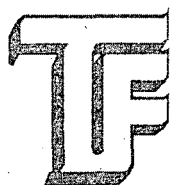


126th Annual Report
OCTOBER 2006 – SEPTEMBER 2007

THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

BOARD OF DIRECTORS

SUDHIR THACKERSEY
Chairman & Managing Director

RAOUL S. THACKERSEY
Vice-Chairman & Executive Director

CHANDRAHAS K. THACKERSEY

JAGDISH U. THACKERSEY

M. R. B. PUNJA

D. M. POPAT

R. N. BANSAL

D. S. ALVA

P. B. DESAI

Y. A. MANKAD (NOMINEE - IDBI)
(Upto 27-3-2007)

SOLICITORS

- 1) MULLA & MULLA AND
CRAIGIE BLUNT & CAROE
- 2) FEDERAL & RASHMIKANT
- 3) HARIANI & CO.

AUDITORS

M.A. PARIKH & CO.
Chartered Accountants

BANKERS

HDFC BANK LTD.

UCO BANK

REGISTERED OFFICE

SIR VITHALDAS CHAMBERS
16, MUMBAI SAMACHAR MARG
FORT, MUMBAI - 400 001

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**126th ANNUAL GENERAL MEETING ON
WEDNESDAY, THE 23RD JANUARY 2008 AT
11.30 A.M. AT "WALCHAND HIRACHAND HALL",
4TH FLOOR, IMC BLDG., CHURCHGATE,
MUMBAI - 400 020.**

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



NOTICE

Notice is hereby given that the 126th Annual General Meeting of the Shareholders of the Company will be held at "Walchand Hirachand Hall", 4th floor, IMC Bldg., IMC Marg, Churchgate, Mumbai – 400 020, on Wednesday, the 23rd January, 2008 at 11.30 a.m. to transact the following business:

1. To receive and adopt the audited Balance Sheet as at 30th September, 2007 and the Profit and Loss Account for the year ended 30th September, 2007 and to consider the Report of the Auditors and the Directors thereon.
2. To appoint a Director in place of Mr. R.N. Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. P.B. Desai, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.R.B. Punja, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. M.A. Parikh & Co., Chartered Accountants as Auditors of the Company 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,
Fort, Mumbai - 400 001.

Dated : 29th November, 2007.

NOTES FOR MEMBERS' ATTENTION

1. A MEMBER 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 OFFICE 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 16th January 2008 to 23rd January 2008 (both days inclusive).
3. Members intending to require information about the 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.

Pursuant to the provisions of Section 205(A) and 205(C) of the Companies Act, 1956, as amended, all unclaimed dividends for the financial year ended 31st March 1996 and ended 31st March 1997 have been transferred to the INVESTOR EDUCATION AND PROTECTION FUND of Central Government and shareholders will not be able to claim any dividends so transferred.

5. Members are requested to bring their copies of the Annual Report and Attendance Slip at the Meeting.
6. Since equity shares of the Company are traded compulsorily in Dematerialised Form, the shareholders holding shares in physical form are requested to get their shares dematted early in their own interest.
7. Members holding shares in Electronic Segment are requested to notify the change of address, nomination etc., to the depository participants (DP) with whom they are having client account for effecting necessary corrections. Members holding shares in physical form are requested to notify the change of address, nomination etc., to M/s. Computech Sharecap Ltd., 147, Mahatma Gandhi Road, Opp. Jehangir Art Gallery, Mumbai – 400 023, the Company's Share Transfer Agent.



