



Katare
Spinning
Mills Ltd.

30th

Annual Report
2009-2010

**30th ANNUAL REPORT AND ACCOUNTS
2009 - 2010**

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

AUDITOR

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

SPINNING MILL

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

HOTEL TRIPURSUNDARI

Civil Lines, Solapur - 413 001

REGISTERED OFFICE

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

BANKERS

Bank of India,
Main Branch, Solapur - 413 002

REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt. Ltd.,
Akshay Complex, Block No. 202, 2nd Floor,
off Dhole Patil Road, Pune - 411 001
E-mail : pune@intimespectrum.com

NOTICE

Notice is hereby given that 30th Annual General Meeting of the Shareholders of Katare Spinning Mills Ltd. will be held on Thursday, the 30th day of September 2010, at 11.00 a.m. (I.S.T.) at Katare Cotton Waste Spg. Mills, C-2, M.I.D.C. Akkalkot Road, Solapur - 413 006 to transact the following :

ORDINARY BUSINESS:

1. To adopt the audited Profit & Loss Account of the Company for the year ended on 31st March 2010 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. T. Katare who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. U. M. Mahindrakar 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 the following Resolution as Ordinary Resolution.

"RESOLVED THAT consent of the company be and it is hereby given to increase the present Authorised Shares capital of Rs. 4,00,00,000 divided into 40,00,000 Equity Shares of Rs. 10/- each to Rs. 10,00,00,000 divided into 100,00,000 Equity Shares of Rs. 10/- each by creation of additional 40,00,000 equity shares of Rs. 10/- each.

FURTHER RESOLVED THAT the increased Equity Shares Capital shall rank pari-passu with the existing Equity Shares Capital of the company in all respects.

FURTHER RESOLVED THAT necessary intimation be given to the Registrar of Companies.

6. To consider & if thought fit and pass with or without modification the following resolution as a Special Resolution :

RESOLVED THAT pursuant to the provision of Section 31 of the Companies Act, 1956 the Articles of Association of the Company be amended by deleting the present Article No. 4 and substituting it by the following Articles :

To authorised Shares Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores) divided into 100,00,000 (Hundred lacs) Equity Shares of Rs. 10/- (Rupees Ten) each.

By order of the Board of Directors.

(V. T. KATARE)

Chairman & Executive Director

Solapur
August 31, 2010

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 Tuesday 22nd September 2010 to Thursday 30th September 2010 (Both days inclusive)
3. Explanatory statement for special business is enclosed.
4. Company's shares are in compulsory dematerialised trading. To ensure better investors' service and minimize risk, the member may avail of the facility of dematerialisation of their physical shares certificates by opening D-mat account with any depository participant of National depository limited or Central depository services (India) Limited.
5. The shareholders are requested to intimate change, if any, in their addresses registered with the Company.
6. The shareholders are requested to intimate PAN number.

By order of the Board of Directors.

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

EXPLANTORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 5 & 6 of the Notice : Increase of authorised Capital.

The present authorised and paid up capital of the Company is Rs. 6 Crores and Rs. 2.85 Crores respectively. The proposed future plans when undertaken would be financed by borrowed funds and proportionate capital contribution. In order to raise the proportionate capital the company proposes to issue shares with the permission of members & statutory authorities. To accommodate further increase in the paid-up capital the authorised capital is requires to be increased to Rs. 10 Crores. The Capital clause in the Memorandum and also in the Articles of Association need to be altered accordingly. Hence the resolutions are proposed for your approval.

None of the directors is directly or indirectly concerned or interested in the proposed resolution.

The existing memorandum and articles of Association is open for inspection of the members during office hourse on working days at he registered office of the company. After the approval of the members further actions in implementation of the decisions would be taken in due course.

By order of the Board of Directors.

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors are pleased to present the **THIRTYTEN** Annual Report of the Company together with Audited Statement of accounts for the year ended 31st March, 2010

Summarised Financial Results :

(Rs. in lacs)

	2009-10 (Rs.)	2008-09 (Rs.)
Turnover	3644.42	3058.13
Profit Before Interest & Depreciation	302.13	191.84
Less : Interest	98.43	82.84
Profit Before Depreciation	203.70	109.00
Less : Depreciation	156.75	165.05
Add : Transfer from Revaluation Reserve	124.87	124.87
Profit After Depreciation	171.82	68.82
Less : Bad debts written off	0.00	1.05
Profit Before Taxation	171.82	67.77
Less : Fringe Benefit Tax	0.00	0.45
Less : Income Tax of earlier year	0.33	4.38
Less : Provision for Taxation	6.52	0.0
Deferred Tax Liability : Debit / (Credit)	(-) 55.66	20.65
Net Profit	109.54	83.59
Add balance brought forward	119.54	35.94
Profit Carried to Balance Sheet	228.85	119.54

Opertation :

The Company achieved satisfactory performance during the year under review. It's turnover increased from Rs. 3058.13 lacs to Rs. 3644.42 lacs. The Gross Profit before Depreciation is Rs. 203.70 lacs from Rs. 109.00 lacs. Both the divisions of the Company, i.e. Textile and Hotel Division, contributed to the overall performance of the company.

