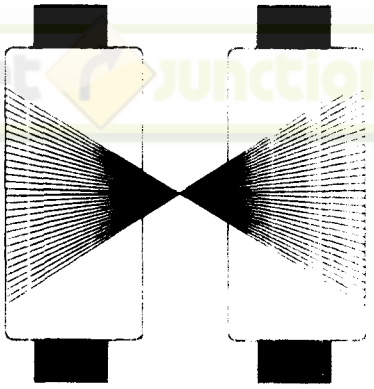
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12TH ANNUAL REPORT 2003-2004



HSML

Director

HISAR SPINNING MILLS LIMITED

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HISAR SPINNING MILLS LIMITED

BOARD OF DIRECTORS

Sh. Gopal Krishan Gupta	Managing Director
Sh. T.N. Goel	
Sh. M.L. Kansal	
Sh. R.S. Malik	
Sh. Anurag Gupta	
Sh. Gulshan Kumar	(Nominee, HSIDC)

AUDITORS

JAIN & ANIL SOOD
Chartered Accountants
SCO 12, Basement,
Feroze Gandhi Market,
Ludhiana-141 001

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BANKERS

Punjab National Bank
Main Branch, Hisar-125 001

REGISTERED OFFICE & WORKS

9th KM Stone, Hisar Bhiwani Road,
V.P.O. Dabra (Hisar)
(Haryana) 125005

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HISAR SPINNING MILLS LIMITED

NOTICE

Notice is hereby given that the 12th ANNUAL GENERAL MEETING of the Shareholders of HISAR SPINNING MILLS LIMITED, will be held on Thursday the 30th September, 2004 at 11.00 A.M. at Regd. Office at 9th K.M. Stone, Hisar Bhiwani Road, VPO Dabra (Hisar) to transact the following business:

ORDINARY BUSINESS

1. To review, consider and adopt the Balance Sheet as at 31st March, 2004 and Profit and loss Account for the Year ended on that date alongwith the report of Auditors and Directors thereon.
2. To appoint a Director in place of Sh. Anuraj Gupta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sh. M.L. Kansal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

Place: Chandigarh
Dated: 02.09.2004

For and on Behalf of the Board
(Gopal Krishan Gupta)
Managing Director

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NOTES:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy and vote instead of him/herself and such proxy need not be a member of the company. A Proxy form is attached herewith.
2. The proxy form(s) duly completed and signed should reach the company's registered office at 9th K.M. Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) at least 48 hours before the time fixed for the meeting.
3. The Register of members and share transfer book of the company shall remain closed from **Saturday the 25th September, 2004 to Thursday the 30th September, 2004** (Both days inclusive)
4. Members are requested to intimate to the company, change in their addresses, if any, at the registered office of the company.

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DIRECTORS' REPORT

To the Members

Your Directors have great pleasure in presenting the 12th Annual Report together with the Audited Statement of Accounts of your Company for the year ended 31st March, 2004.

FINANCIAL RESULTS:

(Rs. in Lacs)

	Current Year (2003-2004)	Previous Year (2002-2003)
Sales & Other Income	977.54	987.97
Profit Before Intt. Depreciation Amortisation & Investment loss.	43.50	100.51
Less Interest & Financial Exp.	29.86	38.59
Less Depreciation, Amortisation & Investments loss	13.88	22.71
Profit (Loss) Before Tax	(0.24)	39.21
Prov. for Income Tax	—	—
Profit (Loss) After Tax	(0.24)	39.21

PAST PERFORMANCE

The year under review has earned a Cash Profit of Rs. 13.64 Lacs as against Rs. 61.92 Lacs in the previous year. During the ensuing year the performance of the Company is likely to be improved.

MANAGEMENT DISCUSSION & ANALYSIS

The Spinning Yarn Industry is a lifeline in Textile Business of India. The majority of employment in India is absorbed by Textile Industry. The Ministry of Textiles has given special concession by way of exemption of excise duty & creation of Technology Upgradation Fund. Keeping in view of gone of quota regime in jan. 2005 the textile sector is expected to grow more rapidly. The company is likely to be able to retire its major portion of debts and profitable working during the ensuing year is expected. It is also planning to take the full advantage of the above improved scenario.

The main Raw Material is cotton, which is based on Agricultural Production of Cotton. The production is dependent on Moonsoon. In Indian Climatic condition the moonsoon is always on unpredictable factor. Sometimes there is heavy feinfall & sometime the drought situation is created, which affects the production of cotton to a great extent creating heavy fluctuation in raw material prices. The company could not anticipate such high fluctuation & suffered losses.

