

31st ANNUAL REPORT AND ACCOUNTS 2010 - 2011

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
Shri. G. S. Roongta	Director (from 22.01.2011)

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 31st Annual General Meeting of the Shareholders of Katare Spinning Mills Limited will be held on Thursday, the 29th day of September, 2011, at 11.00 a.m. (I.S.T.) at Hotel Tripursundari, 224, Civil Line, 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, 2011 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. Y. N. Konda who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. Suresh B. Inamdar 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 & if thought fit to approve following as ordinary resolution :
"RESOLVED THAT Mr. G. S. Roongta who was co-opted as additional director be & is hereby appointed as director liable to retire by rotation"

By order of the Board of Directors.

Solapur
30th August, 2011

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 Tuesday 21st September 2011 to Thursday 29th September 2011 (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.
5. The Shareholders are requested to intimate PAN number.
6. Explanatory statement for special business as follows : G. R. Roongta was co-opted as additional director in January 2011. He is having varied long experience of more than 40 years in the textile industry companies including management, finance, investments & project implementation etc. His independent advice to the company would be important in the competitive time. The notice u/s 257 with deposit has been received from shareholder proposing his candidature as a director. The board recommends his appointment as director.

By order of the Board of Directors.

Solapur
30th August, 2011

V. T. KATARE
(Chairman & Executive Director)

DIRECTOR'S REPORT

Dear Shareholders,

We have pleasure in presenting the THIRTYFIRST Annual Report of the Company along with the audited statement of accounts for the year ended 31st March, 2011. The financial results for the year are shown below.

1. Summarised Financial Results :

(Rs. In lacs)

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
Turnover	4946.24	3644.42
Profit Before Interest & Depreciation	392.89	302.13
Less : Interest	100.64	98.43
Profit Before Depreciation	292.25	203.70
Less : Depreciation	191.10	156.75
Add : Transfer from Revaluation Reserve	124.87	124.87
Profit After DepreciationBad	226.02	171.82
Less : Bad debts written off	37.06	0
Profit Before Taxation	188.96	171.82
Less : Income Tax of earlier year	1.43	0.33
Less : Provision for Taxation	3.50	6.52
Less : Previous years exps	3.45	0
Less : Deferred Tax Liability	19.81	55.66
Net Profit	160.77	109.54
Add : Balance brought forward	228.85	119.54
Profit Carried to Balance Sheet	389.62	228.85

2. Operation :

The Company achieved satisfactory performance during the year under review. Its turnover increased from Rs. 3644.42 Lacs to Rs. 4946.24 lacs. The Gross Profit before Depreciation is Rs.292.25 lacs from Rs. 203.70 lacs. Both the divisions of the Company, i.e. Textile and Hotel Division, contributed to the overall performance of the company.

3. Business Segment :

a) Textiles :

The textile industry faces a particularly acute challenge as per price of its raw material, viz. cotton, has increased by more than hundred percent in just the last one year. The industry has not been able to take the advantage of heavy investments made in recent years because of lack of demand. Particularly in the export market, the prices relizable are not remunerative. The importing countries are still not fully out of the demand recession and adverse rupee, dollar party dose not encourage exports. Allowing export of cotton has created an acute shortage of this commodity. This factor coupled with increased cost to an unprecedented level and partial restrictions on the export of yarn up to March, 2011 have all added to the problems of the industry. Unless export policies get stabilized on sound putting, it will difficult for the industry to improve substantially in the near future.

b) Hotel Division :

Because of developments in tourism in & around Solpaur as well as the new industrial development the hotel occupancy is increased through out the year and recently the expansion

& refurnishing work of hotel project is completed during the year.

c) Outlook :

In spite of the current situation out lined above, the demand for cotton textiles in the long run should remain strong in India and abroad. Our continued efforts to maintain quality and scouting for new and better markets should promote growth and we hope achieve a better performance in the near future.

