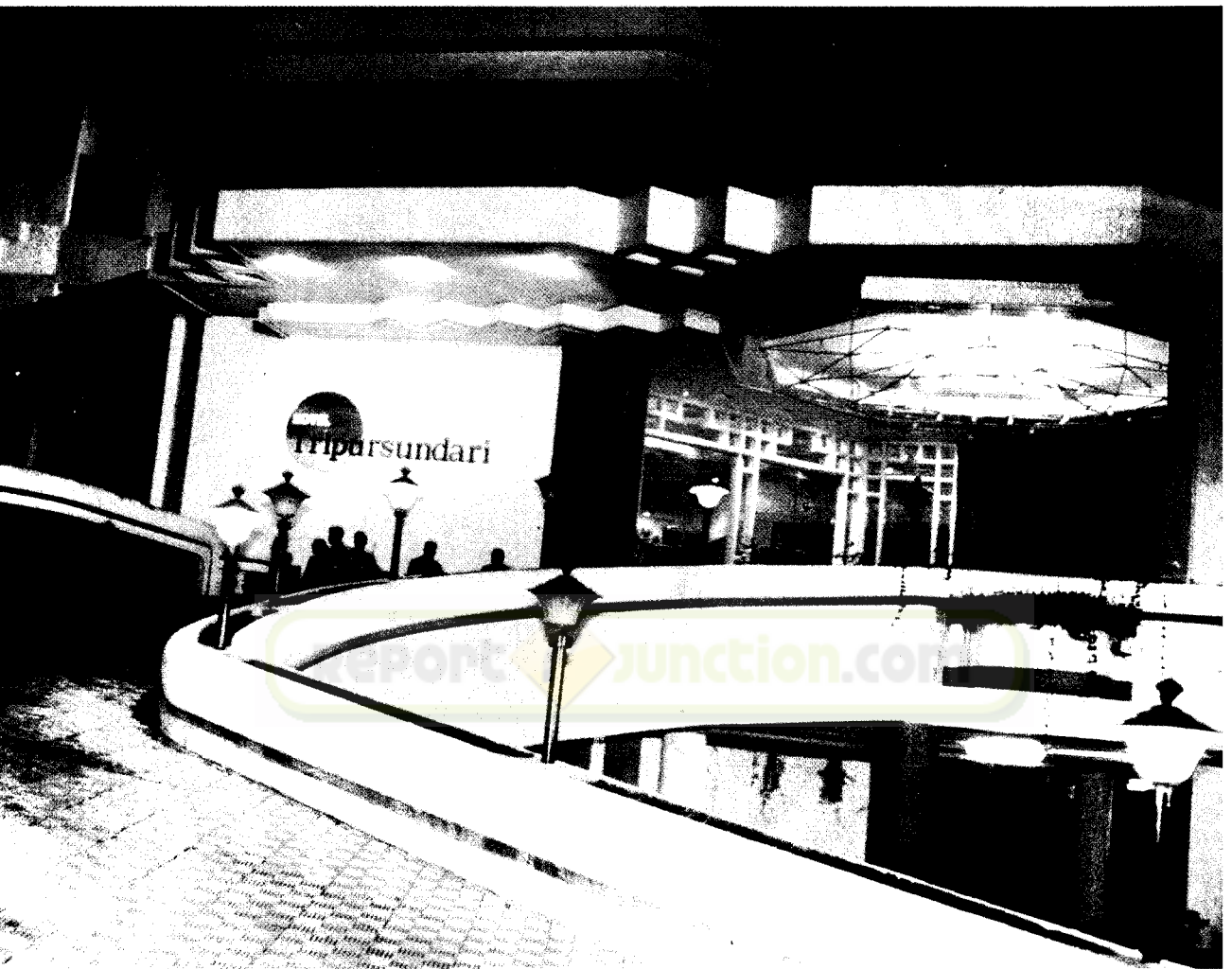




Katare Spinning Mills Limited

25th

**ANNUAL REPORT
2004 - 2005**



HOTEL

Tripursundari

A DIV. OF KATARE SPG. MILLS LTD.

Civil Lines, Solapur-413 001.

