

Katare Spinning Mills Limited

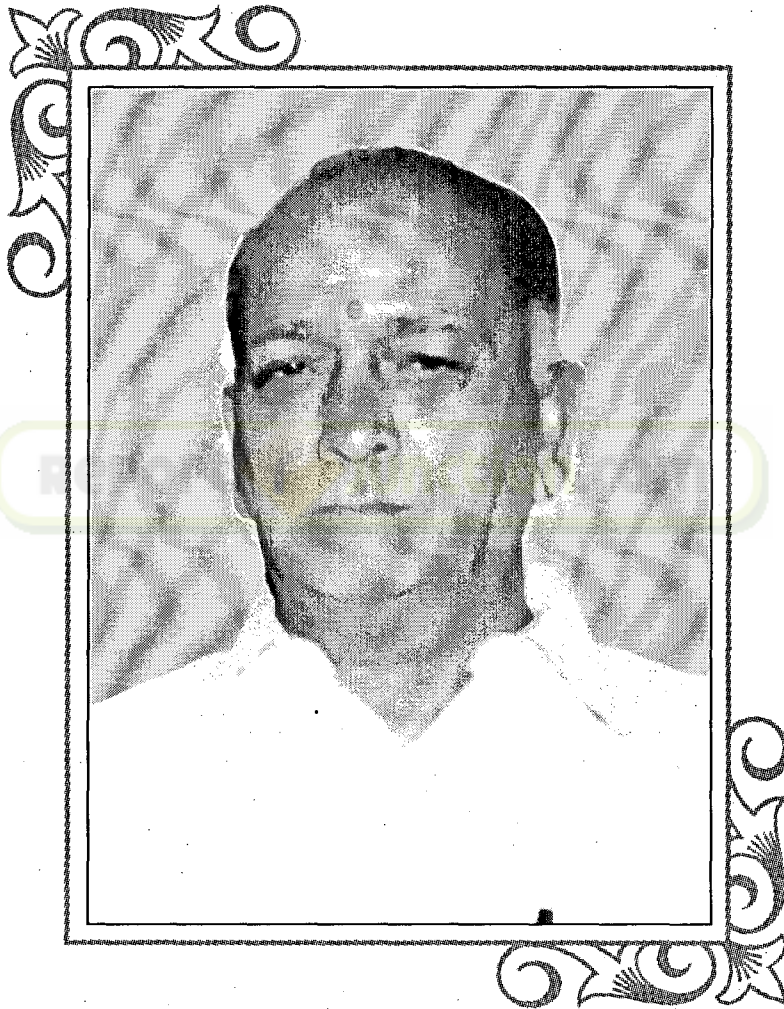
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27th
Annual Report
2006-2007

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Katare

Soulful Homage



■ Managing Director ■

Late Tulsidas Tippanna Katore

Katare Spinning Mills Limited

27th ANNUAL REPORT AND ACCOUNTS 2006 - 2007

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

MILL

Kamalanagar, Tamalwadi - 413 601.
Tal : Tuljapur, Dist. Osmanabad

HOTEL TRIPURSUNDARI

Civil Lines, Solapur-413 001.

AUDITOR

G. M. PAWALE
Chartered Accountant
327, Sakhar Peth,
Solapur -413 005

BANKERS

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

REGISTRAR & TRANSFER AGENTS

Intime Spectrum Registry Ltd.,
Akshay Complex, Block No. 202, 2nd Floor,
off Dhole Patil Road, Pune - 411001.
Tel.: (020) 65203395
E-mail: pune@intimespectrum.com

Katare Spinning Mills Limited



NOTICE

Notice is hereby given that 27th Annual General Meeting of the Shareholders of Katara Spinning Mills Limited will be held on Thursday, the 27th day of September, 2007, at 11.00 a.m. (I.S.T.) at "Kāmala Hall", 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, 2007 and the Balance Sheet as on that date and the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri. S. B. Inamdar who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. Y. N. Konda 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 modifications following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 and subject to approval from Central Government consent of the members of the Company be & it is hereby given for appointment of Mr. Kishore T. Katara as Managing Director for a period of 5 years w.e.f. 01.07.2007 on the following terms & conditions:-

1. Remuneration at the rate of Rs. 50000/- (Rupees Fifty Thousands) per month.
2. Perquisites:
In addition to the remuneration as above, Mr, Kishore T. Katara as Managing Director shall be entitled to the following perquisites:
 - a. Rent free residential accommodation. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company
 - b. Use of company telephone and fax at his residence, the charges of which will be borne by the company. However any personal calls made by the Managing Director shall be logged separately and paid by him to the Company.
 - c. Use of a chauffer driven car of the company in connection with the business of the company and all the expenses for maintenance and running of the car including salary of the driver will be borne and paid by the company.
 - d. Participation in any Provident Fund, Gratuity fund and Superannuation scheme for the employees, which the company may have established or may establish hereafter. /Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
 - e. Participation in any mediclaim Insurance scheme for the employees, which the company may have established or may establish hereafter.

