



PADAM COTTON YARNS LIMITED

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**10th ANNUAL REPORT
2003-2004**

BOARD OF DIRECTORS

Shri Rajev Gupta
Shri Vivek Gupta
Shri Jai Kumar Gupta
Shri Satwant Singh
Shri Harbhajan Singh

Wholetime Director
Wholetime Director
Director
Director
Director

REGISTERED OFFICE & WORKS

196, 1st Floor, G.T.Road,
Opp. Red Cross Market,
Karnal-132 001

HEAD OFFICE

21, Syndicate House,
3, Old Rohtak Road,
Delhi-35.

STATUTORY AUDITORS

M/s. Viney Goel & Associates,
Chartered Accountant,
22, Purshottam Market,
Kunjpura Road, Karnal-132 001

BANKERS TO THE COMPANY

Punjab National Bank
SSI Branch, Namastey Chowk
Karnal-132 001

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NOTICE

Notice is hereby given that the Tenth Annual General Meeting of the company will be held at the Registered Office of the Company at 196, 1st Floor, G.T. Road, Opp. Red Cross Market, Karnal, on Thursday the 22nd Day of July 2004 at 11.30 A.M. to consider and transact the following ordinary business :-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended on 31st March, 2004 and the report of Auditor's and Director's there on.
2. To appoint a Director in place of Mr. Vivek Gupta, who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. Harbhajan Singh, who retires by rotation but being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting and to fix their remuneration. M/s Viney Goel & Associates, Chartered Accountants, the retiring Auditors of the Company are eligible for re-appointment.

PLACE : KARNAL
DATE : 28th May 2004

**BY ORDER OF THE BOARD
FOR PADAM COTTON YARNS LTD.**

Sd/-

(RAJEV GUPTA)
Whole Time Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on poll to vote instead of himself/herself and the proxy need not be a member. Proxy forms should be deposited at the Registered Office of the company not later than 48 hours before the time fixed for the meeting.
2. The relative Explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed.
3. The Register of Members and Share Transfer Books of the Company shall remain closed with effect from Friday the 16th Day of July, 2004 to Thursday, the 22nd Day of July, 2004 (Both days inclusive).
4. Members are requested to notify the change of address, if any, to the company at the Registered Office immediately quoting their folio number under which the shares are held.
5. All queries relating to the accounts must be sent to the company at its Registered Office at least Ten days before the holding of the Annual General Meeting.
6. Members are requested to please bring the Annual Reports sent to them at the Annual General Meeting as the Extra Copies shall not be available.
7. Members/Proxies are requested to bring with them the attendance slip and handover at the entrance duly signed by them.
8. Members who have multiple accounts in identical names or joint accounts in same order are requested to intimate the company, the ledger folios of such accounts to enable the company to consolidate all such shareholdings into one account.

DEAR MEMBERS,

Your Directors take Pleasure in presenting their Tenth Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS:

Your Directors regret to inform you that in the month of July, 2002 there was a major fire in the factory premises resulting in the complete damage of the Plant and Machinery, Blow Room and major part of the Building. The Company could not commence production during the whole of the previous year. As such, the figures of sales and Profit/loss for the current year are not comparable with the previous year. However, the net loss during the year ended on 31st March, 2004 stands at Rs. 606.80 Lacs as against a net loss of Rs. 132.99 lacs. during the previous year. The losses for the year under review has accumulated losses to the extent of Rs.732.09 Lacs where by the entire net worth of company is eroded. In order to revive the Project, the company has already taken on lease Land/Building and is making discussions with the suppliers of the machinery for finalisation.

DIVIDEND

In view of the losses, your Directors do not recommend any dividend.

DEPOSITS

During the year under review, your company did not have any unclaimed or overdue deposits. Unsecured loans from the Directors/Body Corporates falls under the exempted category.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956 :

UNDER SUB-SECTION (1) (e) :

The Information required to be disclosed under section 217 (1) (e) with regard to the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors Rules, 1998 with regard to the conservation of energy, absorption of technology and foreign exchange earning and outgo is enclosed as Annexure I and forms an integral part of this report.

UNDER SUB SECTION [2A] :

No employee was in receipt of remuneration in excess of the limits prescribed under the Act whose particulars are required to be disclosed in this report.

UNDER SUB SECTION 2AA DIRECTORS' SRESPONSIBILITY STATEMENT :

Pusuant to section 217 (2AA) of the Companies Act., 1956, your Directors state that :

1. That in the preparation of the annual accounts for the year ended 31st March, 2004 the applicable accounting standards have been followed alongwith proper explanations relating to material departures, if any.
2. The Accounting Policies as mentioned in Schedule XVI of the Annual accounts have been selected and applied consistantly and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company of the financial year ended 31st March, 2004 and of the profit or loss of the Company for that year.
3. Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities.
4. Your Directors have prepared the accompanying Annual Accounts for the year ended on 31st March, 2004 on a going concern basis.

