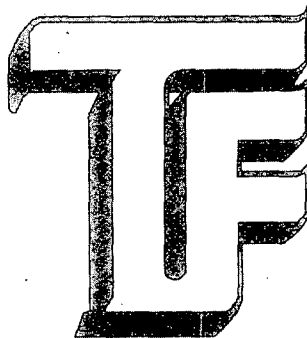
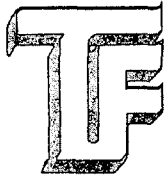


THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

127th Annual Report OCTOBER 2007 – SEPTEMBER 2008

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THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

BOARD OF DIRECTORS

SUDHIR THACKERSEY

Chairman & Managing Director

RAOUL S. THACKERSEY

Vice-Chairman

CHANDRAHAS K. THACKERSEY

JAGDISH U. THACKERSEY

M. R. B. PUNJA

D. M. POPAT

R. N. BANSAL

D. S. ALVA

P. B. DESAI

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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**127th ANNUAL GENERAL MEETING ON
WEDNESDAY, THE 28th JANUARY 2009 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 above
Annual General Meeting.**



THE HINDOOSTAN SPINNING AND WEAVING MILLS LIMITED

NOTICE

Notice is hereby given that the 127th 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 28th January, 2009 at 11.30 a.m. to transact the following business:

1. To receive and adopt the audited Balance Sheet as at 30th September, 2008 and the Profit and Loss Account for the year ended 30th September, 2008 and to consider the Report of the Auditors and the Directors thereon.
2. To appoint a Director in place of Mr. D.S. Alva, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. C.K. Thackersey, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. R.S. Thackersey, 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 Vitthaladas Chambers",
16, Mumbai Samachar Marg,
Mumbai - 400 001.

Dated : 17th November, 2008.

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 21st January 2009 to 28th January 2009 (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 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.

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. D.S. Alva	Mr. C.K. Thackersey	Mr. R.S. Thackersey
Qualifications	B.Sc; B.Sc(Tech)	B.Com.	B.Com
Date of appointment	29.07.1998	06.11.1985	16.01.1997
Expertise in specific Functional areas	Ex-Chairman of TEXPROCIL & Ex-Managing Director of Bombay Dyeing & Mfg. Co. Ltd. with a vast experience in Textile Industry	Industrialist having rich business experience	Industrialist having business experience
List of Directorship held*	Banswara Syntex Ltd. Krishna Steel Industries Ltd.	Sirdar Carbonic Gas Co. Ltd. Delta Investments Ltd. Sukta Investment Ltd. Assured Investments Ltd. Western Holdings Ltd. Aristocrat Investments Ltd. Capricorn Realty Ltd. Bhishma Realty Ltd Art Leather Ltd. Earnest Holdings Ltd.	Sirdar Carbonic Gas Co. Ltd. Art Leather Ltd. Bintex Investments Ltd. Aristocrat Investments Ltd. Western Holdings Ltd. Sukta Investment Ltd. Capricorn Realty Ltd. Bhishma Realty Ltd.
Chairman / Member of the committees of the Board of the Companies on which he is a Director	<u>Audit Committee</u> Banswara Syntex Ltd. - Chairman <u>Remuneration Committee</u> Banswara Syntex Ltd. - Chairman <u>Investor Relations Committee</u> Banswara Syntex Ltd. - Chairman	-	-

*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 : 17th November, 2008.

**DIRECTORS' REPORT**

TO
THE MEMBERS,

Your Directors present herewith the 127th Annual Report together with the audited statements of accounts for the year ended 30th September, 2008.

SUMMARISED FINANCIAL RESULTS

	Current Year 30.9.2008	Previous Year 30.09.2007
	Rs. in lakhs	Rs. in lakhs
Gross Profit /(Loss) before interest, depreciation and tax	21.85	(55.67)
<i>Less:</i> Interest	10.40	15.96
Gross Profit /(Loss) after interest but before depreciation	11.45	(71.63)
<i>Less:</i> Depreciation	102.34	183.24
Loss before taxation	(90.89)	(254.87)
<i>Less:</i> - Provision for Wealth Tax	(0.38)	0.44
- Fringe Benefit Tax	(2.63)	5.28
Add: Excess provision of Income-tax written back	15.38	—
Loss after tax	(78.52)	(260.59)
Profit as per Profit & Loss Account brought forward from last year	5.20	265.79
Balance carried to Balance Sheet	(73.32)	5.20

DIVIDEND

Due to financial constraints, your Directors regret their inability to declare any dividend for the year ended 30th September, 2008.

WORKING RESULTS

Sales turnover of the year was higher at Rs.61 crores compared to Rs.54 crores 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.

IMPLEMENTATION OF THE SANCTIONED SCHEME

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.

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.

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 Company has not accepted any deposits from the public during the year under report. There are no outstanding deposits remaining unpaid / unclaimed as on 30.9.2008.

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 2008 is annexed to the accounts.

DIRECTORS

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

Mr. Raoul S. Thackersey has resigned as Whole-time Director of the Company with effect from 1st April 2008 but continues as Director and Vice-Chairman 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 2008 and of the loss for the year ended 30th September 2008;
- (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 their appreciation for continued support extended to the company by Shareholders during the year under review. The Board also thanks the employees for their dedicated and sincere service at all levels.

For and on behalf of the Board of Directors,

SUDHIR THACKERSEY
Chairman & Managing Director

Mumbai, 17th November 2008.

**ANNEXURE – I**

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 2008.