- f. Reimbursement on an annual basis the traveling expenses incurred by the Managing Director, his wife and dependent children while proceeding on leave in India and returning to the place of posting.
- g. Reimbursement of the actual traveling, entertainment expenses and approved club membership fees reasonably incurred by the Managing Director in connection with the business of the company.
- h. The Managing Director shall be entitled to an annual privilege leave on full salary for a period of thirty days and such leave will be availed of at such time as may be previously informed to the company and such leave if not availed shall not be en-cashable. The leave encashment other than that for annual privilege leave will be as per company policy applicable to all employees.

Perquisites shall be evaluated as per the provisions of the Income Tax Rules.

FURTHER RESOLVED THAT, in case of loss or inadequacy of profits, the appointee may be paid the above remuneration by way of salary, allowances, perquisites, as minimum remuneration.

"FURTHER RESOLVED that while Mr. Kishore T. Katara is holding the post of Managing Director, he shall not be liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956 and subject to approval from Central Government consent of the members of the Company be & it is hereby given for appointment of Mr. Vijay T. Katara as Executive Director for a period of 5 years w.e.f. 01.07.2007 on the following terms & conditions:-

1. Remuneration at the rate of Rs. 20000/- (Rupees Twenty Thousands) per month.
2. Perquisites:

In addition to the remuneration as above, Mr. Vijay T. Katara as Executive Director shall be entitled to the following perquisites :

- a. Rent free residential accommodation. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company
- b. Use of company telephone and fax at his residence, the charges of which will be borne by the company. However any personal calls made by the Executive Director shall be logged separately and paid by him to the Company.
- c. Use of a chauffeur driven car of the company in connection with the business of the company and all the expenses for maintenance and running of the car including salary of the driver will be borne and paid by the company.
- d. Participation in any Provident Fund, Gratuity fund and Superannuation scheme for the employees, which the company may have established or may establish hereafter. /Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- e. Participation in any mediclaim Insurance scheme for the employees, which the company may have established or may establish hereafter.

- f. Reimbursement on an annual basis the traveling expenses incurred by the Executive Director his wife and dependent children while proceeding on leave in India and returning to the place of posting.
- g. Reimbursement of the actual traveling, entertainment expenses and approved club membership fees reasonably incurred by the Executive Director in connection with the business of the company.
- h. The Executive Director shall be entitled to an annual privilege leave on full salary for a period of thirty days and such leave will be availed of at such time as may be previously informed to the company and such leave if not availed shall not be en-cashable. The leave encashment other than that for annual privilege leave will be as per company policy applicable to all employees.

Perquisites shall be evaluated as per the provisions of the Income Tax Rules.

FURTHER RESOLVED THAT, in case of loss or inadequacy of profits, the appointee may be paid the above remuneration by way of salary, allowances, perquisites, as minimum remuneration.

"FURTHER RESOLVED that while Mr. Vijay T. Katara is holding the post of Executive Director, he shall not be liable to retire by rotation."

By order of the Board of Directors.

Solapur
June 30, 2007.

(V. T. KATARE)
Chairman & Executive Director

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 20th September 2007 to Thursday 27th September 2007 (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 Nos. 5 & 6:

Mr. Tulsidas T. Katara & Mr. Kishore T. Katara were re-appointed as Managing Director & Executive Director respectively, at 26th Annual General Meeting held on 30.09.2005, for 5 years w. e. f. 17.08.2005 & 30.06.2005 respectively without any remuneration. Mr. Tulsidas T. Katara expired on 20th March, 2007. Hence in order to restructure the organization, Mr. K. T. Katara has been elevated by appointment as Managing Director of the company & Mr. V. T. Katara has been

Katare Spinning Mills Limited

appointed as Chairman & Executive Director of the company w. e. f. 1st July, 2007.

Mr. K. T. Katare has been appointed as Managing Director of the company after termination of his existing appointment as Executive Director. He has to now shoulder more responsibilities of managing the entire affairs of the company & hence his fresh terms as stated in the resolution have been approved by the Board on recommendations of the Remuneration Committee.

Mr. V. T. Katare has agreed to assist the Managing Director of the company as Executive Director. Hence his appointment terms as stated in the resolution have been approved by the Board on recommendations of the Remuneration Committee.

The services of both the experienced working directors are going to play key factor in future in view of changing industrial climate & competition in hospitality industry.