Phone : 2312291, 2312875,

Fax : (0217) 2312717

**25th ANNUAL REPORT AND ACCOUNTS
2004 - 2005**

BOARD OF DIRECTORS

Shri. T. T. Katare	Chairman & Managing Director
Shri. K. T. Katare	Executive Director
Shri. V. T. Katare	Director
Shri. S. T. Katare	Director
Shri. V. V. Mahindrakar	Director (Expired on 18.12.2004)

AUDITORS

G. M. PAWLE
Chartered Accountant
327, Sakhar Peth, Near Nagari Bank,
Solapur - 413 005.

MILL

Kamalanagar, Tamalwadi.
Tal. Tuljapur Dist. Osmanabad

HOTEL TRIPURSUNDARI

Civil Lines, Solapur

REGISTERED OFFICE

"KAMALA"
259, Sakhar Peth,
Solapur - 413 005.

BANKERS

Bank of India,
Main Branch, Solapur.

FINANCIAL INSTITUTIONS

I C I C I Bank Ltd.

REGISTRAR & TRANSFER AGENT :

Intime Spectrum Registry Ltd.,
102, Shree Vidyand, Dr.Ketkar Path, Erandwane,
Near Old Karanataka High School, Pune - 411 004
Tel : (020) 25458397 / 98
E-mail : pune@intimespectrum.com

NOTICE

Notice is hereby given that 25th Annual General Meeting of the Shareholders of Katare Spinning Mills Limited will be held on Friday, the 30th day of September 2005 at 11.00 a.m.(I.S.T.) at Hotel Tripursundari, Civil Lines, Solapur - 413 001, to transact the following :

ORDINARY BUSINESS :

1. To adopt the audited Profit & Loss Account of the Company for the year ended on 31st March 2005 and the Balance Sheet of that date and to consider the report of the Auditors and Directors thereon.
2. To appoint Director in place of Shri.T.T.Katаре who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Shri.K.T.Katаре who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To consider and if thought fit to pass with or without modification following as an ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of section 269 read with schedule XIII and other applicable provisions if any, of the Companies Act, 1956, consent of the members be and is hereby given for the reappointment of Mr.T.T.Katаре as Managing Director for a period of 5 years w.e.f 16.08.2005 without any remuneration, and that he shall be entitled to reimbursement of expenditure incurred by him for the purpose of carrying-out his duties as managing Director of the company.

FURTHER RESOLVED THAT, subject to the provisions, procedures and limits prescribed under schedule XIII the Board of Directors is hereby authorised to decide and pay the remuneration to the Managing Director in future during the tenure of his appointment."

6. To consider and if thought fit to pass with or without modification following ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of section 269 read with schedule XIII and other applicable provisions if any, of the Companies Act, 1956, consent of the members be and is hereby given for the reappointment of Mr. K. T. Katаре as Executive Director for a period of 5 years w.e.f 01.07.2005 without any remuneration, and that he shall be entitled to reimbursement of expenditure incurred by him for the purpose of carrying-out his duties as Executive Director of the company.

FURTHER RESOLVED THAT, subject to the provisions, procedures and limits prescribed under schedule XIII the Board of Directors is hereby authorised to decide and pay the remuneration to the Executive Director in future during the tenure of his appointment."

By order of the Board of Directors

(T. T. KATARE)

Chairman & Managing Director

Solapur,
August 23, 2005

KATARE SPINNING MILLS LIMITED

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Explanatory statement is annexed to the Notice pursuant to section 173 in respect of special business under item numbers 5 & 6.
3. The Register of Members and Transfers of the company shall remain closed from Thursday 22nd September 2005 to Friday 30th September 2005 (Both days inclusive)
4. The shareholders are requested to intimate change, if any, in their addresses registered with the Company.

EXPLANATORY STATEMENT

Explanatory statement annexed to the Notice pursuant to section 173 in respect of special business under item numbers 5 & 6.

Mr.Tulsida T.Katara & Mr.Kishore T.Katara were appointed as Managing Director & Executive Director respectively whose terms of appointment as approved by the member at 20th Annual General Meeting held on 30.09.2000 was expired on 17.08.2005 & on 30.06.2005 respectively.

Considering the present opportunity & challenges, their services are of immense necessity in the company. Hence their appointment are required to be renewed. Presently both Mr.Tulsidas T.Katara & Mr.Kishore T.Katara has opted not to draw the remuneration. But Board might in future take decision of the same in the best interest of the company.

All directors of being related of each other are to be treated as concerned or interested in both of resolutions. Hence the resolutions are directly put forward to the members to take appropriate decision.

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KATARE SPINNING MILLS LIMITED**DIRECTOR'S REPORT**

Dear Shareholders,

We have pleasure in presenting the 25th Annual Report of the Company along with audited statements of account for the year ended 31st March, 2005.

