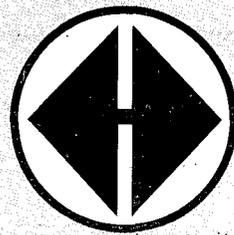
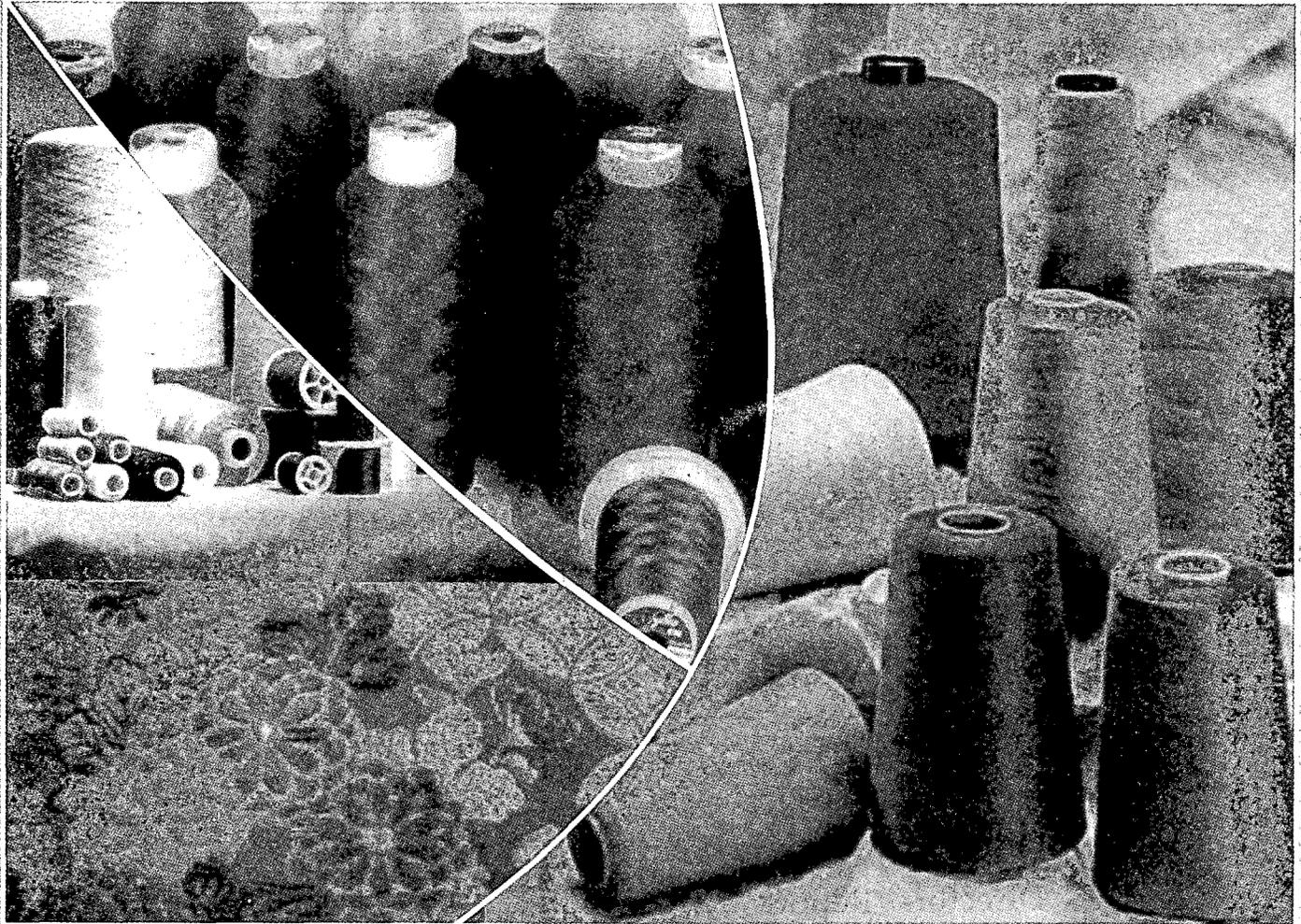


28th ANNUAL REPORT

2008-2009



H.P. THREAD

H. P. Cotton Textile Mills Limited

28th ANNUAL GENERAL MEETING

Day : Wednesday

Date : 30th September, 2009

Time : 4:30 P.M.

Venue : 15 K.M. Stone, Delhi Road, V.P.O. Mayar,
Hisar - 125044, (Haryana)

REGISTERED/ CORPORATE OFFICE AND WORKS:

- Regd. Office : 15 K.M. Stone, Delhi Road,
& V.P.O. Mayar,
Works Hisar - 125044, (Haryana)
- Kolkatta Branch : 405 Manglam Building,
24 Hament Basu Sarani, Kolkatta-700001
- New Delhi Branch : 1E/12 , Jhandewalan Extention,
Sewak Bhawan , New Delhi-110055
- Ahmadabad Branch : 85, Hira Bhai Market, Ahmedabad-380022
- Mumbai Branch : Shah & Nahar (Worli) Industrial Estate,
Unit No. 506, Fifth Floor,
Dr. E.Moses Road, Near Geeta Cinema,
Worli Mumbai-400018

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H.P. THREAD

H.P. Cotton Textile Mills Limited

BOARD OF DIRECTORS :

Shri Arjun Das Agarwal, Chairman

Shri Ashok Kumar Agarwal, Deputy Managing Director

Shri Kailash Kumar Agarwal, Deputy Managing Director

Shri Bibhuti Charan Talukdar

Shri Parshotam Das Agarwal

Shri Anil Aggarwalla

BANKERS :

State Bank of Patiala

Oriental Bank of Commerce

AUDITORS OF THE COMPANY

Statutory Auditors M/s A.K.Associates, Chartered Accountants, New Delhi

Internal Auditors M/s Ashok Kumar Goyal & Co., Chartered Accountants, Hisar

Cost Auditors Sh. N. K. Goel , Cost Accountants, New Delhi

Tax Auditors M/s HPS Associates , Chartered Accountants, New Delhi

REGISTRAR & SHARE TRANSFER AGENT :

M/s Alankit Assignments Ltd.

2E/21, Alankit House, Jhandewalan Extension,

New Delhi-110055

Tel No. : 23541234-42541234

Fax No. : 23552001

Website : www.alankit.com

**NOTICE:**

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Members of **H.P. Cotton Textile Mills Limited** will be held on Wednesday, the 30th day of September, 2009, at 4.30 p.m. at the Registered Office of the Company at 15th K.M.Stone, Delhi Road, V.P.O. Mayar, Hisar-125044 (Haryana) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet of the Company as at 31st March 2009 and the Profit and Loss Account for the financial year ended on that date along with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Arjun Das Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Kailash Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration and for this purpose to consider, and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

" Resolved that M/s A.K.Associates, Chartered Accountants, the retiring auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be recommended by the Audit Committee and accepted by the Board of Directors."

SPECIAL BUSINESS

5. **To consider and if thought fit, to pass, with or without modification, the following Resolution as Special Resolution.**

" Resolved that the Company hereby accords its consent and approval under section 198,269,309 and 314 read with Part II of the revised Schedule XIII thereto and other applicable provisions, if any, of the Companies Act 1956, for re-appointment of Shri Ashok Kumar Agarwal, subject to retirement by rotation, as Whole Time Director designated as Deputy Managing Director for a period of 5 (five) years with effect from 2nd August, 2009 on the following remuneration.

Salaries	Rs. 38,000 (consolidated) per month
Medical Re-imburement	Expenses for self and family upto a limit of 5% of annual salary
P.F.and Gratuity	As per Act and shall not be included in the computation of the ceiling on remuneration.
Encashment of unavailed leave at the time of retirement /cessation of service shall not be included in the computation of the ceiling on remuneration.	

Further Resolved that the Board of Directors be and is hereby authorised to vary, alter, modify the remuneration of Sh. Ashok Kumar Agarwal within the limits specified in Part II of Schedule XIII of the Companies Act 1956 from time to time during this period of 5 years.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

Item No. 5

Shri Ashok Kumar Agarwal was re-appointed as whole time Director designated as Executive Director for a period of five years w.e.f. 2nd August, 2004, on the following remuneration, which was approved at the Annual General Meeting, held on 17th September, 2004. His remuneration was with-in the limits prescribed in Schedule XIII of the Companies Act, 1956.

Remuneration	Rs. 15,000-1000-19000 per month
Perquisites	As per Companies' rule but annual value of perquisites should not exceed his annual salary

The Remuneration Committee considering responsibilities entrusted to him and the remuneration of his stature paid in other similar Companies, recommended for revision of his remuneration. The Board of Directors on the recommendation of the Remuneration Committee revised his remuneration w.e.f. 01.07.2006 for the remaining period of his tenure up to 1st August 2009 with in the limits prescribed under Schedule XIII of the Companies Act, 1956. This was approved at the Annual General Meeting held on 16th September, 2006

Revised Remuneration:

Salaries	Rs. 38,000 (consolidated) per month
Medical Re-imburement	Expenses for self and family upto a limit of 5% of annual salary
P.F.and Gratuity	As per Act and shall not be included in the computation of the ceiling on remuneration.
Encashment of unavailed leave at the time of retirement /cessation of service shall not be included in the computation of the ceiling on remuneration.	

Since his term of appointment will expire on 1st August 2009, on the recommendation of Remuneration Committee of the Board of Directors subject to the approval of members of this Company in General Meeting to be held on 30th September, 2009 and other statutory Authorities as may be required and subject to retirement by rotation, has appointed Sh. Ashok Kumar Agarwal, as Whole Time Director designated as Deputy Managing Director, for a further period of five years from 2nd August, 2009 on the same remuneration and on the same terms and conditions. Hence the resolution is recommended for approval of the members.

