Lenders and Shareholders during the period under review. Your Directors would also like to place on record its sincere appreciation of the commitment and dedication of employees at all levels.

For and on behalf of the Board of Directors,

SUDHIR THACKERSEY
Chairman & Managing Director

Mumbai, 7th December, 2005



INFORMATION AS PER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2005.

A. CONSERVATION OF ENERGY

The company has been making continuous efforts to conserve energy. Few major steps taken during the period are as follows: -

(a) Energy Conservation Measures Taken

- (i) Continuous awareness programmes for energy conservation for staff and workers.
- (ii) D.G. overhauling carried out to improve specific fuel consumption.
- (iii) The overhauling of machines to save power consumption is monitored on regular basis.
- (iv) Changed blade angles of Luwa Humidification plants to control power consumption.
- (v) Purchased steam conservation system from M/s. Forbes Marshall, Pune and the erection work is under progress.

(b) Additional Investments and proposal, if any, being implemented for reduction of consumption of energy.

Purchase of steam conservation equipments from M/s. Forbes Marshall, Pune.

(c) Impact

- (i) The energy conservation measures have enabled the company to maintain the cost of utilities and power generation cost.
- (ii) Control in consumption of power and fuel.

(d) Form for disclosure of particulars with respect to conservation of energy.

	Current Year	Previous Year
A. Power & Fuel Consumption		
1. Electricity		
(a) Purchased Units ('000 KWH)	10332	7039
Total Amount ('000 Rs.)	35755	27241
Rate/Unit (Rs. per KWH)	3.46	3.43
(b) Own Generation		
Through Diesel Generator		
Units ('000 KWH)	920	3135
Units per ltr. of diesel oil	3.17	3.28
Cost/Unit (Rs. per KWH)	7.21	5.33
2. Furnace Oil		
Quantity (K.Ltrs.)	988	1077
Total Amount ('000 Rs.)	15156	13829
Average Rate (Rs. per K.Ltr.)	15356	12841
B. Consumption per Unit of Production:		
Product-Grey & Finished Cotton & Blended Textiles.		
1. Electricity:		
(Purchased & Generation)		
KWH/Metre of Grey Production	1.034	1.100
KWH/Sq. Metre of Grey Production	0.626	0.735
2. Furnace Oil		
Kgs./Metre of Grey Production	0.091	0.100
Kgs./Sq. Mtr. of Grey Production	0.055	0.067

B. DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION.**1. Research & Development (R & D)****1. Specific areas in which R & D carried out by the Company.**

- Chemical testing equipments introduced as per recommendation of a Research Institute (BTRA).
- Well equipped Laboratory for testing of Cotton properties & Yarn properties (Parameters) and cloth construction & specification as required by the Buyers.
- Improvement of product quality and production efficiency.
- Cost reduction.

2. Benefit derived as a result of the above R & D.

- ❖ The project was accomplished successfully and achievements were overall improvement in the quality of manufactured product, cost of each yarn counts manufactured were reduced, meeting customer need and satisfaction for development of new market segment.
- ❖ Sizing department is assured of the quality parameter of the ingredients as specified by manufacturer and helps them to control the in-process parameter during the working of the warp sheet on the machine.

3. Expenditure on R & D.

(Rupees in lakhs)

(a) Capital*	1.46
(b) Recurring	1.98
	<hr/>
(c) Total	3.44
	<hr/>
(d) Total R & D Expenditure as percentage of total turnover.	0.06

* Advance paid against Capital expenses of Rs.7.47 lacs under erection.

Technology absorption, adaptation and innovation

1. Our endeavour is to have perpetual research to suit the requirements of changing market demands.
2. Information regarding technology imported during the last five years.

(a) Technology Imported	Nil
(b) Year of Imported	Not Applicable
(c) Has Technology been fully absorbed	Not Applicable
(d) If not fully absorbed, areas where this has not taken place, thereof and future plans of action.	Not applicable

FOREIGN EXCHANGE EARNINGS AND OUTGO

Despite severe competition and adverse market condition in quota and non-quota countries, the company has been able to achieve the exports at Rs.1563.07 lakhs (FOB).

- (a) The company's efforts continue in the areas of development and identification of new export markets in quota and non-quota countries.
- (b) Total Foreign Exchange used and earned.

(Rs. in lakhs)

Used	177.18
Earned	1563.07

The company continues inhouse development of textile fabrics.



MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

Textile industry occupies a unique position in Indian economy as it contributes over 25% of country's exports and accounts for nearly 14% of total industrial production. The Unorganized sector continues to play a dominant role in view of its lower production costs.

Opportunities and Threats

India's share in the world textile trade was only 3.3% in year 2003-04. Dismantling of quota restrictions w.e.f. January '05 has thrown unlimited opportunities for Indian Textile Industry to develop export markets. World trade in textiles & apparel has undergone a number of changes since abolishment of quotas and south Asia including India has emerged as a major supply base post quota.

However, due to the opening up of the markets, prices are under pressure in exports.

Review and Analysis

After consolidation of textile activities at Karad, the company operates its modern grey unit at Karad with 124 Sulzer looms and open-end (1392 Rotors) spinning facilities. However, the unit has still not achieved full capacity utilization due to shortage of working capital as some funds of the Company have been utilized for meeting SPVs liabilities towards workers dues, development charges, legal & professional fees, PF dues as per court orders etc.

Despite nearly 8% increase in sales turnover during the year, the exports were lower due to unremunerative prices prevailing in export markets. Since pricing is better in domestic markets, company has shifted its focus away from exports. Apart from increase in sale of own manufactured goods, company's turnover of traded goods also increased by 11% during the year. There was an encouraging development on raw material front. The prices of main raw material viz., cotton remained lower during the year under review.

Outlook

Domestic markets offer bigger potential for increasing sales. Since company's interest cost and depreciation are now very low, there is a scope for improving the bottom line on achieving full capacity utilization at Karad unit.

Risk and Concerns

With the abolition of quota restrictions, and import of textile fabrics being freely allowed, prices will always remain under pressure.

Internal Control Systems and their adequacy

The company has an adequate Internal control system to ensure that all its assets are properly safeguarded. Such systems are supplemented by internal audits conducted periodically by an independent firm of Chartered Accountants. Various economy measures and improvements in various areas suggested by them are discussed in the Audit Committee meetings for implementation.

Human Resources / industrial relations

Industrial relations at Karad unit continued to be cordial during the year. The company had about 450 employees in Karad and Mumbai as on 30th September, 2005. Measures of safety of employees, training, welfare and development continued to receive top priorities.

Cautionary Statement

The statements in this report describing company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. The company assumes no responsibility in respect of "forward looking statements" which are based on certain assumptions and expectations of future events which are not within company's control. Actual results could differ materially from those expressed or implied on the basis of subsequent developments, events or information.

CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance:

Your Company believes in philosophy on Corporate Governance and transparency in its dealings with its stakeholders, creditors, Government Depts., Financial Institutions, Banks, consumers and employees. This practice is being followed for continuously up-grading its system to bring in more transparency and efficiency in its business.

Company has complied with all the requirements of Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited (BSE).

2. Board of Directors:

(i) The Company's Board of Directors comprises of total 11 Directors including 5 independent Directors, 1 Nominee Director from a Financial Institution and 1 Special Director appointed by BIFR. The Independent Directors on the Board are eminent professionals with experience in business, industry, finance, law and public enterprises.

(ii) The composition of Board is as under:-

Name of the Directors	Whether Promoter, Executive or Non-Executive/Independent	*No. of outside Directorship held	No. of Board Committees of other Companies in which a Member
1. Mr. Sudhir Thackersey	Chairman & Managing Director Promoter	6	—
2. Mr. Chandras K. Thackersey	Executive Director Promoter	13	—
3. Mr. Jagdish U. Thackersey	Executive Director Promoter	14	—
4. Mr. Raoul S. Thackersey	Executive Director Promoter	9	—
5. Mr. M.R.B. Punja	Non-Executive & Independent	10	6 (Chairman of 5)
6. Mr. D.M. Popat	Non-Executive & Independent	6	—
7. Mr. R.N. Bansal	Non-Executive & Independent	7	8 (Chairman of 3)
8. Mr. D.S. Alva	Non-Executive & Independent	3	3 (Chairman of 2)
9. Mr. P.B. Desai	Non-Executive & Independent	1	1
10. Mr. Y.A. Mankad	Non-Executive & Independent IDBI Nominee	2	—
11. Mr. R.V. Iyer	Non-Executive & Independent Special Director – BIFR	4	4

* Private Limited Companies excluded.

(iii) Board Meetings & AGM:

During the year under review, 4 Board Meetings were held, the dates being 31st December, 2004, 9th March, 2005, 28th April, 2005 and 23rd July, 2005.

The last AGM was held on 9th March, 2005.