OPERATION :

The overall profitability during the year, after providing for interest, shows sign of improvement over the previous year.

The Company achieved a turnover of Rs. 1926.08 lacs as against Rs. 1939.23 relating the previous year. Though there is a slight fall in turnover, but the profitability of the Company has shown improvement in as much, the gross profit recorded at Rs. 168.37 lacs before interest and depreciation and after interest at Rs. 73.62 lacs as against corresponding figures of Rs. 174.82 and Rs. 56.48 relating to the previous year.

Textile Industry occupies a pride position in our country's economy which contributes nearly 35% of the country's export earning and accounts nearly 14% of the total industrial production. It is gratifying to note that last Union Budget contains several welcome measures for encouraging competitiveness of Indian Textile Industry. It is also hearting to note that the Union Finance Minister has withdrawn central excise duty on cotton yarn. Moreover, under the new VAT system also, Govt. of Maharashtra has withdrawn tax on Cotton yarn in Hank form. The Company is producing about 80% of total production in Hank Form which will boost the profitability of the Company in coming years. Considering the bright future of textile industry, the Company has already taken updation of existing machinery and adding new facilities to improve quality and productivity.

The hotel division has produced encouraging results since last couple of years with an average occupancy of 75%. The future of the Hotel Industry is bright.

In order to grab the welcoming measures that are taken by the Government, your Company is making vigorous efforts to upgrade technology, improve competitiveness in order to face new challenges and use of opportunities made available with confidence and hope for the better future.

DIVIDEND :

Your Director are unable to recommend any dividend for the financial year ended 31st March 2005 in view of carry forward losses.

DISINVESTMENT IN THE RAYALASEEMA MILLS LTD.:

As per the decision taken earlier the phase wise disinvestment is still in progress.

INSURANCE:

All the properties of the Company have been adequately insured against fire and all other risks.

CONSERVATION OF ENERGY ETC:

Information pursuant to section 217 (1)(e) and (2A) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particular in the Report of Board of Directors) Rules, 1988 is annexed and forms parts of the Report.

AUDITOR'S OBSERVATION:

With reference to the observation made by the Auditors in their report, the Directors wish to state that these are self explanatory and hence do not require any further comments.

AUDITOR :

Shri.S.M.Hiremath Statutory Auditors who were lastly reappointed at the Annual General Meeting held on 30.09.2004 resigned before the expiry of the term on health ground.

At the E.G.M held on 04.08.2005 Mr.G.M.Pawle Chartered Accountant Solapur, was appointed in casual vacancy of statutory Auditors. The Accounts for the financial year 2004-05 have been Audited by Mr.G.M.Pawle . The term of Mr. G.M. Pawle as Statutory Auditors is expiring at the ensuing Annual General Meeting . He being eligible offers himself for reappointment the Board recommended him the post of for Statutory Auditors.

KATARE SPINNING MILLS LIMITED**DIRECTORS :**

The Board puts on record its sincere appreciation of the guidance rendered by Shri. V.V. Mahindrakar, since incorporation, who expired during the year. Shri. T. T. Katare & Shri. K. T. Katare, directors are retiring by rotation and being eligible offer themselves for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT :

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that :

1. That in the preparation of Annual accounts the applicable accounting standard had been followed. There are no material departure from the standards and the remarks stated by Auditors in his report under point No.5 read with related notes to accounts are self explanatory.
2. The Directors 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 at the end of this financial year and Loss of the Company the financial year ended 31st March 2005.
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the preventing and detecting any fraud and other irregularities.
4. The annual accounts have been prepared on the going concern basis.

CORPORATE GOVERNANCE :

The guidelines prescribed by SEBI are not applicable to the Company because of the paid up capital is less than Rs. 3 Crores.

DEMATERIALISATION OF SHARES :

The dematerialization of shares on NSDL has become effective in the current year.

PARTICULARS OF EMPLOYEES :

There is no employee drawing such remuneration requiring disclosure u/s 217 (2A) of the companies Act 1956 and rules made there under

ACKNOWLEDGMENT :

The directors wish to thank Company's Bankers for all the assistance and encouragement that they have extended to the company. The Director put on record their appreciation for the hard work & dedication of all employees.

On behalf of the Board of Directors

Solapur,
August 23, 2005

(T. T. KATARE)
Chairman & Managing Director

KATARE SPINNING MILLS LIMITED

ANNEXURE 1

Information pursuant to Section 217 (1) (e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rule 1988 forming the part of Director's Report.