DIRECTORS :

In accordance with the provisions of the Companies Act 1956 read with Articles of Association of the Company, Mr. Vivek Gupta & Mr. Harbhajan Singh, Directors retire by rotation at the forthring AGM and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE :

A report on the Corporate Governance along with a certificate from the Statutory Auditors of the Company regarding compliance of the Clause 49 of the Listing Agreement is attached as Annexure II to this report.

AUDITORS :

M/s Viney Goel & Associates, Chartered Accountants, shall retire at the conclusion of the ensuing Annual General Meeting of the Company and being eligible, offers themselves for re-appointment. The Auditors have informed that their re-appointment if made, shall be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

In pursuance of the provisions contained in Section 233 B of the Companies Act, 1956, your Directors have appointed subject to the approval of the Central Government, M/s Sanjay Kumar Garg & Associates, Cost Accountants, as the Cost Auditors for the year 2003-2004.

The Board of Directors endorses the reasons furnished by the Statutory Auditors observations while qualifying the various para's of their CARO Report. The qualifying remarks of the Statutory Auditors have also been suitably explained in the notes on accounts forming part of the Annual Accounts.

ACKNOWLEDGEMENT :

Your Directors would like to thank the Financial Institutions, State Bank of India, and all other Central and State Government Departments for their continued support and assistance. Your Directors would also like to thank all employees and officers of the company without whose efforts it would not have been possible to obtain these results.

FOR & ON BEHALF OF THE BOARD

PLACE : KARNAL

DATE : 28th May, 2004

Sd/-
RAJEV GUPTA
(W.T.D.)

Sd/-
VIVEK GUPTA
(W.T.D.)

Annexure-I
(FORM-A)

POWER GENERATION

| (A) | ELECTRICITY | Unit/LT | Amount (Rs.) | Cost Per Unit/LT (Rs.) |
|-----|----------------|---------|--------------|------------------------|
| | | 3821 | 16,355/- | 4.28 |
| (B) | On Generation | NIL | NIL | NIL |
| | C/O Diesel/Oil | | | |

(FORM-B)

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION, ADAPTION & INNOVATION

As the major part of factory building, plant & machinery was destroyed in fire occurred in the Month of July 2002, the company could not commence production again. As such, information under different categories may be treated as nil.

ANNEXURE-II
TO THE DIRECTOR'S REPORT
REPORT ON CORPORATE GOVERNANCE

The company has over the years followed best practices of Corporate Governance by adhering to the practices laid down by the Management. The most important part of the Corporate Governance is the best business principles and leadership. As per the schedule of implementation of Corporate Governance code mentioned in Clause 49 of the listing agreement the Company has implemented the mandatory requirements of the code. The Directors are pleased to report the same as under :

BOARD OF DIRECTORS

Composition, Attendance at the Board meetings and the last Annual General meeting outside Directorships and other Board committees.

The present strength of the Board of Directors is Five (2 Whole Time Directors and 3 Non Executive Directors) Information as on 31.03.2004

| DIRECTOR | NO. OF BOARD MEETING ATTENDED | ATTENDANCE AT PREVIOUS AGM ON 24.09.2003 | NO OF OUTSIDE DIRECTORSHIP HELD | NO. OF MEMBERSHIP/ CHAIRMANSHIP IN OTHER BOARD COMMITTEES |
|---------------------|--|---|--|---|
| Mr. Rajev Gupta | 9 | Yes | Two | Nil |
| Mr. Vivek Gupta | 9 | Yes | One | Nil |
| Mr. Jai Kumar Gupta | 7 | Nil | Nil | Nil |
| Mr. Satwant Singh | 9 | Nil | Nil | Nil |
| Mr. Harbhajan Singh | 8 | Nil | Nil | Nil |

BOARD MEETINGS HELD DURING THE YEAR 2003-2004

During the year Nine meetings of the Board of Directors were held on :

21-4-2003, 16-6-2003, 30-7-2003, 29-8-2003, 5-9-2003, 24-9-2003, 17-10-2003, 8-12-2003 and 23-1-2004

BOARD COMMITTEES

The Board of Directors in their meeting held on 30th December, 2002 re-constituted the following sub-committees consisting of the following non-executive and independent directors, as per the requirements of Clause 49 of the Listing Agreement :

Audit Committee

| Name of the Members | No. of Meeting Attended |
|------------------------|-------------------------|
| 1. Mr. Jai Kumar Gupta | 3 |
| 2. Mr. Harbhajan Singh | 3 |
| 3. Mr. Satwant Singh | 3 |

The Audit committee acts as a link between the Management, the Auditors and the Board of Directors. The Committee provides the Board with additional assurance as to the adequacy of the Company's internal control systems and financial disclosures.