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8. As required in terms of paragraph IV(G) of Clause 49 of the Listing Agreement, details of Directors seeking re-appointment at the ensuing Annual General Meeting are as follows :-

Name of the Director	Mr. R.N. Bansal	Mr. P.B. Desai	Mr. M.R.B. Punja
Qualifications	M.A.;B.Com;A.C.A; A.C.I.S.	B.Com.	B.A.
Date of appointment	8.02.1995	8.11.2000	1.07.1987
Expertise in specific Functional areas	Ex-Registrar of Companies & Ex-Member of Company Law Board.	Ex-Director General of Income-tax (Investigation), Income-tax Department and Ex-advisor (Taxation) with IDBI	Ex-CMD of IDBI having rich experience in finance and Banking
List of Directorship held*	Chambal Fertilizers and Chemicals Ltd. Essar Shipping Ltd. Orient Ceramics and Industries Ltd. Gobind Sugar Mills Ltd. Spice Mobiles Ltd. Jonas Woodhead & Sons (India) Ltd. Pushpsons Industries Ltd. Vadinar Oil Terminal Ltd.	Phoenix Townships Ltd.	Andhra Petrochemicals Ltd. Suprajit Engineering Ltd. Apollo Tyres Ltd. Deepak Nitrite Ltd. Chowgule Steamships Ltd. Sushruta Medical Aid & Research Hospital Ltd.
Chairman / Member of the committees of the Board of the Companies on which he is a Director	<u>Audit Committee</u> Spice Mobiles Ltd.-Chairman Pushpsons Industries Ltd. -Chairman Orient Ceramics & Industries Ltd.- Chairman Chambal Fertilizers and Chemicals Ltd.-Member Essar Shipping Ltd-Member Gobind Sugar Mills Ltd. -Member Vadinar Oil Terminal Ltd. - Member <u>Shareholders Grievance Committee</u> Chambal Fertilizers and Chemicals Ltd. - Chairman <u>Remuneration Committee</u> Chambal Fertilizers and Chemicals Ltd. - Chairman	<u>Audit Committee</u> Phoenix Townships Ltd. -Member <u>Remuneration Committee</u> Phoenix Townships Ltd. -Member	<u>Audit Committee</u> Deepak Nitrite Ltd. - Chairman Suprajit Engineering Ltd. - Chairman Apollo Tyres Ltd. - Chairman <u>Remuneration Committee</u> Apollo Tyres Ltd.- Member <u>Share Transfer Committee</u> Suprajit Engineering Ltd. - Member

* Directorship of Private Limited Companies not considered

Registered Office:

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

Dated : 29th November, 2007.

By Order of the Board of Directors,
SUDHIR THACKERSEY
Chairman & Managing Director

DIRECTORS' REPORT

TO
THE MEMBERS,

Your Directors present herewith the 126th Annual Report together with the audited statements of accounts for the year ended 30th September, 2007.

SUMMARISED FINANCIAL RESULTS

	Current Year 30.9.2007	Previous Year 30.9.2006
	Rs. in lakhs	Rs. in lakhs
Gross (Loss)/Profit before interest, depreciation and tax	(55.67)	355.88
<i>Less: - Interest</i>	15.96	6.82
Gross (Loss)/Profit after interest but before depreciation	(71.63)	349.06
<i>Less: - Depreciation</i>	183.24	237.46
(Loss)/Profit before taxation	(254.87)	111.60
<i>Less: - Provision for Wealth Tax</i>	0.44	0.45
<i>- Fringe Benefit Tax</i>	5.28	6.01
(Loss)/Profit after tax	(260.59)	105.14
Profit as per Profit & Loss Account brought forward from last year	265.79	160.65
Balance carried to Balance Sheet	5.20	265.79

DIVIDEND

Due to financial constraints, your Directors regret their inability to declare any dividend for the year ended 30th September, 2007.

WORKING RESULTS

Sales turnover of the year was lower at Rs.54 Crs compared to Rs.61 Crs. for the earlier year. The performance and overall view of textile business has been covered in the Management Discussions and Analysis which forms part of this Directors' Report.

DE-REGISTRATION OF THE COMPANY WITH BIFR

Hon'ble BIFR vide its Order dated 12.2.2007 has discharged the Company from the purview of SICA/BIFR and has, among other things, issued directions that the concerned agencies would implement the unimplemented provisions of the Sanctioned Scheme and the AAIFR Order dated 12.4.2005.