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PARTICULARS OF EMPLOYEES

During the year there was no employee in respect of whom information as per section 217(2A) of the Company Act, 1956 is required to be given in the Director's Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earning and outgo are given in annexure forming part of this report.

FIXED DEPOSIT

The Company has not accepted any deposit within the meaning of section 58-A of the companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

LISTING OF SECURITIES

The Securities of the Company are listed on Stock Exchanges at Delhi, Calcutta, Mumbai, Ahmedabad & Jaipur. The Listing Fees of Ahmedabad Stock Exchange is pending.

INSURANCE

All the properties and insurable interests of the company including Building, Plant & Machinery and Stock wherever necessary and to the extent required have been properly insured.

AUDITORS REPORT

1. As regards the qualification by auditors in respect of non provision for liability of Rs. 91,39,336/- against demand of Custom Duty by DGFT. The Board is of the view that the company has applied to the Directorate General of Foreign Trade (DGFT) for regularigation and extension in export obligation period & the application of the company is under active consideration of DGFT and the company is quite confident to get the applied for relief.

2. The other points stated in the Auditors Report are self explanatory & needs no comments.

DIRECTORS

In accordance with the requirement of the Companies Act, 1956 and the Articles of Association of the Company Sh. Anurag Gupta & Sh. M.L. Kansal retires by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE:

The Corporate Governance Report is annexd herewith alongwith Auditor's Certificate.

AUDITORS

The term of present Auditors of the company M/s Jain & Anil Sood, Chartered Accountants, Ludhiana expires at the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment.

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DIRECTORS RESPONSIBILITY STATEMENT

i. That in the preparation of the annual accounts, the applicable accounting standards had been followed.

ii. That the directors had selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that year;

iii. That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

iv. That the directors had prepared the annual accounts on a going concern basis.

Acknowledgement:

Your Directors express their sincere appreciation for all around assistance, cooperation and guidance from the Financial Institution Haryana State Industrial Development Corporation & Banker Punjab National Bank and State & Central Govt. Authorities.

For and on behalf of the Board

(T.N. Goel)
Director

(Gopal Krishan Gupta)
Managing Director

Place: Chandigarh
Dated: 02.09.2004

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HISAR SPINNING MILLS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

The Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 under Section 217 (i) (e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY:

i. Power factor has been maintained above 0.9 by proper choice of capacitors as per the requirement of load.

ii. Motors have been installed of optimum capacity.

iii. Power load is distributed on D.G. Sets at optimum level.

B. TECHNOLOGY ABSORPTION: NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange used : 2105863

Foreign Exchange earned : NIL

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		Current Year (2003-2004)	Previous Year (2002-2003)
A.	**Power & Fuel Consumption:**		
1.	Power		
a.	Purchased		
i.	Units (KWH)	777243	847958
ii.	Total Amount (Rs.)	3192908	3464927
iii.	Rate/Unit Rs. KWH	4.11	4.09
b.	Through Diesel Generator		
i.	Units (KWH)	910652	1033242
ii.	Total Amount	4532729	4752915
iii.	Cost/Unit	4.98	4.60
	Steam Coal	Nil	Nil
	Furnace Oil	Nil	Nil
	Others/Internal Generators	Nil	Nil
2.	Fuel	Nil	Nil
B.	**CONSUMPTION PER UNIT OF PRODUCTION**		
	Cotton Yarn/M.T.	857 Units	785 Units

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Corporate Governance Report for the Financial Year 2003-2004

1. Company's Philosophy on code of Corporate Governance:

Your Company's philosophy on corporate governance envisages the allignment of the highest levels of transparency, accountability and equity, in all facts of its operations and in all its interactions with its stakeholders including shareholders, employees, government and lenders. The company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value, over a sustained period of time.

2. Board of Directors:

The Board of Hisar Spinning Mills Limited consisits of Six Directors during the financial year 2003-04. Sh gopal Krishan Gupta being Chairman & Managing Director, as per Listing Agreement the Company should have at least one half independent Directors. There is one institutional nominee Director on the Board viz. Sh. Gulshan Kumar on behalf of HSIDC.