Remuneration Committee

| | No. of Meeting Attended |
|------------------------|-------------------------|
| 1. Mr. Jai Kumar Gupta | 3 |
| 2. Mr. Harbhajan Singh | 3 |
| 3. Mr. Satwant Singh | 3 |

Shareholders Rederessal Committee

| | No. of Meeting Attended |
|------------------------|-------------------------|
| 1. Mr. Jai Kumar Gupta | 3 |
| 2. Mr. Harbhajan Singh | 3 |
| 3. Mr. Satwant Singh | 3 |

GENERAL BODY MEETINGS

| YEAR | VENUE | DATE | TIME |
|------|---------------------------------------|------------|------------|
| 2003 | 71/3, Miles Stone, G.T. Road, Karnal. | 24/09/2003 | 11.30 A.M. |
| 2002 | 71/3, Miles Stone, G.T. Road, Karnal. | 25/09/2002 | 11.30 A.M. |
| 2001 | 71/3, Miles Stone, G.T. Road, Karnal. | 17/09/2001 | 10.30 A.M. |

DISCLOSURES

There has not been any non-compliance, penalties or strictures imposed on the Company by any of the stock exchanges, SEBI, or any other statutory authorities on any matter relating to the Capital market during the last three years.

MEANS OF COMMUNICATION

The quarterly and half yearly results are generally published by the Company in the newspapers as per requirements of the listing agreement. However, the Annual report of the Company is sent to the shareholders every year at the time of Annual General meeting. The copies of the above documents are also forwarded to the stock exchanges in the line with the listing agreement requirements.

GENERAL SHAREHOLDERS' INFORMATION**Annual General Meeting**

| | |
|-------|---|
| DAY | Thursday |
| DATE | 22nd July 2004 |
| TIME | 11.30 A.M. |
| VENUE | 196, 1st Floor, G.T.Road, Opp. Red Cross Market, Karnal - 132 001 |

LISTING ON STOCK EXCHANGES

The share of the company are listed on following Stock Exchanges.

The Stock Exchange, Mumbai,
Phiroze Jee Jeebhoy Tower,
25th Floor, Dalal Street,
Mumbai-400023

The Stock Exchange, Ahmedabad,
Kamdhenu Complex, Anjrapur Polytechnic,
Ahmedabad - 380015

The Jaipur Stock Exchange Limited,
Stock Exchange Building,
Jawahar Lal Nehru Marg,
Malviya Nagar,
Jaipur-302017

The Delhi Stock Exchange Association Limited,
3/1, Asif Ali Road, DSE House,
New Delhi-110001

The Company has paid the Annual Listing Fee upto date to all the Stock Exchanges where the shares of the company are listed. Since the shares of the Company are not actively traded at all the stock exchanges, as such the monthly high/low prices are not given. However the company has submitted its delisting application to the Stock Exchange at New Delhi, Jaipur and Ahmedabad.

REGISTRAR AND SHARE TRANSFER AGENT

The transfer of shares both in physical and electronic mode is done by the Company's Registrar and Share Transfer Agents M/s Intime Spectrum Registry Limited at New Delhi. The request of dematerialisation of shares are processed and confirmation is given to the respective depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CSDL) through the Registrar of the Company i.e. M/s Intime Spectrum Registry Limited, A-31, COMMUNITY CENTRE, NEAR PVR CINEMA, INDUSTRIAL AREA, NARAINA, NEW DELHI.

RESUME OF THE DIRECTORS SEEKING REAPPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING

Mr. Vivek Gupta, who is retiring by rotation and being eligible offers himself for re-appointment at the forthcoming Annual General Meeting is a Whole Time Director of the company and has been involved in the day to day Commercial and production activities of the company since its inception. Mr. Harbhajan Singh, who is also retiring by rotation and being eligible offers himself for re-appointment at the forthcoming Annual General Meeting is a non working and independent Director of the company and is having a vast experience and knowledge of the modern business practices.

In addition to the Directorship in the above company, only Mr. Vivek Gupta is holding a Directorship in Oswal Pumps Private Limited.

CATEGORIES OF SHARE HOLDING AS ON 31. 3. 2004

| CATEGORY | No. of Shares | % |
|------------------------------------|---------------|--------|
| PROMOTERS AND ASSOCIATES | 2042200 | 52.72% |
| FOREIGN INSTITUTIONAL INVESTORS | NIL | NIL |
| PUBLIC FINANCIAL INSTITUTIONS | NIL | NIL |
| MUTUAL FUNDS | NIL | NIL |
| NATIONALISED BANKS AND OTHER BANKS | NIL | NIL |
| NRI AND OCB | NIL | NIL |
| OTHERS | 1830800 | 47.27% |
| TOTAL | 3873000 | 100 % |