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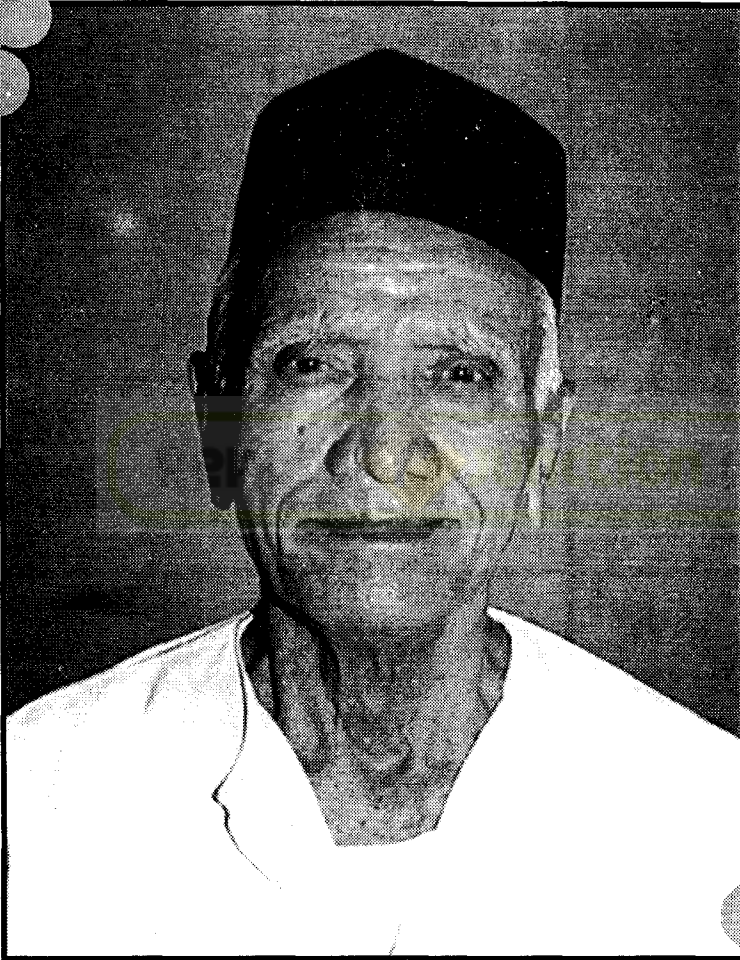
Katare Spinning Mills Limited

26th
Annual Report
2005 - 2006

ॐ नमो देव्यै महादेव्यै शिवायै सततं नमः ॥ नमः प्रकृत्यै भद्रायै नियताः प्रगताः स्म ताम् ॥

Katare

SOULFUL HOMAGE



Chief Founder Promoter

Late Tippanna Tulsiram Katare

**26th ANNUAL REPORT AND ACCOUNTS
2005 - 2006**

BOARD OF DIRECTORS

(As on 13-08-2006)

Shri. T. T. Katare	Chairman & Managing Director
Shri. V. T. Katare	
Shri. S. T. Katare	
Shri. U. M. Mahindrakar	
Shri. Y. N. Konda	
Shri. S. B. Inamdar	
Shri. K. T. Katare	Executive Director

REGISTERED OFFICE

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

MILL

Kamalnagar, Tamalwadi - 413 601.
Tal. Tuljapur Dist. Osmar Road

HOTEL TRIPURSUNDARI

Civil Lines, Solapur - 413001.

AUDITORS

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

BANKERS

Bank of India,
Main Branch, Solapur - 413 002.

FINANCIAL INSTITUTIONS

I C I C I Bank Ltd.