Memorandum of Interest: Shri Ashok Kumar Agarwal, himself is interested or concerned in this resolution to the extent of remuneration and perquisites given to him. None of the Other Directors is interested or concerned in this appointment.

Place : New Delhi
Date : 25th July 2009

For and on Behalf of the Board of Directors
Arjun Das Agarwal
Chairman



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H.P. Cotton Textile Mills Limited

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT
THE ANNUAL GENERAL MEETING (pursuant to Clause 49 of the Listing Agreement)**

1.	Name of the Director	Shri Arjun Das Agarwal
	DIN NO.	00080914
	Date of Birth	29.11.1928
	Date of Appointment	03.09.1981
	Expertise in specific functional Area	Industrial Experience in manufacturing and trading of cotton textile for more than 50 ye ars
	Qualification	Practical experience of more than 50 years
	Director ship in other limited Companies	M/s Achhar Investment Ltd., Delhi M/s Jainish products ltd. Delhi
	Membership of the Committee	Nil
	Number of share held	12196
2.	Name of the Director	Shri Ashok Kumar Agarwal
	DIN NO.	00046627
	Date of Birth	04.10.1957
	Date of Appointment	03.09.1989
	Expertise in specific functional Area	28 years experience with this Company itself.
	Qualification	B.Com.
	Director ship in other limited C ompanies	M/s Atishay Investment & Finance Pvt. Ltd.
	Membership of the Committee	Share Transfer Committee and Audit Committee of the Company.
	Number of share held	75896
3.	Name of the Director	Shri Kailash Kumar Agarwal
	DIN NO.	00063470
	Date of Birth	22.08.1961
	Date of Appointment	03.09.1981
	Expertise in specific functional Area	28 years experience with this Company itself.
	Qualification	B.Com. LL.B
	Director ship in other limited Companies	M/s Achhar Investment Ltd., Delh i M/s Atishay Investment & Finance Pvt. Ltd. M/s Jainish Products ltd. Delhi
	Membership of the Committee	Share Transfer Committee and Audit Committee of this company
	Number of share held	85320

NOTES:

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
- The Company must receive instrument of Proxies in order to be effective not less than 48 hours before the meeting.
- Members/proxies should bring the enclosed attendance slip duly filed in, for attending the meeting along with the Annual Report.
- The Register of members and the Share transfer Books of the Company shall remain closed from 23rd September, 2009 to 30th September, 2009 both days inclusive.
- Nomination facility--- Members holding Shares in physical form may obtain the nomination forms from the Company's Registrar and Share Transfer Agent. Members holding shares in electronic form may obtain the nomination forms from their respective depository participants.
- A member desirous of getting any information in respect of the contents of the Annual Reports is required to forward their queries to the Company at least ten days prior to the Meeting so that, if the Chairman so permits, the required information can be made available at the meeting.

**DIRECTORS REPORT**

To
The Share Holders
H.P.Cotton Textile Mills Ltd.,

Your Directors present the Twenty Eight Annual Report together with the Audited Statements of Accounts of the Company for the year ended 31st March 2009.

FINANCIAL HIGHLIGHTS

The financial results of the Company for the year under review are compared below with the previous year's results for your consideration.

Rs. In crores	Year ended 31.03.09	Year ended 31.03.08	Belying high expectations after the removal of quota resigm, textile industry particularly the yarn and threads continued to slip downwards. Exports have slumped. Local market was flooded. This was attributed to severe Global demand recession. Compelling conditions prevailed. The Mills were left with no alternative except to sell what ever could be sold at whatever the rates but still could not survive. Most of the Mills curtailed their production to the extent of above 50%. There was no exception to your Company also. Your Directors had revisited product profile, cost structure, market scenario and all related and allied matters and restructured the same to overcome this worst ever phase. Your Directors could reduce the operating losses to Rs. 89 Lacs against Rs 627 Lacs in the corresponding previous year. Your Company earned cash profit of RS. 71 lacs against a cash loss of Rs. 465 lacs in the previous year.
Sales and other Income	51.18	62.41	
Profit/(Loss) before financial charges and depreciation	3.01	(2.24)	
Financial charges	2.30	2.41	
Profit /(Loss) before depreciation	0.71	(4.65)	
Depreciation	1.60	1.62	
Profit before tax	(0.89)	(6.27)	
I.T And FBT provisions	0.05	0.07	
Profit after Tax	(0.94)	(6.34)	
Deferred Tax Assets	0.25	2.16	
Prior year Adjustment	0.08	0.15	
Transferred to Reserve	(0.61)	(4.03)	

REPORT ON MANAGEMENT DISCUSSION, ANALYSIS, RISKS, OPPORTUNITIES AND THREATS: Yarn and Thread Industry is highly competitive and fragmented. The Competitors includes numerous Indian and Foreign Manufacturers and established Companies. Some of the competitors are much larger in size and therefore are better placed to take advantage of efficiencies created by size, and have bigger financial resources or greater access to capital at lower costs. Moreover, as the industry is fragmented, Your Company also face competition from small re-reelers, who may for variety of reasons such as their lower cost of production, easier access to local markets, quality compromise etc, are able to cater to local demands in much better way and at much lower selling rates. Also gradually the cotton threads are being replaced by polyester and other man made fibers having technical edge on cotton at much competitive rates. To survive in these circumstances, Your Directors have reoriented product mix and restricted to high value addition items for home consumption and Exports. Though it has reduced over all volume of production but at the same time has added in a better way to the bottom line though not sufficient to survive but at least not added to cash losses in present day context. In few segments capability of producing a small lot size put your Company in advantageous position and are availing it as such. Also, your Directors are, at their best, making all endeavors to fill in the vacancy created by the Western Countries who are continuously downing their shutters due to labour intensive nature of these products, and are out sourcing such products from countries like India, where the labour is comparatively cheaper and required technology is available. The Company is positive about its performance during coming years.



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INTERNAL CONTROL SYSTEM AND THEIR ADEQUACIES: The Company has adequate internal control procedures commensurate with the size and the nature of the business. This system is supplemented by extensive audit by qualified independent outside Auditors to ensure accuracy and reliability of financial and all other records prepared and maintained by the Company. All the systems and verification process adopted by the Company ensures that all the assets are safeguarded and protected against any loss from unauthorized use or disposition and that transaction are transparent, authorised, recorded and reported correctly. To keep constant check on the cost structures and to prevent revenue leakage the Audit Committee of the Board reviews the findings and recommendations of the external auditors periodically at regular intervals.

HUMAN RESOURCES: The Company regards its' human resources as amongst its most valuable assets and proactively reviews policies and processes by creating a work environment that encourages initiative, challenges, opportunities and recognizes the performance and potential of its employees attracting and retaining the best manpower available by providing high degree of motivation, training and structured compensation.

The Management is pleased to report that the Industrial relations remained cordial and harmonious throughout the year.

Since no employee was in receipt of remuneration equal to or exceeding Rs.24 lacs per annum, if employed for the full year or exceeding Rs. 2 lacs per month if employed for part of the year, hence statement showing particulars of the employees as required under Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended, has not been given.

SAFETY AND HEALTH: The Company regularly encourages its employees for taking all the safety measures at all the operations especially at the floor level. Regular training program(s) are being conducted to bring awareness about the importance of safety at the work place.

Though most of the employees are covered under the contributory E.S.I.Scheme of the Government but the Company at its own is also providing immediate and regular in-house first aid medical facilities under the supervision of an experienced Medical Personnel.

ENVIRONMENT AND POLLUTION CONTROL: The Company is regularly taking adequate measures to comply with all the related statutory regulations. It is Companies' intrinsic belief that sustainable progress will only accrue to organizations with social responsibility and care for environment and ecology. The Company shall continue to strive for work practice that seeks to improve on existing standards.

DIRECTORS: During the year Sh. Kashmiri Lal Agarwal has resigned from the office of Managing Director and also from the Board w.e.f.01.08.2008 due to his inadvertent health. However at the request of the Company he has very kindly agreed to tower over the new leadership, but in a much-mellowed manner as a strategic guide.

In accordance with Article 110 of the Articles of the Association of the Company Shri Arjun Das Agarwal and Shri Kailash Kumar Agarwal Directors are liable to retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS AND AUDIT REPORT: The retiring Statutory Auditors M/s A.K.Associates, Chartered Accountants, hold office until the conclusion of the ensuring Annual General Meeting .The Company has received a letter from them that their reappointment, if made, would be with in the prescribed limits under section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment/ reappointment with in the meaning of section 226 of the said Act or under any other Act(s), mandatory rules and regulations applicable for such appointment/reappointment.

The report of the Statutory Auditors on the Balance Sheet and Profit and Loss Account for the year-ended 31.03.2009 is self-explanatory and does not require any statement from the company.



H.P. Cotton Textile Mills Limited

H.P. THREAD

CORPORATE GOVERNANCE: A separate report on Corporate Governance is enclosed as a part of this Annual Report. A certificate from the Auditors of the Company regarding compliance with Corporate Governance norms stipulated in Clause 49 and others, as are applicable, of the Listing Agreement is annexed to the Report of Corporate Governance.

INVESTOR SERVICES: The Company has appointed M/s Alankit Assignments Limited, New Delhi as Registrar and Share Transfer Agent (RTA). It has been informed to the Company that no complaint/ query from any of the shareholder is pending to be resolved by the RTA.

LISTING OF SHARES: The company had applied for delisting of its Equity Shares from the Stock Exchange(s) of Ludhiana, Delhi, Jaipur and Kolkatta and accordingly has not paid listing fee to Ludhiana, Jaipur and Kolkatta Exchange(s) since 2004-05 and to Regional Exchange of Delhi since 2007-08. However, the Company is regularly paying the Listing Fee to Bombay Stock Exchange (BSE) Where, the shares of the Company will continue to be listed.