Taking into consideration the provisions of Schedule XIII to the Companies Act, 1956, the approval of the Central Government would be sought in due course.

All the Kataras being related to each others as brothers are to be treated as concerned or interested in both of resolutions. Other Directors are not interested or concerned in any resolution.

If & when the agreement with the working directors as above is executed the terms as stated in the resolution be treated as extract of the terms of agreements.

Delisting:

The equity shares of the company are presently registered on Pune Stock Exchange being the regional stock exchange & Bombay Stock Exchange being nation wide network. The company's shares are very seldomly traded on Pune Stock Exchange. Similarly requirement of continued listing on regional stock exchange is not mandatory now.

In order to reduce the cost as well as the administrative work of periodic submissions, it is proposed to de-list the shares of the company from Pune Stock Exchange & would continue to be listed on Bombay Stock Exchange being nation-wide network.

Hence as required by Delisting Guidelines 2003 the special resolution is proposed for approval of the members & after getting approval of members, further steps as required by the guidelines would be initiated.

The resolutions are put forward to the members to take appropriate decision.

Solapur
June 30, 2007

By order of the Board of Directors.

(V. T. KATARE)
Chairman & Executive Director

DIRECTOR'S REPORT

Dear Shareholders,

We have pleasure in presenting the 27th Annual Report of the Company along with audited statements of accounts for the year ended on 31st March 2007.

FINANCIAL RESULT :

	(Rs. in Lacs)	
	2006-07	2005-06
Turnover	2180.68	1884.13
Profit Before Interest & Depreciation	302.34	277.80
Less : Interest	80.72	86.78
Profit Before Depreciation	221.62	191.02
Less : Depreciation	167.41	171.84
Add : Transfer from Revaluation	124.87	124.87
Profit After Depreciation	179.08	144.05
Add/Less : Prior Period Income/Expenses	1.87	0.55
Profit Before Taxation	177.21	144.60
Less : Fringe Benefit Tax	0.85	0.43
Less : Deferred Tax Liability	38.71	0
Profit After Taxation	137.65	144.17
Less : Loss B/F from previous Year	172.65	316.83
Loss Carried to Balance Sheet	-35.01	-172.66

FINANCE :

In order to raise the funds for moderation of textile unit the company proposed preferential issue of shares in January, 2007. Accordingly with the approval of members the authorized capital was raised from Rs. 4 crores to Rs. 6 crores in February, 2007. The application made to Bombay Stock Exchange for approval in principle for the issue is under process.

OPERATION:

The Company achieved satisfactory performance during the year under review. Its turnover increased from Rs. 1884.13 lacs to Rs. 2180.68 lacs. The net profit before tax improved to Rs. 177.21 lacs from Rs. 144.60 lacs despite pressure in the raw material prices in textile division. Both the divisions of the Company, i. e. Textile and Hotel division, contributed to the overall performance of the company.

TEXTILE DIVISION

Textile sector is on the path of improvement due to encouragement given by the Central and State Government. The Company has already undertaken to modernize Unit No. 1 to cater the needs of good quality of yarn by the modernized weaving sector. Imported machinery have already began arriving. The modernization would be completed by this December - 2007 end. The modernization of machinery would improve productivity and cost reduction which would ultimately improve the profitability of the Company. The Company had commenced production of fancy yarn recently and this would lead to increase in the margin of profit.

HOTEL DIVISION :

There is a significant growth in the tourism sector due to various measures taken by both the State and Central Government in general, and setting up of new industries in Solapur by the entrepreneurs as a part of their diverting activities to second tier cities like Kolhapur, Aurangabad and Solapur in particular, since the metro cities like Mumbai, Pune, Nashik are saturating due to Engineering sectors and SEZ, which led to higher cost of land and shortage of man power. In view of the growing demand for hotel industry, the Company has undertaken to expand its capacity by 30% and after expansion the existing amenities of the international standard shall be strengthened in order to serve the tourists and Corporate executives in a better way.

Dividend:

Your Directors are unable to recommend any dividend at this stage.

Dis-investment from The Rayalseema Mills Ltd.:

As per the decision taken earlier the phase wise disinvestment is still under negotiations.

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 read with the relevant notes on accounts referred to therein and hence do not require any further comments.

AUDITORS:

The term of Mr. G. M. Pawale as Statutory Auditors is expiring at the ensuing Annual General Meeting. He being eligible offers himself for reappointment and the Board recommend him for the post of for Statutory Auditors.

DIRECTORS:

Shri. S. B. Inamdar & Shri. Y. N. Konda, 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 is no material departure from the standards and the remarks stated by Auditors in his report under point No.4 read with related notes to accounts are self explanatory to the extent of deviations from standards.
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