ACCOUNTS OF THE SUBSIDIARY COMPANIES

Names of Company's erstwhile two subsidiaries viz; Makarand Investment Ltd. and Satark Investments Ltd., which had discontinued functioning w.e.f. 27th March 2004, have been struck off during the year under review as notified by the Ministry of Company Affairs, Government of India and therefore, there is no case for presentation of consolidated accounts by the Company.

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 enclosed herewith as Annexure - I.



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CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd., a separate report on Corporate Governance is enclosed herewith as Annexure – II together with a certificate from the company's Auditors confirming compliance of conditions on Corporate Governance.

INSURANCE

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

FIXED DEPOSITS

The matured deposits of Rs.0.50 lakhs with accrued interest remaining unclaimed as on 30.9.2006 have been repaid during the year.

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 2007 is annexed to the accounts.

DIRECTORS

In accordance with article 139 of the Articles of Association of the Company, Mr. R.N. Bansal, Mr. P.B. Desai and Mr. M.R.B. Punja retire by the rotation and they, being eligible, offer themselves for re-appointment.

Mr. P.C. Sharma who was appointed by Hon'ble BIFR as Special Director on the Company's Board and its Committees with effect from 17th November 2006 ceased to be a Special Director with effect from 7th February 2007 as per BIFR's directions.

IDBI has withdrawn the nomination of Mr Y.A.Mankad as Nominee Director on the Company's Board with effect from 28th March 2007. The Board places on record its appreciation for the guidance and valuable contribution provided by him during his tenure as member of the Board and its Committee.

Mr. Chandras Thackersey and Mr. Jagdish Thackersey have resigned as Whole-time Directors of the Company with effect from 1st May 2007 but continue to be the Directors on the Company's Board.

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 2007 and of the loss for the year ended 30th September 2007;
- (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.

AUDITORS

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

The retiring Auditors, M/s. M.A. Parikh & 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.

APPRECIATION

Your Directors place on record its appreciation for continued co-operation and excellent support extended to the company by Shareholders during the year under review. Your Directors would also like to place on record its sincere appreciation of the dedication and commitment of employees at all levels.

For and on behalf of the Board of Directors,

SUDHIR THACKERSEY
Chairman & Managing Director

Mumbai, 29th November 2007

ANNEXURE – I TO DIRECTORS' REPORT

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 2007.

I CONSERVATION OF ENERGY

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

(a) Energy Conservation Measures Taken

- (i) One 4 ton multi-fuel "Thermax" boiler commissioned in August'07 to reduce cost of fuel for steam generation.
- (ii) Insulation arrangements on Benninger Warming Machine replaced internally thus saving expense on costly spares.
- (iii) Rotary air filter mesh of Luwa humidification replaced by fine Nylon cloth mesh and return air fan blade angle adjusted resulting in power saving.
- (iv) D.G set overhauling carried out to improve specific fuel consumption.
- (v) During rainy season Humidification plant adjusted for lower throughput resulting in power saving.
- (vi) Continuous awareness programmes conducted for energy conservation for staff and workers.

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

Steam conservation system from M/s. Forbes Marshall would be put into operation resulting in power saving.

(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.

FORM - A

Form for disclosure of particulars with respect to conservation of energy.

	Current Year	Previous Year
A. Power & Fuel Consumption		
1. Electricity		
(a) <u>Purchased Units ('000 KWH)</u>	10451	11515
Total Amount ('000 Rs.)	44337	41063
Rate/Unit (Rs. per KWH)	4.24	3.57
(b) <u>Own Generation</u>		
Through Diesel Generator Units ('000 KWH)	242	403
Units per ltr. of diesel oil	3.00	3.20
Cost/Unit (Rs. per KWH)	10.51	8.72
2. Furnace Oil		
Quantity (K.Ltrs.)	834	990
Total Amount ('000 Rs.)	18168	21790
Average Rate (Rs. per K.Ltr.)	21778	22016
3. Coal		
Quantity (Tons)	438	--
Total Amount ('000 Rs.)	1843	--
Average Rate (Rs. Per M.T.)	4206	--