COST AUDITORS: In pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, the Company has appointed M/s N.K.Goel, Cost Accountants to conduct the audit of the products manufactured by the Company and to give their report on it in the prescribed format and time. Such report for 2008-09 has since been received, reviewed and adopted by the Board of Directors of the Company.

FIXED DEPOSITS: The Company has not accepted / renewed any deposits from the public / members during the year under review.

DIVIDEND: The Directors regret their inability to recommend dividend for the year under review due to inadequacy / non-availability of profit.

CASH FLOW: Inconformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended 31.03.2009 is annexed hereto along with the financial statements.

UNAUDITED FINANCIAL RESULTS: In conformity with the provisions of clause 41 of the Listing Agreement the Company has published unaudited financial results for the quarter ended 30th June, 08; 30th Sept., 08; 31st December, 08 and audited financial results for the year / quarter ended 31st March 2009 in Business Standard in English and in Dainik Bhaskar Hindi News Papers.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUT GO: Statement giving particulars of conservation of energy, technology absorption, foreign exchange earning and out go, in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked as Annexure 'A' and forms part of this report.

APPRECIATION: The Company places on record its deep appreciation of the devoted services of all the employees of the Company, who have contributed in no small measures to the improved performance of the Company. It also extends grateful thanks to Central and State Government, the Investors, the Bankers, the Financial Institutions and district level authorities for their continued support extended to the Company from time to time.

Place : New Delhi
Dated: 25th July, 2009

For and on behalf of the Board
Arjun Das Agarwal
Chairman



ANNEXURE-I TO THE DIRECTORS' REPORT

FORM - A

Particular	Unit	2008-09	2007-08
A. Power and Fuel Consumption			
1) Purchased From HVPNL:			
Units	000' KWH	11457	12183
Rate	RS/UNIT	4.39	4.43
Total amount	RS. LACS	502.97	539.28
2) Own Generation			
Units generated	000' KWH	366	4218
Average rate	RS/UNIT	9.44	7.61
Total amount	RS. LACS	34.55	320.99
2) Fuel:			
a) Steam generation			
Quantity of petcock consumed	Tonnes	2150	2197
Average cost of petcock	RS.PER TON	7961	6350
Total cost of pet cock	RS.LACS	171.17	139.51
b) LIQUEFIED PETROLEUM GAS			
Lpg consumed	000'KG	21.31	31.62
Average cost	RS.PER TON	51205	44001
Total cost	RS.LACS	10.91	13.91
C. CONSUMPTION PER KILOGRAM OF PRODUCT			
a) ELECTRICITY			
i) Upto ring frame	KWH/KG	2.44	2.19
ii) Mills as a whole	KWH/KG	5.60	4.94
Total power consumed	000'UNIT	11823	16401
b) STEAM			
	KG/KG	4.87	3.80

Reasons for variation	Consumption of electricity and coal varies depending upon range/counts and Quality produced.
In case of production of different qualities/specifications, consumption details may be given for equivalent production.	Equivalent production standard is not practicable since all the different counts/range of products has various qualities, colors and process involved

FORM - B

B. TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT(R&D)

I) SPECIFIC AREA IN WHICH THE COMPANY CARRIES OUT R & D

1. Developed new products and product mix
2. Reduction in waste generation in the process
3. Reuse of waste recycled water
4. Steam, power and Water conservation
5. Improvement in production process resulting in quality Improvement

II) BENEFIT DERIVED AS A RESULT OF ABOVE R&D

1. New range of Milange were produced
2. Reduced generation in waste
3. Reutilization of water
4. Reduction in cost of color and chemical used

III) FUTURE PLAN OF ACTION

We will Continue R & D efforts to attain objectives of cost reduction, energy conservation, efficient inventory management, waste utilization, value addition, environmental improvement and efficient management of water.

iv) Common equipment and facilities are used for operational as well as R & D activities. No. Separate account is maintained and as such expenditure on R & D is not separately ascertainable.

v) FOREIGN EXCHANGE EARNING AND OUT.GO

Foreign Exchange earned	Rs. 24,47,80,207	Previous year Rs.24,65,35,901
Foreign Exchange Used	Rs. 41,83,845	Previous year Rs 59,53,425

**REPORT ON CORPORATE GOVERNANCE**

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE: H.P.COTTON adheres to good corporate practices and is constantly striving to make them better and adopt the best practices. The Company believes that good Corporate Governance means creation of an environment which ensure accountability, fairness, transparency and integrity at all levels and provide framework for better performance and greater ability to compete successfully in a globalised business arena and maximising value for all its stakeholders, employees, customers, government, lenders and society at large.

In compliance with the requirement under clause 49 of the Listing Agreement, all the Board Members and the Senior Executives have affirmed their compliance of Code of Conduct adopted by the Company for the year-ended 31.03.2009 and a declaration to this effect duly signed by the Dy.Managing Director(s) form part of this report.

1. BOARD OF DIRECTORS:

COMPOSITION OF BOARD: - The Board of Directors comprised six members consisting of two Executive Directors and four Non-executive Directors. The chairman of the company is non-executive Director from among the Promoters. The company is having 50% of the Board's strength as independent directors as required under the listing agreement. The non-executive Directors are eminent professionals having experience in business, industry, Finance and Law.

Name of the Director	Category of Directors	Attendance at last AGM	Shareholding in the Company	Directorship held #@	No of Committees@	
					As Chairman	Memberships held
Sh Arjun Das Agarwal (Chairman)	Promoter / Non-Executive Director	P	12196 (0.32%)	4	Nil	Nil
Sh Ashok Kumar Agarwal (Dy. Managing Director)	Promoter/ Executive Director	P	75896 (1.99%)	1	Nil	1
Sh Kailash Kumar Agarwal (Dy. Managing Director)	Promoter/ Executive Director	P	85320 (2.24%)	3	Nil	1
Sh B C Talukdar	Non- Executive / Independent Director	#	000	5	1	1
Sh P D Agarwal	Non- Executive / Independent Director	P	000	1	1	1
Sh Anil Aggarwalla	Non- Executive / Independent Director	#	000	1	0	2

#@ Includes H. P. Cotton Textile Mills Limited

@Board Committees for this purpose includes Audit Committee, Shareholder'/Investors' Grievance Committee and remuneration Committees (including Board Committees of H. P. Cotton Textile Mills Limited)

Except for Shri Arjun Das Agarwal and Shri Kailash Kumar Agarwal who are related to each other, no other Director is related to any other director on the Board in terms of the provisions of the Companies Act, 1956,

All the director who is on various Committees is within the permissible limits of the listing agreement. The Directors have intimated to the Company from time to time about their membership in the various committees in other Companies.



H.P. THREAD

- a) **DIRECTORS' ATTENDANCE AT BOARD MEETINGS:** During the financial year 2008-09, the Board of Directors met 6 times on the following dates:

Directors/Date of meeting	07.05.08	28.06.08	31.07.08	20.09.08	31.10.08	07.02.09	Meetings Attended
Sh. Arjun Das Agarwal	P	P	P	P	P	P	6
Sh..Kashmiri Lal Agarwal ***	P	P	P	RESIGNED ON 31.07.2009			3
Sh. Ashok Kumar Agarwal	P	P	P	P	P	P	6
Sh. Kailash Kumar Agarwal	P	P	P	P	P	P	6
Sh. B.C.Talukdar	P	P	P	L	P	P	5
Sh..M.L.Jain **	P	P	RESIGNED ON 30.06.09				2
Sh P. D. Agarwal	P	P	P	P	P	P	6
Sh Anil Aggarwalla	L	L	L	L	L	L	0
TOTAL MEMBERS PRESENT	7	7	6	4	5	5	34

P = Present, L = Leave granted.

C) COMMITTEES OF THE DIRECTORS

- i) **Audit Committee:** Audit Committee consists of three directors, Sh P.D. Agarwal, B.C. Talukdar and Sh Anil Aggarwalla all are non-executive and independent Directors, Shri Ashok Kumar Agarwal and Shri Kailash Kumar Agarwal, both the Dy. Managing Directors, have been included as members in the committee since 30th May 09. Now the total number of audit committee members have increased to FIVE. The Statutory Auditor, Internal Auditor, Cost Auditor and President (Finance) are the permanent invitees to attend the Audit Committee Meeting for consultation and to respond to the queries raised at the Committee Meeting.

The role and terms of reference of Audit Committee are as contained in the Section 292A of the Companies Act, 1956 and also as contained in the clause 49 of the Listing Agreement. The main objective of the Audit Committee interalia includes monitoring and to provide effective supervision on the financial transactions and reporting process and the disclosure of its financial information(s) to ensure that these statement(s) are presented/published timely, is accurate, sufficient and are true and fair. The Committee also works as whistle blower to the Board of Directors.

During the year 2008-09 the Audit Committee met -5- times on 07.05.08; 28.06.08; 31.07.08; 31.10.08 and on 07.02.09. The attendance record of Audit Committee members is given below:

Name of the Director	Category	No. of Meetings	
		Held	Attended
Sh P D Agarwal	Non-executive Independent Director	5	5
Sh B C Talukdar	Non-executive Independent Director	5	5
Sh M L Jain *	Non-executive Independent Director	2	2
Sh Anil Aggarwalla	Non-executive Independent Director	5	0

*Ceased to be director with effect from 30.06.2008.

Sh P D Agarwal, Chairman of the Audit Committee attended the last Annual General Meeting held on September 20, 2008, at the Registered Office of the Company at 15th K.m. Stone Delhi Road, Vill. Mayar, Hisar - 125044 (Haryana).