A. 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) Regulating the machine working to control power utilisation.
- (ii) Maintaining power factor near unity.
- (iii) Thermax Boiler which was commissioned last year is being worked with bagasse and fire wood to reduce cost of fuel for steam generation.
- (iv) Humidification plants in Spinning and Weaving adjusted for lower through-put during certain season of the year which has resulted in power saving.
- (v) 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

- (i) Forbes Marshall Steam pump system put in working condition to reduce electrical pump energy.
- (ii) On Autocoro Open-end Machine, magnetic Rotor positioning system installed resulting in increase in machine speed and production.

(c) Impact

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

FORM - A

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

	Current Year 30.9.2008	Previous Year 30.9.2007
A. Power & Fuel Consumption		
1. Electricity:		
(a) Purchased Units ('000 KWH)	9276	10451
Total Amount ('000 Rs.)	38121	44337
Rate/Unit (Rs. per KWH)	4.10	4.24
(b) Own Generation		
Through Diesel Generator Units ('000 KWH)	313	242
Units per Ltr. of diesel oil	2.54	3.00
Cost/Unit (Rs. per KWH)	14.23	10.51
2. Furnace Oil:		
Quantity (K.Ltrs.)	58	834
Total Amount ('000 Rs.)	1842	18168
Average Rate (Rs. per K.Ltr.)	31619	21778

3. Coal:		
Quantity (Tons)	489	438
Total Amount ('000 Rs.)	2085	1843
Average Rate (Rs. per M.T.)	4265	4206
4. Bagasse:		
Quantity (Tons)	3564	—
Total Amount ('000 Rs.)	3326	—
Average Rate (Rs. per M.T.)	933	—
5. Firewood:		
Quantity (Tons)	1072	—
Total Amount ('000 Rs.)	1610	—
Average Rate (Rs. per M.T.)	1501	—
B. Consumption per Unit of Production		
Product-Grey & Finished Cotton & Blended Textiles.		
1. Electricity:		
(Purchased & Own Generation)		
KWH/Mtr of Grey Production	0.783	0.947
KWH/Sq. Mtr. of Grey Production	0.491	0.601
2. Furnace Oil:		
Kgs./Mtr. of Grey Production	0.0005	0.074
Kgs./Sq. Mtr. of Grey Production	0.0003	0.047
3. Coal:		
Kgs./Mtr. of Grey production	0.004	0.039
Kgs./Sq. Mtr. of Grey production	0.003	0.025
4. Bagasse:		
Kgs./Mtr. of Grey Production	0.029	—
Kgs./Sq. Mtr. of Grey Production	0.018	—
5. Firewood:		
Kgs./Mtr. of Grey Production	0.009	—
Kgs./Sq. Mtr. of Grey Production	0.006	—

**FORM B****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.
- Continuous advantages have accrued out of use of HV1, UT3 and classmate-II tester resulting in day-to-day tool for monitoring yarn quality and process parameters.
- Raw Cotton, Cotton Yarn, fabric, other incoming material, outside purchased yarn and sizing ingredient are regularly checked to ensure quality of the yarn, beams and fabric.
- Strict quality control in grey fabric inspection area.
- Process optimisation / recipe modification for cost reduction.
- Attending market complaints.

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

- ❖ Overall improvement in yarn quality and working in different processing stages resulting in better efficiency and productivity.
- ❖ Improvement in the quality of manufactured product resulting in high packing percentage.
- ❖ Meeting customer needs and in turn increased customer satisfaction.
- ❖ Cost reduction at various stages by way of reduction in wastages, saving in utilities etc.

3. Expenditure on R & D.

(Rs. in lakhs)

- | | |
|--|------|
| (a) Capital | 1.12 |
| (b) Recurring | 0.13 |
| (c) Total | 1.25 |
| (d) Total R & D Expenditure as Percentage of total turnover. | 0.02 |

Technology absorption, adaptation and innovation

1. Shifting of 8 Sulzer Looms to existing bigger shed, keeping energy consumption at minimum.
2. Up-gradation of Effluent Plant.
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

FOREIGN EXCHANGE EARNINGS AND OUTGO

Despite Rupee appreciation and adverse market conditions, the company has been able to achieve the exports at Rs.487.07 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	129.81
Earned	487.07

The company continues inhouse development of textile fabrics.

ANNEXURE – II

CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance:

Your Company is committed to good corporate governance and always in the pursuit of transparency in its policies while dealing with its stakeholders, Government departments, Banks, Consumers, Employees and in its accounting practices and procedures. Your Company has started implementing the spirit of Corporate Governance even when it was not applicable to the Company. The Board supports with the compliance with the requirements of Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited (BSE). The following are the detailed practices on Corporate Governance in your Company.

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	5	—
2. Mr. Raoul S. Thackersey**	Vice Chairman & Non-Executive Director - Promoter	8	—
3. Mr. Chandrahas K. Thackersey	Non-Executive Director - Promoter	10	—
4. Mr. Jagdish U. Thackersey	Non-Executive Director - Promoter	12	—
5. Mr. M.R.B. Punja	Non-Executive & Independent	6	4 (Chairman of 3)
6. Mr. D.M. Popat	Non-Executive & Independent	3	—
7. Mr. R.N. Bansal	Non-Executive & Independent	8	8 (Chairman of 5)
8. Mr. D.S. Alva	Non-Executive & Independent	2	2 (Chairman of 2)
9. Mr. P.B. Desai	Non-Executive & Independent	1	1

* Private Limited Companies excluded.

** Resigned as Executive Director w.e.f. 01.04.2008.

Excludes Committees other than Audit Committee and Shareholders/investors Grievance Committee and Companies other than public limited companies.