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	Current Year	Previous Year
B. Consumption per Unit of Production		
Product-Grey & Finished Cotton & Blended Textiles.		
1. Electricity:		
(Purchased & Own Generation)		
KWH/Metre of Grey Production	0.947	0.990
KWH/Sq.mtr. of Grey Production	0.601	0.609
2. Furnace Oil:		
Kgs./Mtr. of Grey Production	0.074	0.082
Kgs./Sq. Mtr. of Grey Production	0.047	0.051
3. Coal:		
Kgs./Mtr. of Grey production	0.039	--
Kgs./Sq.mtr. of Grey production	0.025	--

FORM B

II DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research & Development (R & D)

1. Specific areas in which R & D carried out by the Company

- Company has well equipped R&D Department having physical & Chemical testing facilities.
- Cotton, cotton yarn, fabric and other incoming material as well as material in process is regularly checked to ensure quality of the products.
- All sizing ingredients are checked for parameters as per the manufacturer and our sizing department to achieve better fabric quality.

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, reduction in cost of each yarn counts manufactured, 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 (Rs. in lakhs)

(a) Capital	--
(b) Recurring	0.90
(c) Total	0.90
(d) Total R & D Expenditure as Percentage of total turnover.	0.02

Technology absorption, adaptation and innovation

1. Multi-fuel "Thermax" 4 ton Boiler commissioned to reduce cost of fuel for steam generation.
2. We have installed Forbes Marshall flash steam & condensate recovery system to stream line for energy conservation system.
3. Information regarding technology imported during the last five years.

(a) Technology Imported	Nil
(b) Year of Import	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

III FOREIGN EXCHANGE EARNINGS AND OUTGO

Despite Rupee appreciation and adverse market conditions, the company has been able to achieve the exports of Rs.291.18 lakhs (FOB).

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

	(Rs. in lakhs)
Used	219.17
Earned	291.18

The company continues inhouse development of textile fabrics.

ANNEXURE – II TO DIRECTORS' REPORT**CORPORATE GOVERNANCE****1. Company's Philosophy on Code of Governance:**

Your Company has always maintained transparency on Corporate Governance in its policies, procedures in its dealings with its stakeholders, Government Depts., Banks, consumers and employees. This practice is being followed for continuously upgrading its system to bring in more transparency and efficiency in its business and thereby reap maximum rewards to all concerned. The Company has complied with 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 9 Directors including 5 independent Directors. The Independent Directors on the Board are eminent professionals with experience in business, industry, finance, law and public enterprises.
- (ii) The composition of Board during the year was 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	4	--
2. Mr. Raoul Thackersey	Vice Chairman & Executive Director - Promoter	8	--
3. Mr. Chandahas Thackersey**	Non-Executive Director - Promoter	10	--
4. Mr. Jagdish Thackersey**	Non-Executive Director - Promoter	12	--
5. Mr. M.R.B. Punja	Non-Executive & Independent	6	5 (Chairman of 3)
6. Mr. D.M. Popat	Non-Executive & Independent	3	--
7. Mr. R.N. Bansal	Non-Executive & Independent	8	9 (Chairman of 5)
8. Mr. D.S. Alva	Non-Executive & Independent	3	4 (Chairman of 3)
9. Mr. P.B. Desai	Non-Executive & Independent	1	2
10. Mr. Y.A. Mankad (upto 27.3.2007)	Non-Executive & Independent IDBI Nominee	2	1
11. Mr. Pravin Chandra Sharma (from 17.11.06 till 7.2.07)	Non-Executive & Independent Special Director – BIFR	--	--

* Private Limited Companies excluded.

** Resigned as Executive Director w.e.f. 01.05.2007.