- ii) **REMUNERATION COMMITTEE:** At present the Remuneration Committee consists of three members viz., Sh B C Talukdar (Chairman), Sh P D Agarwal and Sh Anil Aggarwalla, all are non-executive and Independent Directors. The terms of reference of Remuneration Committee include the determination of



H.P. THREAD

remuneration packages of the executive directors including remuneration policy and pension rights. No meeting was held during the financial year 2008-09.

iii) **SHARE TRANSFER COMMITTEE:** The Company has constituted a Share transfer Committee Chaired by Sh. Arjun Das Agarwal. There were no share transfers pending for registration for more than 30 days as at 31st March 2009.

iv) **THE SHAREHOLDER/INVESTORS' GRIEVANCE COMMITTEE:** The Shareholder/Investors' Grievance Committee consists of three members viz. Sh P D Agarwal (Chairman), B C Talukdar and Sh Anil Aggarwalla to specifically look into the redressal of the Shareholders and Investors complaints.

It also includes review of all matters connected with the transfer of securities of the company; review of performance of the registrar and transfer agents of the Company and to implement measures for over all improvement in the quality of investors services. It also monitors implementation and compliance of the Company's code of conduct and also to frame policy and make compliance in relation to prohibition of insider trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations 1992 as amended.

During this financial year no meeting was held.

During the year ended 31 March 2009, No investors complaints/queries were received and as at 31st March 2009 there were no complaints / queries pending for reply.

d) **REMUNERATION OF DIRECTORS:** The Company pays remuneration to its Executive Directors as approved by the Remuneration Committee, Board of Directors and Members of the Company in General Meeting. Detail of the remuneration given to them is given below: (in Rupees)

Name	Position held	Salary	Provident & other Funds	Others	Total
Sh Kashmiri Lal Agarwal *	Managing Director *	2,06,400	92,682	10,22,077	13,21,159***
Sh Ashok Kumar Agarwal **	Dy. Managing Director	4,56,000	54,720	22,800	5,33,520
Sh Kailash Kumar Agarwal **	Dy. Managing Director	4,56,000	54,720	22,800	5,33,520

* Ceased to be Managing Director with effect from 31st July 2008.

** Since the employee wise breakup of the liability on account of Gratuity and accumulated leave encashment based on actuarial valuation is not available, the related amount has not been shown.

***Does not include Rs. 3,96,000 paid in the capacity of Advisor after resignation from the Board

ii) Non-executive Directors are not paid any remuneration except sitting fees of Rs. 5000/- & Rs. 2000/- for attending the meetings of the Board and Committee and Rs. 500 as out of pocket expenses for a day respectively. The detail of sitting fees paid is as follow:

Name of the Director	Fee paid for Board Meetings	Fee paid for Committees Meetings	Total Fee Paid
Sh Arjun Das Agarwal	30,000	0	30,000
Sh B C Talukdar	25,000	10,000	35,000
Sh P D Agarwal	30,000	10,000	35,000
Sh M L Jain*	10,000	4,000	14,000
Sh Anil Aggarwalla	0	0	0

*Ceased to be director with effect from 30.06.2008

** In addition to the above the Directors were reimbursed expenses on traveling, boarding, lodging and incidental expenses for attending the meetings.

The sitting fees paid to the non-executive directors is within the statutory limits under the Companies Act 1956 for payment of sitting fees without the approval of the Central Government.

e) **RETIRING DIRECTORS:** According to Article 110 of the Articles of Association of the Company, two Directors for the time being are liable to retire by rotation, Accordingly Sh Arjun Das Agarwal and Sh. Kailash Kumar Agarwal



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Directors are liable to retire by rotation in the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

During the year Sh. Kashmiri Lal Agarwal and Sh M.L.Jain resigned and therefore ceased to be the directors of the company. However it is a matter of great pleasure that Sh. Kashmiri Lal Agarwal continue to be a strategic guide to the Company as Advisor (Commercial and Technical) The Board placed on record their appreciation for the services rendered by them as Managing Director and Director of the company respectively.

2. MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

The Management Discussion and Analysis Report has been included in this Annual Report and includes discussion on the matters specified in Clause 49 of the Listing Agreement.

3. DISCLOSURES:

- a) The Company does not have any subsidiary Company.
 - b) All and individual transactions with the related parties were in the ordinary course of business and were on arm's length basis. Since such transaction(s) were not having potential conflict with the interest of the Company at large and therefore was not required to be placed before the audit committee. Related party transactions have been audited by the Statutory Auditors of the Company.
 - c) There were no material financial and commercial transactions by Senior Management as defined in Clause 49 of the listing agreement where they have personal interest that may have a potential conflict with the interest of the Company at large requiring disclosure by them to the Board of Directors of the Company.
 - d) All mandatory Accounting Standards have been followed in preparation of the financial statements.
 - e) The Company has not raised any money through public issue, right issue, preferential issue etc. in 2008-09, the previous financial year and hence provisions relating to above in Clause 49 of the listing agreement are not applicable.
 - f) The Company has continued to comply with the requirements of the Stock Exchanges, SEBI and other Statutory Authorities on all matters related to capital markets during the last three years. Stock Exchanges, Sebi or any other statutory authorities have not imposed any penalty or strictures related to capital market activities on the Company during the last three Financial years.
 - g) The Company has two whole time promoter directors designated as Dy.Managing Director(s) whose appointment and remuneration has been fixed by the Board in terms of resolution passed by the Members in General Meeting.
 - h) The Company has adopted a code of conduct for prohibition of Insider Trading pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulation, 1992 as amended. This code is applicable to all the Directors and such designated employees who are expected to have access to unpublished price sensitive information relating to the Company.
 - i) The Company has not adopted any Whistle Blower policy. However, no personnel have been denied access to the Audit Committee.
 - j) The Company has complied with all the mandatory requirements under clause 49 of the listing agreement and has constituted a Remuneration Committee from the non -mandatory requirements.
- 4) **ANNUAL GENERAL MEETINGS:** i) The last three Annual General Meetings were held at the Registered Office of the company as per the details given below:

Meetings	Date	Day	Time	Venue	No. of Special Resolutions
27 th AGM	Sept. 20, 2008	Saturday	4.00 P M	15 km. Stone Delhi Road Hisar	0
26 th AGM	Sept. 29, 2007	Saturday	4.00 P M	272 Model Town Hisar	1
25 th AGM	Sept. 16, 2006	Saturday	4.30 P M	272 Model Town Hi sar	6

- ii) **POSTAL BALLOT:** No resolution was put to postal ballot during the year ended 31st March 2009.
- iii) **COMPLIANCE MADE BY THE COMPANY:** Compliance certificate for Corporate Governance from Auditors of the Company is submitted elsewhere in this report.



H.P. THREAD

5.) To SHAREHOLDERS

- i) The Central Government in exercise of the powers conferred under section 642 and section 383A of the Companies Act 1956 has amended the Companies (Appointment and Qualifications of Secretary) Rules, 1988 vide notification NO.G.S.R.11 (e) dated 05.01.2009 and accordingly the Companies having paid up Capital of less than Rs. 500 lacs need not to appoint any Company secretary. Accordingly the Company has decided not to appoint Company secretary as an economy measure.
- ii) Shri Ashok Kumar Agarwal, Dy. Managing Director, has been designated as Compliance officer under clause 47 of the Listing Agreement. Any Investor/Shareholder of the company can contact him on the matters related with the company at 15th K M Stone, Delhi Road, VPO Mayar, Hisar - 125044; Phone: 91-1662-261425-27, Fax: 91-1662-261417 and E-mail: info@hpthread.com
- iii) The quarterly, half yearly and annual results are generally published in 'Business Standard' (English) and the 'Dainik Bhaskar' (Hindi). As per the requirements of the Listing Agreement, the company is also providing regular information to the Stock Exchange(s).
- iv) The Annual General Meeting of the company will be held on Wednesday, the 30th day of September, 2009. at 4.30p.m. At the Registered Office of the Company at 15th K M Stone, Delhi Road, VPO Mayar, Hisar - 125044.
- v) **FINANCIAL CALENDAR:** The Last financial year of the Company was of twelve months from April 2008 to March 2009. The tentative financial calendar of the Company for the year 2009-10 shall be as follow:

Board meetings to take on record	Schedule
Financial results for the quarter ending June 30, 2009	During July 2009
Financial results for the quarter ending September 30, 2009	During October 2009
Financial results for the quarter ending December 31, 2009	During January 2010
Financial results for the quarter ending March 31, 2010	During June 2010

- i) Date of Book Closure: The Register of Members and Share Transfer Books will remain closed from Wednesday, the 23rd day of September, 2009 to Wednesday, the 30th day of September, 2009 (both days inclusive)
- ii) **LISTING INFORMATION:** The shares of the company were listed at listed at Delhi, Mumbai, Kolkatta, Jaipur and Ludhiana Stock Exchanges. There being no transactions of the shares of the Company since long at Ludhiana, Delhi, Jaipur and Kolkatta stock Exchanges hence the Company has applied for delisting of shares from these Exchanges and accordingly it has not paid listing fee to Ludhiana, Jaipur and Kolkatta since 2004-05 and Delhi stock Exchange since 2007-08.
- iii) The Company is regularly paying the Listing fee to Mumbai Stock Exchange (BSE). The fee for the current year 2009-10 has been paid to BSE. The scrip code of the Company at BSE is 502873.
- iv) **DISTRIBUTION SCHEDULE & SHAREHOLDING PATTERN:** The Distribution Schedule & Shareholding Pattern of the Company as on 31.03.2009 is as follow:

Range No. of Shares	Shareholders		Shares	
	Number	% Age	Number	% Age
Upto 5000	2042	96.23	592228	15.54
5001 to 10000	27	1.27	201293	5.28
10001 to 20000	25	1.18	360936	9.47
20001 to 30000	6	0.28	135239	3.56
30001 to 50000	4	0.19	167370	4.39
50000 to 100000	8	0.38	664200	17.43
100001 to Above	10	0.47	1688734	44.33
Total	2122	100	3810000	100

Category	No of Holders	No. of shares held	% Age
Promoters	53	2379700*	62.46
Mutual fund	1	600	0.02
Financial Institution	2	2550	0.06
FII	1	50	0.00
NRI	4	117	0.00
Body Corporate	61	73963	1.94
Individuals	2000	1353020	35.52
Total	2122	3810000	100

* Promoters have declared that they have not pledged nor have created any lien on any of the shares held by them.



viii) **MARKET PRICE DATA:** Monthly high and low prices of equity shares of H. P. Cotton Textile Mill Limited at the Stock Exchange, Mumbai (BSE) are as follow.