REGISTRAR & TRANSFER AGENT :

Intime Spectrum Registry Ltd.,
"Bhagirathi", 1202/3/11, Shivajinagar,
Off Ghole Road, Opp. Surya Hotel, Pune - 411 004
Tel : (020) 65203395
E-mail : pune@intimespectrum.com

N O T I C E

Notice is hereby given that 26th Annual General Meeting of the Shareholders of Katare Spinning Mills Limited will be held on Saturday, the 30th day of September 2006 at 5.30 p.m.(I.S.T.) at "Kamala Hall", Hotel Tripursundari, Civil Lines, Solapur - 413 001, to transact the following business :

ORDINARY BUSINESS :

1. To adopt the audited Profit & Loss Account of the Company for the year ended on 31st March 2006 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. V. T. Katare who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Shri. S. T. Katare 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 appoint a director Mr. U.M.Mahindrakar whose term of office as additional director ends at the meeting & who being eligible has offered himself as director liable to retire by rotation. The company has received notice of candidature with deposit from the member pursuant to the provisions of section 257 of the Companies Act 1956.
6. To appoint a director Mr. Y.N.Konda whose term of office as additional director ends at the meeting & who being eligible has offered himself as director liable to retire by rotation. The company has received notice of candidature with deposit from the member pursuant to the provisions of section 257 of the Companies Act 1956.
7. To appoint a director Mr. S.B.Inamdar whose term of office as additional director ends at the meeting & who being eligible has offered himself as director liable to retire by rotation. The company has received notice of candidature with deposit from the member pursuant to the provisions of section 257 of the Companies Act 1956.

By order of the Board of Directors

Solapur,
August 12, 2006

(T. T. KATARE)
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROX AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF
2. Explanatory statement is annexed to the Notice pursuant to section 173 in respect of special business under item numbers 5 to 7.
3. The Register of Members and Share Transfer book of the company shall remain closed from Thursday 22nd September 2006 to Thursday 30th September 2006 (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 to 7.

Mr. U.M.Mahindrakar, Mr. Y.N.Konda & Mr. S.B.Indamdar were co-opted as additional Directors on 12th August, 2006, whose term of appointment is ending at this Annual General Meeting pursuant to section 260 of the Companies Act, 1956.

Mr. Y.N.Konda is an architect by profession & has good business experience in setting up textile mill. His experience in the industrial field would help the company to get the new contacts & opening in new fields.

Mr.S.B.Indamdar is an advocate by profession & has good acumen of legal compliances. His experience in the legal field would help the company to get expert guidance in various fields including labour laws, court procedures etc.

Mr. U.M.Mahindrakar is a trading business man with long & steady business standing. His business contacts & trading tactics would help the company to grow its market.

Considering the present opportunities & challenges, their services are of immense necessity for the company. Hence the Board recommends their appointments as directors liable to retire by rotation. For all the three persons notices have been received of the candidatures with deposit from the member pursuant to the provisions of section 257 of the Companies Act 1956.

None of the directors other than the appointees are to be treated as concerned or interested. The proposals are put forward to the members to take appropriate decision.

By order of the Board of Directors

Solapur,
August 12, 2006

(T. T. KATARE)
Chairman & Managing Director

DIRECTOR'S REPORT

Dear Shareholders,

We have pleasure in presenting the 26th Annual Report of the company along with the Audited Statements of accounts for the year ended 31st March 2006. The overall profitability during the year after charging all expenses has shown substantially improved as compared to last year.

Financial Results :

Rs. In Lacs

	<u>2005-06</u>	<u>2004-05</u>
Turnover	1884.13	1926.08
Profit before Interest & Depreciation	277.80	168.37
Less : Interest	86.78	94.75
Less : Depreciation	46.97	52.32
Net Profit for the year	144.05	21.30
Add/Less : Adjustment of previous year	00.55	(-) 14.28
Less : Fringe Benefit Tax	00.43	0
Balance Profit carried over	144.17	07.02

OPERATION :**Textile Division:**

Textile Industry occupies a pride position in our country's economy for which several welcome measures for encouraging competitiveness of Indian Textiles Industry have been taken by the government. Centre's shift of policy in favour of textile industry has resulted in indirect tax sops. The state Government has also picked up its share by withdrawal of tax on Cotton yarn in Hank form. While strategic managed product mix reduced the cost of raw material prudent trading plans maintained the market hold at low cost. This has helped to improve the margins to great extent. In addition the Company has already commenced up-gradation of existing utilities and adding new facilities to improve quality and productivity.