- A. a) Energy Conservation taken :
- i) Switching off unwanted lights.
 - ii) Use of natural lights as far as possible.
 - iii) Humidification plants not operated during favourable climatic conditions.
 - iv) Control over slippage.
 - v) The Company has replaced HDP Ring Tubes and introduced light weight ABS Tubes for Ring Frame. Because of this the Company is getting more Yarn contents and about 1.5% power saving in the power consumption.

- B. Additional investment and proposal, if any being implemented for reduction of consumption of energy. The management is actively considering different areas viz.
- a) Solar Power Panel.
 - b) Change in Humidification Plant (Cell Type Air Washer) with the help of ATIRA where power can be saved and
 - c) Installation of appropriate energy saving devices.
 - d) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production.

The above measures will save energy and to that extent the cost of goods produced will be reduced.

- e) **FORM "A"**

A) POWER & FUEL CONSUMPTION

	Current Year	Previous Year
1) Electricity		
a) Purchased Units	59,94,042	53,17,290
Total Amount Rs.	2,03,03,030	1,95,57,484
Rate Unit Rs.	3.38	3.68
b) Own Generation		
Through Diesel Generator Unit	2,23,823	1,73,958
Rate per unit Rs.	9.04	5.29
2) Coal Quantity	NIL	NIL
a) Consumption of Unit of Production		
Production of Yarn M. T.	NIL	NIL
Electricity Units per M. T.	NIL	NIL
Coal per M. T. of Production : Kgs.		

KATARE SPINNING MILLS LIMITED

FORM " B "

RESEARCH & DEVELOPMENT

- | | | | |
|----|---|-----|---|
| 1. | Specific Areas in which R & D Carried out by the company | i) | R & D carried out to increase the strength of the yarn for better weaving results and to supply fault - free and improved quality of yarn for Auto Looms. |
| | | ii) | Several steps have been taken to reduce and product faults and breakage and waste percentage. |
| 2. | Benefits derived as result R & D carried out by the company. | | Reduction in cost output, improvement in quality introduction of new varieties of yarn, better marketability. |
| 3. | Future plan of action | | The above activities shall continue and more effects in this direction will be made. Appropriate testing machines and other suitable equipment are going to be added. |
| 4. | Expenditure on R & D
A) Capital Rs. 3,79,720.00
B) Recurring Rs. 3,79,720.00
C) Total Rs. 3,79,720.00
D) Total R & D expenditure

Technology absorption adaptation & innovation | | The separate division has been established to act above activities and the expenditure is merged with the various expenses |
| 1. | Effort in brief towards technology absorption adaptation and innovation. | | The plants are based on indigenous technology. Every effort is made to know the latest development in technology in India as well as abroad. Latest machines like Rotors are installed in place of Ring Frames as far as possible within permissible financial resources. |
| 2. | Benefits derived as a results of above efforts e.g. output, improvement, cost reduction, production, development import substitution. | | After adaption of Modern machines with latest technology the Company reduced considerable improvement in market demand of our products. |
| 5. | Details of Imported Techonology | | No Technology has been imported during the last 5 years |
| C. | Foreign Exchange Earning and outgo | | NIL |

On behalf of the Board of Directors

(T. T. KATARE)

Chairman & Managing Director

Solapur,
August 23, 2005

KATARE SPINNING MILLS LIMITED

AUDITOR'S REPORT

To,

The Members,

KATARE SPINNING MILLS LIMITED

Solapur.

1. I have audited the attached Balance Sheet of Katare Spinning Mills Limited, Solapur as at 31st March 2005, the profit and loss account and Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with the auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to above, I report that:
 - (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - (ii) In my opinion proper books of accounts as required by law have been kept by the company so far as appears from my examination of those books;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) On the basis of written representations received from the directors, as on 31st March 2005 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (v) In my opinion, the balance sheet and profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable, subject to
 - a) *The balance of loan from ICICI Bank, as referred to, in Note No. 6 in notes on Accounts, at the year end is subject to confirmation both in respect of dues and extension of time for repayment under one time settlement and therefore, the impact of reconciliation and adjustment in respect of the loan, the profit for the year and net assets position as at year end and also it's impact on concept of ongoing concern due to huge losses, is presently not ascertainable.*
 - b) *Receivables to the extent of Rs. 42,09,336/- is bad for which no provision was made in the accounts in the year ended 31st March, 2005 as referred to, in Note No. 7 in the notes on accounts and as such has resulted in overstatement of year end net Current Assets and Reserves & Surplus by Rs. 42,09,336/- each.*