Financial Year 2007 -08	HPCOTTON		BSE SENSEX	
	High	Low	High	Low
April, 2008	19.18	13.05	17481	15298
May, 2008	22.65	17.45	17736	16196
June, 2008	21.80	18.05	16633	13406
July, 2008	18.90	14.80	15130	12514
August, 2008	18.00	15.00	15580	14002
September, 2008	18.90	17.05	15107	12154
October, 2008	19.55	14.60	13204	7697
November, 2008	15.30	12.70	10945	8316
December, 2008	13.45	12.25	10189	8467
January, 2009	14.00	10.84	10470	8632
February, 2009	12.60	11.94	9725	8619
March, 2009	NO	NO	10127	8047

Source: bseindia.com/archives

Registrar and Share Transfer Agents	Plant Locations:	Address for Correspondence
Alankit Assignments Limited, "Alankit House" 2E/21, Jhandewalan Extension, New Delhi-110055 Phone:91-11-23541234, 42541234 Fax: 91-11-42541967 E mail: alankt@alankit.com	15 th K.M Stone, Delhi Road, VPO, Mayar Hisar - 125044 (Haryana) Phone :91-1662-261425-27 Fax : 91-1662-261417	H. P. Cotton Textile Mills Limited 15 th K.M Stone, Delhi Road, VPO, Mayar Hisar - 125044 (Haryana) Phone :91-1662-261425-27 Fax : 91-1662-261417 e-mail ID: info@hpthread.com

x) DEMATERIALIZATION AND TRANSFER OF SHARES

Dematerialization and Transfer of shares are being done by M/s Alankit Assignments Limited, Registrar & Share Transfer Agents of the Company.

The equity shares of the company are compulsory traded and settled only in the dematerialized form. A total of 2725620 (71.54 %) shares of the company have been dematerialized as on March 31, 2009. There is no case in process/pending for transfer as well as dematerialization of shares.

DECLARATION UNDER CLAUSE 49 (1) (D)(II) OF LISTING AGREEMENT:

All the members of the Board of Directors and Senior Managerial personnel have affirmed compliance with the code of Conduct for the year-ended 31.03.2009

Place: New Delhi
Dated : 25.07.2009

Arjun Das Agarwal
Chairman



H.P. THREAD

H.P. Cotton Textile Mills Limited

Auditors' Certificate on Corporate Governance as per Clause 49 of the Listing Agreement.

To
The Members
H P Cotton Textile Mills Limited
Hisar

We have examined the compliance of the conditions of Corporate Governance by H P Cotton Textile Mills Limited for the year ended 31st March 2009 as stipulated in clause 49 of the listing Agreement of the said company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us, we may certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period of exceeding one month against the Company as per the records maintained by the company and presented to the Members/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **A.K. Associates**
Chartered Accountants

A.K.Gupta
F.C.A.

Membership No.16533

Place: New Delhi
Dated : 25th July, 2009



H.P. THREAD

H.P. Cotton Textile Mills Limited

CERTIFICATE UNDER CLAUSE 49(V) OF LISTING AGREEMENT

We, Ashok Kumar Agarwal and Kailash Kumar Agarwal, Dy. Managing Director(s) of H.P. Cotton Textile Mills Limited, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended 31st March 2009 and that to the best of our knowledge and belief:
 - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;
4. We have indicated to the auditors and the Audit Committee
 - a) Significant changes in internal controls during the year;
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - c) Instances of significant fraud of which we have become aware and involvement therein of the management or other employees who have a significant role in the company's internal controls system.
5. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the financial year ended 31st March 2009.

Place: New Delhi

Ashok Kumar Agarwal

Kailash Kumar Agarwal

Dated: 11th July 2009

Dy. Managing Director and
Compliance Officer

Dy. Managing Director and CFO

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 and on the basis of compliance certificates received from the Dy. Managing Director(s) of the Company and subject to disclosures in the Annual Accounts, as also on the basis of the discussion held with the statutory Auditors of the Company from time to time, we state:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed and proper explanations are provided relating to material departures;
2. That the Directors have selected appropriate 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 the financial year 2009 and of the loss incurred by the Company for the year ended 31.03.2009;
3. That the Directors have taken proper and sufficient care to ensure the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts on a going concern basis.

Place: New Delhi

P.D. Agarwal

Arjun Das Agarwal

Dated : 11th July 2009

Chairman of Audit Committee

Chairman of the Board



H.P. THREAD

H.P. Cotton Textile Mills Limited

AUDITORS REPORT

The Members of H P COTTON TEXTILE MILLS LIMITED

1. We have audited the attached Balance Sheet of H P COTTON TEXTILE MILLS LIMITED, as at 31st March 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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. We believe that our audit provides a reasonable basis for our 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, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far, as appears from our examination of those books.
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statements dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, 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.
 - (v) On the basis of written representations received from the directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (vi) Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the matter so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2009.
 - (ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date, and
 - (iii) In the case of the Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

For A. K. ASSOCIATES
Chartered Accountants

(A. K. GUPTA)
F.C.A.
M. No.16533

PLACE: New Delhi
DATE: 11/07/2009



A K ASSOCIATES

Chartered Accountants

Re: H P COTTON TEXTILE MILLS LIMITED

Annexure to the Auditors' Report referred to in paragraph 3 of our report of even date.

As required by the Companies (Auditors' Report) Order, 2003 and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we state that in our opinion:-

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details² and situation of fixed assets.
- (b) All the assets have been physically verified by the management at the year end. No material discrepancies were noticed on such verification.
- (c) During the year, the company has not disposed off a major part of the plant and machinery. Accordingly the provisions of clause 4(i) (c) of the Companies (Auditor's Report) Order 2003 are not applicable.
- (ii) (a) The inventories except lying with third parties and in transit have been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The company has taken loan from four other companies covered in the register maintained under section 301 of the Companies A. t, 1956. The maximum amount involved during the year was Rs.34.22 lakh and the year-end balance of loans taken from such parties was Rs. 34.22 lakh.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amounts as stipulated and has also been regular in the payment of interest as stipulated.
- (d) The company has not granted any loan to companies, firms or other parties as listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly provisions of clause 4(iii) (a) to (d) of the Companies (Auditors' Report). order 2003 are not applicable to the company.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regards to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been duly entered.
- (b) In our opinion and according to the information and explanations given to us, no transactions was made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakh in respect of each party during the year,
- (vi) The company has not accepted deposits from the public. Accordingly provisions of clause 4(vi) of the Companies (Auditors' Report) order 2003 are not applicable to the company.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.



H.P. Cotton Textile Mills Limited

H.P. THREAD

- (ix) (a) Undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth, custom duty, excise duty, cess and other material statutory dues applicable to the company have generally been deposited in time with the statutory authorities.
- (b) According to the information and explanation given to us, there are no disputed statutory dues payable by the company in respect of sales tax, income tax, wealth, custom duty, excise duty, cess and other material statutory dues
- (x) The company does not have accumulated losses. The company has not incurred cash losses during the financial year covered by our audit. During the immediately preceding financial year it has incurred cash loss.
- (xi) According to the information and explanations given to us, during the year the company has defaulted in repayment of dues to financial institutions and/ or banks as detailed hereunder:-

Interest on Term Loan from IDBI

Due date of Payment	Amount (in Rs.)	Date of Payment
01/04/2008	1297709.00	26/06/2008
01/07/2008	1312125.00	01/09/2008
01/10/2008	1326547.00	26/12/2008
01/01/2009	1326547.00	24/03/2008

- (xii) Keeping in view the business carried on by the company at present the provisions of clause 4 (xii) of the Companies (Auditors' Report) order 2003 are not applicable to the company.
- (xiii) Keeping in view the business carried on by the company at present the provisions of clause 4 (xiii) (a) to (d) of the Companies (Auditors' Report) order 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) The company has not given guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) The term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that the company has not used funds raised on short term basis for long term investment and vice versa.
- (xviii) During the year under audit the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xix) During the year under audit the company has not issued debentures. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xx) During the year under audit the Company has not raised funds by way of public issue. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For A. K. ASSOCIATES
Chartered Accountants

(A. K. GUPTA)
F.C A.
M. No.16533

PLACE: New Delhi

DATE: 11/07/2009



H.P. Cotton Textile Mills Limited

H.P. THREAD

BALANCE SHEET AS AT 31ST MARCH, 2009

	SCHEDULE		AS AT 31ST MARCH, 2009 RUPEES	AS AT 31ST MARCH, 2008 RUPEES
SOURCES OF FUNDS				
SHAREHOLDERS FUNDS				
Share Capital	1	38,100,000		38,100,000
Reserves and Surplus	2	<u>61,496,294</u>		<u>67,547,318</u>
			99,596,294	105,647,318
LOAN FUNDS				
Secured	3	143,302,317		160,180,437
Unsecured		<u>14,699,850</u>	158,002,167	14,698,634
Deferred Tax (NET)			<u>7,785,707</u>	<u>10,293,027</u>
			<u>265,384,168</u>	<u>290,819,416</u>
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	4	400,173,036		400,135,369
Less: Depreciation		<u>265,952,673</u>		<u>250,100,667</u>
Net Block			134,220,363	150,034,702
INVESTMENTS				
	5		41,959	41,940
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6	127,271,301		142,220,485
Sundry Debtors	7	31,059,038		40,785,289
Cash and Bank Balances	8	16,826,796		17,280,707
Loans and Advances	9	<u>24,858,225</u>		<u>28,089,537</u>
		200,015,360		228,376,018
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	10	54,784,092		70,600,915
Provisions	11	<u>14,109,422</u>	68,893,514	<u>17,032,329</u>
Net Current Assets			<u>131,121,846</u>	<u>140,742,774</u>
			<u>265,384,168</u>	<u>290,819,416</u>
NOTES				
	19			