The detail of Composition and categories of Directors are given in Table below:-

Sr.No.	Name of the Director	Category
1.	Sh Gopal Krishan Gupta	Managing Director, Chairman
2.	Sh. T.N. Goel	Independent and Non-Executive Director
3.	Sh. M.L. Kansal	Independent and Non-Executive Director
4.	Sh. R.S. Malik	Independent and Non-Executive Director
5.	Sh. Anurag Gupta	Non-Executive Director
6.	Sh. Gulshan Kumar	Nominee Director, HSIDC

Board Procedure:

During the financial year 2003-2004 the Board of Directors met 5 times on: 28th April, 2003, 28th July, 2003, 28th August, 2003, 27th October, 2003 and 28th january, 2004.

The details of the meetings of the Board and Audit Committee held during the financial year 2003-2004 are given in Table below:-

(i) Board of Director Meeting:-

Date of Meeting	Total Members	Attendance by No. of Members
28.04.2003	6	5
28.07.2003	6	3
28.08.2003	6	5
27.10.2003	6	3
28.01.2004	6	3

(ii) Audit Committee Meetings:

31.07.2003	3	3
18.11.2003	3	3
06.03.2004	3	3

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The details of attendance of each Director at the Board and Audit Committee Meetings held during the Financial year 2003-2004 and details of number of outside directorship held by each of the Directors are given in Table below:-

Sr. No.	Name of Director	Attendance at at Board meetings	Attendacne at Audit Comm--ittee meeting	Attendance at last AGM	Outside Directorship
1.	Sh. Gopal Krishan Gupta	5	-	yes	1
2.	Sh. T.N. Goel	3	3	yes	2
3.	Sh. M.L. Kansal	3	3	yes	-
4.	Sh. R.S. Malik	3	-	No	2
5.	Sh. Anurag Gupta	5	3	yes	-
6.	Sh. Gulshan Kumar	-	-	No	-

3. Audit Committee:

The current Audit Committee has three members viz. Sh. Anuraj Gupta as Chairman, Sh. T.N. Goel as Member & Sh. M.L. Kansal as Member. The terms of reference of the Audit Committee, covers the area mentioned in clause 49 of the Listing Agreement of the Stock Exchange and Section 292A of the Companies Act. 1956.

4. Remuneration Committee:

The Company has not constituted the Remuneration Committee because no remuneration is being paid to any director of the company.

5. Share Transfer & Shareholders/Investors Grievances Committee:

The Board of Directors has delegated the power of approving transfer of securities and other related formalities to the Registrar & share Transfer Agent M/s Indus Portfolio Private Limited, G-65, Bali Nagar, New Delhi-110 015. The Committee under consideration comprises of Sh. Anurag Gupta as Chairman. Sh T.N Goel as Member & Sh. M.L. Kansal as Member. The committee looks into the grivances of the shareholders concerning transfer of shares and non receipt of annual report and recommend measure for expeditious and effective investor services. The total number of letters received and replied to the shareholders during the year 2003-2004 were 10 and no complaint was outstanding as on 31st March, 2004.

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6. **General Body Meetings:**

The details of the location and time for last Three Annual General Meetings were held given in Table below:-

Year	Location	Date	Time
2000-2001	9th K.M. Stone, Hisar Bhiwani road, VPO, Dabra (Hisar-125 005) Hry.	Saturday 29.09.2001	11.00 A.M.
2001-2002	9th K.M. Stone, Hisar Bhiwani road, VPO, Dabra (Hisar-125 005) Hry.	Monday 30.09.2002	11.00 A.M.
2002-2003	9th K.M. Stone, Hisar Bhiwani road, VPO, Dabra (Hisar-125 005) Hry.	Tuesday 30.09.2003	11.00 A.M.

No Special Resolution was put through postal ballot last year.

7. **Disclosures:**

a. **Disclosures regarding materially significant related party transactions**

None of the transactions with any of the related parties were in conflict with the interest of the company.

b. **Disclosures of non-compliance by the Company.**

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets. During the last three years the company has paid the one time reinstatement fees amounting to Rs. 40000/- to Bombay Stock Exchange in June, 2002 for regularising certain lapses of past years.

8. **Means of Communication:**

The quarterly results of the company were published during the year under review in National Newspaper in English & Hindi Language. Management Discussion and Analysis Report forms part of this Annual Report.

9. **General Shareholder Information:**

a. **Annual General Meeting**

Date : Thursday September 30, 2004
Time : 11.00 A.M.
Venue : 9th K.M. Stone, Hisar Bhiwani Road, VPO, Dabra (Hisar) 125005

b. **Financial Year:**

The financial year of the company is Ist April to 31st March.

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