Expansion & Modernisation :

a) Textile Division :

In order to improve the yarn production, reduce costs/wastages the company has already commenced technological upgradation programme of the plant at Unit No. 1. to maintain competitiveness and achieve better quality. Stringent cost control measures continue to be implemented in all possible areas.

b) Hotel Division :

Because of developments in tourism in & around Solapur as well as the industrial development the hotel occupancy has increased through out the year. The expansion & refurbishing work of hotel has been completed during the year, which will further improve the acceptability.

Capital :

For the purpose of financing up gradation of Spinning Division and expansion of capacity of total division the company with the approval of Members, the company had made issue of 21,50,000 convertible share warrants. However the committed amount payable on the warrants was not fully received in time from the allottees within the time to convert the same to issue equity shares before 29.11.2009. The Board then thought it fit to postpone the issue because of inability to comply the conditions of approval. Advances received against warrant price were partly refunded.

The Board still wishes to complete the future plans with increase in capital for which resolutions have been proposed.

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 Report :

The qualifications / observations / adverse remarks in Auditors report read with related notes to accounts are self explanatory.

Auditors :

The retiring auditors, Mr. G. M. Pawle, Chartered Accountants, are eligible for re-appointment and have indicated their willingness to accept re-appointment. In terms of section 224A of the companies act 1956, their re-appointment needs to be approved by the members and their remuneration has to be fixed.

Cost Auditors :

Pursuant to the directives of the central Government under the provisions of section 233B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct cost audits relating to products manufactured by the company.

Directors :

Under Article 160 of the Articles of Association of the Company Shri. S. T. Katare & Shri. U. M. Mahindrakar, directors are retiring by rotation and being eligible offer themselves for re-appointment.

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 profit /Loss of the Company for that period ;
3. The Directors have taken proper and sufficient care to ensure the maintenance of adequate accounting records in accordance with the provision of the company Act for safeguarding the assets of the company and for preventing and detecting any fraud and other irregularities; if any;
4. The Directors have prepared the annual accounts on a going concern basis.

Corporate Governance :

Secretarial compliance certificate has been obtained by the company which is attached to this Report.

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 conformity with the provisions of clause 32 of the Listing Agreement, the cash flow statement for the year ended on 31st March, 2010 is annexed hereto.

Appreciation :

The company places on record its deep appreciation of the devoted services of the loyal workers, executive's and other staff of the Company who have contributed in no small measures to the performance and the companies inherent strength. Grateful thanks are also due to State Governments, the investors, the Banking circles, and district level authorities for their continued support extended to the Company from time to time. Shareholders appreciation of the managements efforts expressed at the General Meeting of the Company and otherwise, is a great fillip to strive for better performance year after year.

For and on Behalf of the Board of Directors

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive 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 :

- i) Switching off unwanted lights.
- ii) Use of natural lights as far as possible.
- iii) Humidification plants not operated during favorable 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 Yarncontents 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 appropriated 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

Sr.No.	Particulars	Current Year	Previous Year
01	Electricity		
a)	Purchased Units	3497640	3986580
	Total Amount Rs.	15252323	15909114
	Rate Unit Rs.	4.36	3.99
b)	Own Generation		
	Through Diesel Generator Unit	22290	15720
	Rate per unit Rs.	9.65	9.33
02	Coal Quantity	Nil	Nil
a)	Consumption of Unit of Production	Nil	Nil
	Production 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.

The separate division has been established to act above activities and the expenditure is merged with the various expenses.
2. Benefits derived as result R & D Carried out by the company.
3. Future Plan of action
4. Expenditure on R & D

A) Capital Rs.	380878.00
B) Recurring Rs.	0.00
C) Total Rs.	380878.00
D) Total R & D. Expenditure	

Technology absorption
Adaptation & innovation

 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 adaptation of Modern machines with latest technology the Company reduced considerable improvement in market demand of our products.
5. Details of imported Technology.

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

Nil

On behalf of the Board of Directors.

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

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 2010, 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 2010 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2010 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