As per our report of even date attached
for A.K. ASSOCIATES
Chartered Accountants

(A. K. GUPTA)
PARTNER

A D AGARWAL
CHAIRMAN

A. K. AGARWAL
DY. MANAGING
DIRECTOR

B'C TALUKDAR
DIRECTOR

PLACE : New Delhi
DATE : 11-07-2009

P. D. AGARWAL
CHAIRMAN
AUDIT COMMITTEE

AMAR DOSHI
PRESIDENT
(FINANCE)



H.P. Cotton Textile Mills Limited

H.P. THREAD

PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2009

	SCHEDULE	YEAR ENDED	YEAR ENDED
		31ST MARCH 2009 RUPEES	31ST MARCH 2008 RUPEES
INCOME :			
Sales	12	509,014,263	622,470,290
Other Income	13	2,800,162	1,605,665
Profit on Sale of Fixed Assets		3,854	0
		<u>511,818,279</u>	<u>624,075,955</u>
EXPENDITURE :			
Raw Material Consumed	14	172,468,822	254,890,114
Manufacturing & Other Expenses	15	279,761,966	352,117,013
Loss on Sale of Fixed Assets		0	68,465
		<u>452,230,788</u>	<u>607,075,592</u>
Add/Less : Decrease/(Increase) in inventory	16	<u>29,459,583</u>	<u>39,424,831</u>
		<u>481,690,371</u>	<u>646,500,423</u>
Profit before Financial Charges and Depreciation		30,127,908	(22,424,468)
Less: Financial Charges	17	23,037,612	24,123,731
Depreciation		<u>15,966,877</u>	<u>16,245,614</u>
Loss before Tax		(8,876,581)	(62,793,813)
Add: Provision for Income Tax			
Add: Fringe Benefits Tax		520,000	665,000
		<u>(9,396,581)</u>	<u>(63,458,813)</u>
Less: Deferred Tax Asset		2,507,320	21,608,124
Loss after Tax		(6,889,261)	(41,850,689)
Less: Prior Year Adjustments	18	838,237	1,526,400
Loss after Tax and Prior Year Adjustments		(6,051,024)	(40,324,289)
Less: Surplus as per last year		66,758	12,191,047
Less: Transfer from General Reserve		6,000,000	28,200,000
Surplus carried to Balance Sheet		<u>15,734</u>	<u>66,758</u>
Earning per Share (Note 10; Schedule 19)		(1.59)	(10.58)

NOTES 19

As per our report of even date attached
for A.K. ASSOCIATES
Chartered Accountants

(A. K. GUPTA)
PARTNER

A D AGARWAL
CHAIRMAN

A. K. AGARWAL
DY. MANAGING
DIRECTOR

B C TALUKDAR
DIRECTOR

PLACE : New Delhi
DATE : 11-07-2009

P. D. AGARWAL
CHAIRMAN
AUDIT COMMITTEE

AMAR DOSHI
PRESIDENT
(FINANCE)



H.P. THREAD

SCHEDULES TO THE BALANCE SHEET

	AS AT 31ST MARCH, 2009 RUPEES	AS AT 31ST MARCH, 2008 RUPEES
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
42,50,000 Equity Shares of Rs.10/- each	<u>42,500,000</u>	<u>42,500,000</u>
Issued		
38,10,000 Equity Shares of Rs.10/ each	<u>38,100,000</u>	<u>38,100,000</u>
Subscribed and Paid Up		
38,10,000 Equity Shares of Rs.10/ each fully paid up in cash	<u>38,100,000</u>	<u>38,100,000</u>
	<u>38,100,000</u>	<u>38,100,000</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
Capital Reserves		
Capital Reserves		
- Central Investment Subsidy	1,500,000	1,500,000
- State Subsidy	1,510,000	1,510,000
- Share Premium	18,000	18,000
- Surplus on Issue of forfeited Shares	<u>11,250</u>	<u>11,250</u>
	A <u>3,039,250</u>	<u>3,039,250</u>
Revenue Reserves		
Revenue Reserves		
- General Reserve (As per Last Year)	64,441,310	92,641,310
Less: Transferred to Profit & Loss Account Profit and Loss Account	<u>6,000,000</u>	28,200,000
	15,734	66,758
	B <u>58,457,044</u>	<u>64,508,068</u>
	A + B <u>61,496,294</u>	<u>67,547,318</u>



H.P. Cotton Textile Mills Limited

H.P. THREAD

SCHEDULES TO THE BALANCE SHEET

	AS AT 31ST MARCH, 2009 RUPEES	AS AT 31ST MARCH, 2008 RUPEES
SCHEDULE - 3		
LOAN FUNDS		
SECURED		
Term Loan		
Industrial Development Bank of India	39,350,000	39,350,000
ICICI Bank Limited Vehicle Loan	<u>382,877</u>	<u>1,085,863</u>
Cash Credits :	39,732,877	40,435,863
State Bank of Patiala *	35,915,368	51,316,866
Oriental Bank of Commerce	13,488,731	19,548,596
LC Payable	<u>54,165,341</u>	<u>48,879,112</u>
	<u>143,302,317</u>	<u>160,180,437</u>
* Includes EPC Credit Rs.18648934/- (Previous Year Rs.20002403/-) Includes Cash Credit Rs.16348212/- (Previous Year Rs.27719742/-) Includes Export Bills discounting Rs.918222/- (Previous Year Rs. 3594721/-)		
UNSECURED		
From Bodies Corporate	3,421,838	3,421,838
Trade Deposits (Free of Interest) Rs.59605/- (Previous Year Rs.59605/-)	1,278,012	1,276,796
Long Term Deposit from Cotton Agent	<u>10,000,000</u>	<u>10,000,000</u>
	<u>14,699,850</u>	<u>14,698,634</u>

NOTES :

1. The Term Loans from Industrial Development Bank of India (IDBI) are secured by the first charge by way of equitable mortgage by deposit of title deeds in respect of Land situated at V.P.O. Mayar, Distt. Hisar (Haryana) and by hypothecation of all the movables (save and except book debts) including movable machinery & spares, tools and accessories both present and future, subject to the prior charges on moveable assets in favour of Banks for working capital borrowings.
2. Cash Credits and other working capital facilities from Banks viz. State Bank of Patiala and Oriental Bank of Commerce are secured by hypothecation and charge by way of a first charge ranking pari-passu without any preference or priority to one over the other on the stock of Raw Materials, Goods in Process, Loose Yarn, Finished Goods, Stores & Spares and Book Debts (both present and future) and second charge on fixed assets of the Company.
3. The Term Loans from IDBI are guaranteed by Sh. A.D. Agarwal, Sh. K.L., Agarwal and Sh. A.K. Agarwal, Promoter/Directors of the Company in their personal capacity.
4. Cash Credits from State Bank of Patiala & Oriental Bank of Commerce are guaranteed by Sh. A.D. Agarwal, Sh. K.L. Agarwal, Sh. A.K. Agarwal and Sh. K.K. Agarwal, Promoter/Directors of the Company in their personal capacity.
5. Term Loan from IDBI due within a year Rs.87 Lakhs (Previous Year Rs.Nil).
6. Term Loan from ICICI Bank Limited due within a year Rs.3.45 Lakhs (Previous year Rs.7.03 Lakhs).
7. Long Term Deposit from Cotton Agent Due within the year Rs.100 Lakhs.

SCHEDULES TO THE BALANCE SHEET

SCHEDULE - 4

FIXED ASSETS



Sl.	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 1st April, 2008 Rs.	Addition during the Year Rs.	Sale/ Transfer Rs.	As at 31st March, 2009 Rs.	Upto Previous Year Rs.	For the Year Rs.	Adjustment Rs.	Total Upto 31st March 2009 Rs.	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
1.	Free Hold Land	2,125,265	---	---	2,125,265	---	---	---	---	2,125,265	2,125,265
2.	Buildings	57,672,773	---	---	57,672,773	26,198,027	1,567,571	---	27,765,598	29,907,175	31,474,746
3.	Plant & Machinery	321,767,722	---	---	321,767,722	210,692,874	13,568,658	---	224,261,532	97,506,190	111,074,848
4.	Furniture & Fixtures	4,356,863	---	---	4,356,863	4,094,461	7,201	---	4,101,662	255,201	262,402
5.	Office Equipments	5,877,984	158,584	120,917	5,915,651	4,733,088	229,719	114,871	4,847,936	1,067,715	1,144,896
6.	Vehicles	8,334,762	---	---	8,334,762	4,382,217	593,728	---	4,975,945	3,358,817	3,952,545
	TOTAL	400,135,369	158,584	120,917	400,173,036	250,100,667	15,966,877	114,871	265,952,673	134,220,363	150,034,702
	Previous Year Total	398,920,581	1,701,503	486,715	400,135,369	234,122,278	16,245,614	267,225	250,100,667	150,034,702	



