

katara spg. mills limited

28th *Annual Report*
2007-2008

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Spinning Mills Limited

28th ANNUAL REPORT AND ACCOUNTS 2007-2008

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

SPINNING 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
E-mail : pune@intimespectrum.com

Kanare Spinning Mills Limited

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NOTICE

Notice is hereby given that 28th Annual General Meeting of the Shareholders of Katare Spinning Mills Ltd. will be held on Saturday, the 27th day of September, 2008, 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 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 Sh.ri. S. T. Katare who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sh.ri. U. M. Mahindrakar who retires by rotation and being eligible offers himself for reappointment.
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.

By order of the Board of Directors.

Solapur
June 30, 2008

(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. The Register of Members and Transfers of the company shall remain closed from Saturday 20th September 2008 to Saturday 27th September 2008 (Both days inclusive)
3. Company's shares are in compulsory dematerialised trading. To ensure better investors' service and minimize risk, the member may avail of the facility of dematerialization of their physical shares certificates by opening D-mat account with any depository participant of National depository limited or Central depository services (India) Limited.
4. The shareholders are requested to intimate change, if any, in their addresses registered with the Company.

By order of the Board of Directors.

Solapur
June 30, 2008

(V. T. KATARE)
Chairman & Executive Director

Kafare Spinning Mills Limited

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DIRECTOR'S REPORT

Dear Shareholders,

Your Directors are pleased to present the 28th Annual Report of the Company together with Audited Statement of accounts for the year ended 31st March, 2008

Financial Results.

(Rs. In lacs)

	2007-08 (Rs.)	2006-07 (Rs.)
Turnover	2316.72	2180.68
Profit Before Interest & Depreciation	247.64	302.34
Less : Interest	89.59	80.72
Profit Before Depreciation	158.05	221.62
Less : Depreciation	169.93	167.41
Add : Transfer from Revaluation Reserve	124.87	124.87
Profit After Depreciation	113.00	179.08
Add/ Less : Prior Period Income/ Expenses	0.00	1.87
Profit Before Taxation	113.00	177.21
Less : Fringe Benefit Tax	0.75	0.85
Less : Deferred Tax Liability	41.29	38.71
Profit After Taxation	70.95	137.65
Less : Loss B/F from Previous year	35.01	172.65
Loss /Profit Carried to Balance Sheet	35.94	-35.01

Opertation :

The Company achieved satisfactory performance during the year under review. It's turnover increased from Rs. 2180.68 lacs to Rs. 2316.72 lacs. The Net Profit before tax is Rs. 113.00 lacs from Rs. 177.21 lacs due to increase in the raw material prices, Electric Cost and Labour Cost. Both the divisions of the Company, i.e. Textile and Hotel Division, contributed to the overall performance of the company.

Textile Division :

In order to improve the yarn production, reduce costs/wastages the company has already commenced modernization of plant & machinery at Unit No. 1. The entire modernization when completed would start producing favorable results in the current year.

Katare Spinning Mills Limited

Hotel Division :

Because of developments in tourism in & around Solapur as well as the industrial development the hotel occupancy is stable through out the year. The capacity expansion & refurnishing work of hotel is in progress, which can attract more visitors in due course.

Share Warrant Issue & Utilisation of Funds :

After the approval of the members at the Extra Ordinary General meeting held on 22nd January, 2008, the company has received in principle approval of Stock Exchange for issue of convertible warrants in May 2008. On receipt of ten percent value the warrants have been allotted which on conversion would result into 21,50,000 Equity shares of Rs. 10/- each when allotted. The company has already commenced the expansion/renovation/upgradation of Hotel & textile divisions.

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.T. Katare & Shri. U. M. Mahindrakar, directors are retiring by rotation and being eligible offer themselves for reappointment.

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Directors Responsibility Statement:

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

1. 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 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 2008.
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 the paid up capital is less than Rs. 3 Crores.

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 Statement:

In terms of Listing Agreement the cash flow statement for the year ended on 31st March, 2008 is annexed.

Acknowledgement :

The directors wish to thank Company's Bankers for all the assistance and encouragement that they have extended to the company. The Directors put on record their appreciation for the hard work & dedication of all employees. The Directors express their thanks to the shareholders for their continued support and they look forward to the future with confidence.

For and on behalf of the Board of Directors

Solapur
June 30, 2008

(V. T. KATARE)
Chairman & Executive 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 :
- Switching off unwanted lights.
 - Use of natural lights as far as possible.
 - Humidification plants not operated during favorable 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 appropriated 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

Sr.No.	Particulars	Current Year	Previous Year
01	Electricity		
a)	Purchased Units	4020535	5558515
	Total Amount Rs.	16773670	23225562
	Rate Unit Rs.	4.17	4.18
b)	Own Generation		
	Through Diesel Generator Unit	27710	20170
	Rate per unit Rs.	8.31	10.59
02	Coal Quantity	Nil	Nil
a)	Consumption of Unit of Production	Nil	Nil
	Prod uction of Yarn M.T.	Nil	Nil
	Electricity Units per M.T.	Nil	Nil
	Coal per M.T.of Production : Kgs		

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.

Reduction in cost output, improvement in Quality introduction of new varieties of Yarn better marketability.

The above activities shall continue & more effects in this direction will be made appropriate testing machines & other suitable equipment are going to be added.
2. Benefits derived as result R & D Carried out by the company.

The separate division has been established to act above activities and the expenditure is merged with the various expenses.
3. Future Plan of action

The plants are based on 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.
4. Expenditure on R & D

A) Capital Rs.	379720.00
B) Recurring Rs.	0.00
C) Total Rs.	379720.00
D) Total R & D. Expenditure	

Technology absorption
Adaptation & innovation

 1. Effort in brief towards technology Absorption, adaptation and innovation.

After adaptation of Modern machines with latest technology the Company reduced considerable improvement in market demand of our products.
 2. Benefits derived as a results of Above efforts e.g. output, improvement cost reduction, production, development import substitution.
5. Details of imported Technology.

No Technology has been imported during the last 5 years.
- C. Foreign Exchange Earning and outgo.

Nil

On behalf of the Board of Directors

Solapur :
June 30, 2008

(V.T. KATARE)
Chairman & Executive Director

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 2008, 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 accounts;
 - (iv) On the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2008 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