4. **Dividend :**

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

5. **Dis-investment from The Rayalseema Mills Ltd. :**

As per the decision taken earlier the phase wise disinvestment is in the final stage.

6. **Insurance :**

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

7. **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.

8. **Auditor's report :**

The Auditors report to the shareholders does not contain any reservation, qualification or adverse remark.

9. **Auditors :**

The retiring auditors, Mr. G. M. Pawale, 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.

10. **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.

11. **Directors :**

During the year G. S. Roongta is co-opted as additional director, whose term is expiring at this meeting & being eligible offers himself for appointment as director liable to retire by rotation. He being independent industrial consultant is asset for the company to be on the Board. The recommends his appointment.

Under Article 160 of the Articles of Association of the Company Shri. Y.N. Konda & Shri. S.B. Inamdar, directors are retiring by rotation and being eligible offer themselves for reappointment.

12. **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 manitance of adequate accounting records in accordance with the provisions of the company Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities, if any;

4. The Directors have prepared the annual accounts on a going concern basis.

13. 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.

14. 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, 2011 is annexed hereto.

15. Appreciation :

The Board 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 Companies contributed inherent strength. It also extends grateful thanks to the investors, the banking circles, and district level authorities for their continued support to the Company from time to time. Shareholders appreciation of the management's efforts expressed at the general meeting of the Company and otherwise, is a great fillip to strive for better performance year after year.

For & On behalf of the Board of Directors

Solapur
30th August, 2011

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 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 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	3036255	3497640
	Total Amount Rs.	14264748	15252323
	Rate Unit Rs.	4.70	4.36
b)	Own Generation		
	Through Diesel Generator Unit	17960	22290
	Rate per unit Rs.	16.79	9.65
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. | <p>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.</p> <p>ii) Several Steps have been taken to reduce and product faults and breakage and waste percentage.</p> |
| 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 & more effects in this direction will be . made appropriate testing machines & other suitable equipment are going to be added. |
| 4. | <p>Expenditure on R & D</p> <p>A) Capital Rs. 380878.00</p> <p>B) Recurring Rs. 0.00</p> <p>C) Total Rs. 380878.00</p> <p>D) Total R & D. Expenditure</p> | The separate division has been established to act above activities and the expenditure is merged with the various expenses. |
| | <p>Technology absorption</p> <p>Adaptation & innovation</p> <p>1. Effort in brief towards technology Absorption, adaptation and innovation.</p> | <p>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.</p> |
| | <p>2. Benefits derived as a results of Above efforts e.g. output, improvement cost reduction, production, development import substitution.</p> | <p>After adaptation of Modern machines with latest technology the Company reduced considerable improvement in market demand of our products.</p> |
| 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
30th August, 2011

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 2011, 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 2011 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2011 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 Nil balance of loan from ICICI Bank, as referred to, in Note No. 5(a) and 5(b) in notes on Accounts, at the year end is subject to confirmation in respect of final dues including interest 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 its impact on concept of ongoing concern due to huge losses, is presently not ascertainable.
- b) Receivables to the extent of Rs. 1,07,20,244 are bad for which no provision was made in the accounts in the year ended 31st March, 2011 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.1,07,20,244 each.
- c) All the balances of Receivables and Payables are subject to confirmation and reconciliation and adjustments, if any, required on reconciliation. The consequential effect of such possible adjustments and the extent thereof on the profit of the year, the year end Net Current Assets and Reserve & Surplus cannot be ascertained at this stage.
- d) No provision for gratuity payment on actuarial basis as on 31st March, 2011 was made hence its effect on profit could not be ascertained as referred to in note no. 1(f) in the notes on accounts.
- (vi) Subject to my comments under paras (v) (a) to (d) above, in my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2011;
 - (b) in the case of the profit and loss account, of the Profit for the year ended on that date.
 - (c) in the case of the cash flow statement of the cash flows for the year ended on that date.

Solapur
30th August, 2011

G. M. Pawle,
Chartered Accountant
M. No. 32561