H.P. THREAD

SCHEDULES TO THE BALANCE SHEET

	AS AT 31ST MARCH, 2009 RUPEES	AS AT 31ST MARCH, 2008 RUPEES
SCHEDULE - 5		
INVESTMENTS (NON TRADE)		
LONG TERM		
6 years National Saving Certificates (lodged with Govt. Departments as Security)	22,500	22,500
Interest accrued on above	19,459	19,440
	<u>41,959</u>	<u>41,940</u>
SCHEDULE - 6		
INVENTORIES		
(As taken, valued and certified by the management)		
Stores and Spares	14,294,838	21,041,337
Raw Material		
- Cotton	43,834,854	24,616,392
- Polyester Staple Fibre	3,294,580	1,256,144
Finished Goods *	41,357,521	47,135,066
Loose Yarn	19,130,138	42,897,606
Stock in Process	3,683,186	3,701,588
Cotton Scrap	1,272,324	1,572,352
Other Scrap	403,860	---
	<u>127,271,301</u>	<u>142,220,485</u>
* Includes Finished Goods in Transit Rs. 1392354/- (Previous Year Rs.1050543/-)		
SCHEDULE - 7		
SUNDRY DEBTORS		
Outstanding for a period more than Six Months		
Secured	400	---
Unsecured *	1,846,830	5,636,010
Other Debts		
Secured **	1,031,429	12,617,830
Unsecured ***	28,180,379	22,531,449
	<u>31,059,038</u>	<u>40,785,289</u>

* Includes Export Receivable Rs.580357/- (Previous Year Rs.1381172/-)

** Includes Export Receiveables Rs 958677/- (Previous Year Rs. 12592325/-) out of which discounted from Bank Rs.918222/- (Previous Year Rs. 3594721/-)

*** Includes Export Receivable Rs.9558666/- (Previous Year Rs.4711509/-)



H.P. THREAD

SCHEDULES TO THE BALANCE SHEET

	AS AT 31ST MARCH, 2009 RUPEES	AS AT 31ST MARCH, 2008 RUPEES
SCHEDULE - 8		
CASH AND BANK BALANCES		
Cash in hand	5,256,275	5,067,915
With Scheduled Banks :		
- In Current Accounts	1,896,034	870,604
- In Margin Money against L C	8,092,454	8,702,280
- Interest accrued on FDRs	128,620	147,945
Post Office Saving Bank Account (Pass Book pledged with Central Excise Rs.1,000/- and Pass Book pledged with Market Committee Rs.1,000/-)	2,000	2,000
Cheques in hand	1,451,413	2,489,963
	<u>16,826,796</u>	<u>17,280,707</u>
SCHEDULE - 9		
LOANS AND ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or in kind or for value to be received	11,576,247	15,151,769
Security Deposits	12,620,424	12,673,939
Advance Income Tax	661,554	263,829
	<u>24,858,225</u>	<u>28,089,537</u>
SCHEDULE - 10		
CURRENT LIABILITIES		
Sundry Creditors	37,982,770	47,438,883
Statutory Liabilities	3,759,667	4,529,441
Advance Payments Received	11,743,946	17,229,314
Interest Accrued but not due	1,297,709	1,403,277
	<u>54,784,092</u>	<u>70,600,915</u>
SCHEDULE - 11		
PROVISIONS		
For Gratuity	7,785,849	9,334,004
Bonus	2,946,299	3,935,009
Leave Encashment	3,332,274	3,748,316
Income Tax & Fringe Benefit Tax	45,000	15,000
	<u>14,109,422</u>	<u>17,032,329</u>
SCHEDULE - 12		
SALES		
Finished Goods	501,011,724	609,189,990
Less: Sales Returns	80,492	35,617
Rebate & Discount	15,055,036	19,045,746
	<u>485,876,196</u>	<u>590,108,627</u>
Duty Drawback on Export	9,890,769	15,213,392
Other Export Entitlements	---	55,491
Cotton Waste	12,170,043	14,105,297
Other Scrap	1,077,255	2,987,483
	<u>509,014,263</u>	<u>622,470,290</u>

**H.P. THREAD****SCHEDULES TO THE PROFIT AND LOSS ACCOUNT**

	YEAR ENDED 31ST MARCH 2009 RUPEES	YEAR ENDED 31ST MARCH 2008 RUPEES
SCHEDULE - 13		
OTHER INCOME		
Interest Received (Gross) *		
i. From Banks	577,642	507,377
ii. From Customers	1,112,071	932,083
iii. From Others	21,529	---
iv. From Govt. Deptt.	394,741	1,547
Miscellaneous Receipts	1,500	10,288
Sundry Balance Written Off	596,679	73,895
Insurance Claim Received	---	16,475
Rent Received on Sub Letting	96,000	64,000
	<u>2,800,162</u>	<u>1,605,665</u>

* Tax Deducted at Source Rs.404273/- (Previous Year Rs.293352/-)

SCHEDULE - 14**RAW MATERIAL CONSUMED****Opening Stock :**

- Cotton	24,616,392	38,361,544
- Staple Fibre	1,256,144	154,251
Add : Purchases : *		
- Cotton	180,622,598	226,474,941
- Man Made Fibre	9,942,107	13,584,236
Fibre Job Charges	1,845,431	562,709
Yarn Purchased	1,315,584	1,624,969
	<u>219,598,256</u>	<u>280,762,650</u>
Less: Closing Stock :		
- Cotton	43,834,854	24,616,392
- Staple Fibre	3,294,580	1,256,144
Raw Material Consumed	<u>172,468,822</u>	<u>254,890,114</u>

* Net of Claim Received Rs. Nil (Previous Year Rs.104335/-)



H.P. THREAD

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	YEAR ENDED 31ST MARCH 2009 RUPEES	YEAR ENDED 31ST MARCH 2008 RUPEES
SCHEDULE - 15		
MANUFACTURING AND OTHER EXPENSES		
Stores & Spares Consumed	19,235,645	34,347,983
Colour, Chemicals Consumed	49,100,588	50,410,499
Packing Materials Consumed	21,011,253	23,530,850
Power and Fuel	71,975,640	101,369,780
Water Charges (Plant)	643,680	345,600
Salary, Wages and Bonus	42,356,126	54,538,504
Other Payment & Provisions to Employee	23,775,441	27,687,325
Employees Welfare including E.S.I.	3,534,775	4,467,935
Provident Fund Contribution	5367442	6,982,101
Rent	934,800	927,600
Rates and Taxes	277,582	255,686
Insurance	620,370	935,709
REPAIRS TO :		
Plant & Machinery	26,53,350	3,210,605
Building	1,467,695	2,591,483
Others (a)	503,438	420,116
Miscellaneous Expenses	5,520,609	5,893,223
Bad Debts	---	13,917
Directors' Travelling Expenses (b)	3,510,231	2,385,189
Vehicle Expenses (c)	1,977,320	2,290,123
Travelling Expenses	1,214,173	1,296,725
Board Sitting Fees	119,000	157,000
Board Meeting Expenses	14,000	40,000
Statutory Audit Fee and Expenses	245,965	254,090
Freight and Forwarding Expenses	16,084,652	18,183,228
Commission and Brokerage	5,331,947	6,014,701
Cess on Yarn	---	57,173
Sales Tax	89,727	13,030
Entry Tax	---	1,209,681
Service Tax	609,518	783,651
Advertisement	1,198,255	919,088
Sales Promotion Expenses	364,353	495,903
Export Miscellaneous Expenses	24,391	88,515
	<u>279,761,966</u>	<u>352,117,013</u>

(a) Net of Claim received Rs. Nil (Previous Year Rs.7658/-)

(b) Include Rs.12796/- for attending Boarding Meetings (Previous Year Rs.50958/-)

(c) Net of Claim received Rs.18500/- (Previous Year Rs.250177/-)



H.P. THREAD

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	YEAR ENDED 31ST MARCH 2009 RUPEES	YEAR ENDED 31ST MARCH 2008 RUPEES
SCHEDULE - 16		
DECREASE/(INCREASE) IN INVENTORIES		
Opening Stock :		
Finished Goods	47,135,066	86,001,788
Loose Yarn	42,897,606	43,350,605
Stock in Process	3,701,588	4,230,784
Cotton Scrap	1,572,352	1,148,266
	<u>95,306,612</u>	<u>134,731,443</u>
Less: Closing Stock :		
Finished Goods	41,357,521	47,135,066
Loose Yarn	19,130,138	42,897,606
Stock in Process	3,683,186	3,701,588
Other Scrap	403,860	---
Cotton Scrap	1,272,324	1,572,352
Decrease in Inventories	<u>29,459,583</u>	<u>39,424,831</u>
SCHEDULE - 17		
FINANCIAL CHARGES		
Interest :		
On Term Loans	4,556,275	5,043,199
Banks & Others	16,401,553	16,533,926
Bank Charges	2,079,784	2,546,606
	<u>23,037,612</u>	<u>24,123,731</u>
SCHEDULE - 18		
PRIOR YEAR ADJUSTMENTS		
Excess Liability Written Back/Provided	(156,134)	26,299
Exchange Rate Variance	(83,829)	84,573
Duty Drawback for earlier years	190,331	64,339
Custom Duty	---	(125,240)
Interest Income for earlier years	---	59,714
Provision for FBT Written Back	15,000	76,887
Entry Tax and Value Added Tax	---	1,340,612
Provision for Income Tax for earlier year	88,021	(784)
Subsidy on Interest on Term Loan	784,848	---
	<u>838,237</u>	<u>1,526,400</u>



H.P. THREAD

SCHEDULE - 19

NOTES:

A : ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with applicable. Accounting Standards issued by the Institute of Chartered Accountants of India and relevant disclosure requirements of Companies Act, 1956 as adopted consistently by the Company. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