Hotel Division:

Hotel Tripursundari located at strategic position is treated as one of the top grade hotel in the district. The hotel division has given steady returns since last couple of years with an average occupancy of 75%.

Future Prospects:

The textile industry is experiencing upward trend & the company also expect higher turnover in the current year. The future of the hotel is bright because of boost to tourism industry by the State. The company is proposing Expansion programme in Hotel Division in order to take the benefit of its established situation, Hope the company will square up entire carry forward losses during the current year.

Dividend:

Your Directors are unable to recommend any dividend at this juncture

Dis-investment from The Ravalseema Mills Ltd.:

The negotiations are in final stage to offload the investment in near future depending on market conditions.

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 OBSERVATIONS:

With reference to the observations 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.

KATARE SPINNING MILLS LIMITED

AUDITORS:

Mr. G. M. Pawale Chartered Accountant, Solapur, the Auditor of the company retires at the ensuing Annual General Meeting. He is eligible for reappointment.

DIRECTORS:

Shri. Tippanna T. Katare, one of the founder promoter of the company expired on 25th February 2006. The Board puts on record its sincere appreciation and deep sense of gratitude for the guidance rendered by Shri. T. T. Katare since incorporation.

Shri. V. T. Katare & Shri. S. T. Katare, directors are retiring by rotation and being eligible offer themselves for reappointment. Mr. U.M.Mahindarkar, Mr. Y.N.Konda & Mr. S.B.Inamdar were co-opted as additional Directors on 12th August, 2006, whose term of appointment is ending at this Annual General Meeting pursuant to section 260 of the Companies Act, 1956. As stated in the explanatory statement the Board recommends their appointments as directors liable to retire by rotation.

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 2006.
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.

DEMATERIALIZATION OF SHARES :

The dematerialization of shares on NSDL has been effective & application has been made to CDSL also. So far only 25% of the shares have been converted in to demat form.

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

CASH FLOW ANALYSIS:

In Conformity with the provision of clause 32 of the Listing Agreement/ (s) the Cash Flow Statement for the year ended 31.03.2006 is annexed hereto.

APPRECIATION :

The Company places on record its deep appreciation of the devoted services of the loyal workers, executives and other staff of the Company who have contributed in no small measure to the performance and the Company's inherent strength. Grateful thanks are also due to State Government, the investors, the banking circles, financial institutions and district level authorities for their continued support extended to the Company from time to time. Shareholder's appreciation of the management's efforts expressed at the general meetings of the Company and otherwise, is a great fillip to strive for better performance year after year.

On behalf of the Board of Directors

Solapur,
August 12, 2006

(T. T. KATARE)
Chairman & Managing Director

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 :
- Installation of Invertor Drives in carding.
 - Installation of Energy Efficient Luminaire Fitting.
 - Use of natural lights as far as possible.
 - Humidification plants not operated during favourable climatic conditions.
 - Control over slippage.
 - 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.

- Solar Power Panel.
- Change in Humidification Plant (Cell Type Air Washer) with the help of ATIRA where power can be saved and
- Installation of appropriate energy saving devices.
- 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	60,07,065	59,94,042
	Total Amount Rs.	2,05,21,983	2,03,03,030
	Rate Unit Rs.	3.42	3.38
b)	Own Generation		
	Through Diesel Generator Unit	78,727	2,23,823
	Rate per unit Rs.	9.52	9.04
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 upgradation machines with latest technology the Company has improved their quality for high speed looms. |
| 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 12. 2006

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 2006, 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 2006 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2006 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. 5 (a) 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.