- a. All revenues, costs, assets and liabilities are accounted for on accrual basis.
- b. **SALES** : Sales of goods is recognised at the point of despatch of finished goods to the customers and is reported excluding rebates, discounts, sales tax. Differences arising due to exchange fluctuation in case of Export Sales are included in sales.
- c. **GRATUITY** : Provision for gratuity liability has been made as per actuarial valuation.
- d. **LEAVE ENCASHMENT** : Provision for accumulated leave encashment liability has been made as per actuarial valuation.
- e. **FIXED ASSETS** : All fixed assets are valued at cost less depreciation. All costs relating to the acquisition and installation of fixed assets are capitalised.
- f. **DEPRECIATION** : Depreciation is provided under the 'Straight Line Method' as per the rates specified in Schedule XIV to the Companies Act, 1956.
- g. **IMPAIRMENT** - At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exist the recoverable amount of the asset is estimated to determine the extent of impairment loss and necessary adjustment is made there against. Reversal of impairment loss is recognised as income in the profit and loss account.
- h. **INVENTORIES** : These have been physical verified by the Management and are valued as detailed hereunder:
Finished Goods including in transit has been valued at cost or market value whichever is less.
Loose yarn is valued at cost proportionate to the respective stage of production.
Stock in Process is valued at Raw Material Cost.
Raw Materials are valued at cost.
Stores & Spare Parts, Colour Chemicals, Packing Materials and Oil and Fuel are valued at cost.
Stock of Cotton Waste/Scrap is valued at estimated realisable value.
- i. **Investment** : Long Term Investments are carried at cost less provision, if any for permanent diminution in value
- j. Borrowing costs are charged to Profit & Loss Account except borrowing costs directly attributable to the acquisition of fixed assets which are capitalised upto the date of the fixed assets is put to commercial use.
- k. **FOREIGN CURRENCY TRANSACTIONS** : Foreign Currency Transactions outstanding at the close of the year are converted into Indian Rupee on the basis of exchange rate of the currency as on the close of the year.
- l. **Taxes on income** : Provision for current tax is made after taking into consideration benefits admissible under The Income Tax Act, 1961.



H.P. THREAD

SCHEDULES TO THE BALANCE SHEET

Deferred Tax resulting from "timing difference" between book and taxable profit is accounted for using tax rates and laws that have been enacted as on the date of the balance sheet. Deferred Tax Asset is recognised and carried forward only to the extent that there is reasonable certainty that the assets will be realised in the future.

m. Segment Reporting: The Company has one reportable primary segment of Textiles (Spinning). Hence segment reporting is not applicable.

B: NOTES

1. CONTINGENT LIABILITIES :

i. Unredeemed Bank Guarantees Rs 336900/- (Previous year Rs. 28000/-).

2. Balances of Sundry Debtors, Advances Recoverable and Sundry Creditors are subject to confirmation.

3. Sundry Debtors outstanding for a period more than six months (Unsecured) includes Rs 915403.00 under litigation. The provision for bad debts, if any arising upon the decision of the court will be made in the year when the judgement is passed by the court.

4. Details of Managerial Remuneration :

	This Year Managing Director Rupees	Previous Year Deputy Managing Directors(Two) Rupees
Salary and Allowances	206,400 (543,348)	957,600 (960,196)
Contribution to Provident Fund	20,640 (61,920)	109,440 (109,440)
Retirement Benefits		
- Gratuity	421,731	
- Leave Encashment	600,346	
-Contribution to ProvidentFund on Leave Encashment	72042	

5. Payments to Auditors :

Audit Fees	225,000	225,000
For Expenses	20,965	18,090
For Income Tax Consultancy	0	11,000
	<u>245,965</u>	<u>254,090</u>

6. Stores and Sappres consumed includes spares consumed for repairs of Plant & Machinery.

7. Names of the Small Scale Undertakings to whom any amount was payable as on the Balance Sheet as under

Haryana Paper Cone Industry	456,612	Reshmi Industries-Coimbatore	16,859
Rakesh Industries	232,531	Shanti Paper Products	63,565
Supreme Packers	1,027,377	Diamond Plastic Industries	105,772

The above information has been compiled in respect of parties to the extent to which they could be identified as Small Scale Undertaking on the basis of information available with the Company.

The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small and Medium Enterprises Development Act 2006) claiming their status as Micro, Small or Medium enterprises. Consequently the amount payable to these parties is Nil.

8. Deferred Tax Liability (Net) as at 31st March, 2009 is as follows.

	As at 31.3.2009 Amount	As at 31.3.2008 Amount
Timing Difference on account of Depreciation	30,352,279	33,581,136
Less: Deferred Tax Asset arising on account of Timing Difference on account of Allowances u/s 43-B	(5,192,980)	(6,156,314)
Timing Difference on account of Losses carried forward	(17,373,592)	(17,131,795)
	<u>7,785,707</u>	<u>10,293,027</u>

**SCHEDULES TO THE BALANCE SHEET****9. Related Party Transactions**

As Per As-18 issued by the Institute of Chartered Accountants of India, the Company's related parties in terms of AS-18 are disclosed below :

Name of the related party	Relationship	Nature of Transactions	Amount Rupees Payable	Amount Rupees Recoverable
Achhar Investmets Ltd.	Associates	Interest on Loan Rs.133711 (133,711)	1,114,259 (1,114,259)	Nil
Atishay Investments & Finance (P) Ltd.	Associates	Interest on Loan Rs.28297 (28,297)	235,810 (235,810)	Nil
Jainish Products Ltd.	Associates	Interest on Loan Rs.138414 (138,414)	1,153,453 (1,153,453)	Nil
Sacred Trading & Investment Co. Ltd.	Associates	Interest on Loan Rs.110198 (110,198)	918,316 (918,316)	Nil
Sh.Arjun Dass Agarwal	Chairman	Board Sitting Fees Rs.30000/- (30,000)	30,000 (30,000)	Nil
Sh.Kashmiri Lal Agarwal (Remuneration Includes Retirement Benefits Rs 1094119/- P Y Rs NIL)	Managing Director (Upto 31/07/08)	Remuneration Rs.1321159/- (605,268)	Nil	Nil
Sh.Kashmiri Lal Agarwal	Advisor	Remuneration Rs. 396000/- (FROM 1/8/2008) (NIL)		
Sh.Kailash Kumar Agarwal	Dy.Managing Director	Remuneration Rs.533520/- (535,018)	Nil	Nil
Sh.Ashok Kumar Agarwal	Dy.Managing Director	Remuneration Rs.533520/- (543,618)	Nil	Nil
Sh.B.C.Talukedar	Director	Board Sitting Fees Rs.35000/- (35,000)	Nil	Nil
Sh.P.D.Agarwal	Director	Board Sitting Fees Rs.40000/- (40,000)	Nil	Nil
Sh Mohan Lal Jain	Director	Board Sitting Fees Rs.14000/- (40,000)	Nil	Nil
Sh. P. C. Kohli	Director	Board sitting Fees Rs. Nil (12,000)	NIL	
Surender Kumar Agarwal H.U.F.	Relative of Director	Rent of Office Premises Rs.51000/- (47,400)	Nil	250,000 (Security Deposit)
Raj Kumar Agarwl H.U.F.	Relative of Director	Rent of Office Premises Rs.51000/- (47,400)	Nil	250,000 (Security Deposit)



SCHEDULES TO THE BALANCE SHEET

Name of the related party	Relationship	Nature of Transactions	Amount Rupees Payable	Amount Rupees Recoverable
Jawala Prasad Ram Pat	Associates	Rent of Godown Rs.108000 (108,000)	Nil	Nil
Supermax Promoters Pvt Ltd.	Associates	Rent of Office Premises Rs.36000/- (36,000)	Nil	Nil
Siram Appartments Pvt.Ltd.	Associates	Rent of Office Premises Rs.36000/- (36,000)	Nil	Nil
Mr. Ravinder Kumar Agarwal	Relative of Director	President (Commercial) Rs.542039/- (493,569)	Nil	Nil
Mr.Raj Kumar Agatwal	Relative of Director	President (Export) Rs.542039/- (509,316)	Nil	Nil

10. Earning Per Share

The calculation of Earning per Share has been made in Accordance with Account Standard -20 on Earning per share issued by The Institute of Chartered Accountants of India.

		This Year	Previous Year
Profit after tax	A	(6,051,023)	(40,324,289)
No.of Equity Shares	B	3,810,000	3,810,000
Earning Per share	A/B	(1.59)	(10.58)

11. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 & 4 OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

A) CAPACITY AND PRODUCTION	Capacity	Installed*	Production
	Licenced		Packed
	25,000	24,960	2,083
	(25,000)	(24,960)	(3,248)
	Spindles	Spindles	MT.

* As certified by the management

B) STOCKS AND SALES OF GOODS	THIS YEAR		PREVIOUS YEAR	
	Qty. M.T.	Value Rupees	Qty. M.T.	Value Rupees
THREAD/YARN				
Opening Stock	336	47,135,066	641	86,001,788
Closing Stock	243	41,357,521	336	47,135,066
Sales*	2,176	495,766,965	3,553	605,377,510

* Includes Duty Drawback & Other Export Entitlements



H.P. Cotton Textile Mills Limited

H.P. THREAD

SCHEDULES TO THE BALANCE SHEET

C) STOCKS AND SALES OF RAW MATERIAL SCRAP

Opening Stock	51	1,572,352	71	1,148,266
Production	464		715	
Closing Stock	50	1,272,324	51	1,572,352
Sales	465	12,170,043	735	14,105,297

D) SALES OF OTHER SCRAP

	1,077,255	2,987,483
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E) RAW MATERIAL CONSUMED

	THIS YEAR		PREVIOUS YEAR	
	Qty. MT.	Value Rupees	Qty. MT.	Value Rupees
Cotton	2,419	161,404,136	3,854	240,220,093
Man Made Fibres	109	9,749,102	174	13,045,052
Cotton Yarn	7	1,315,584	11	1,624,969
	<u>2,535</u>	<u>172,468,822</u>	<u>4,039</u>	<u>254,890,114</u>

F) VALUE OF IMPORTED AND INDEGENIOUS RAW MATERIAL AND STORE & SPARES CONSUMED

	STORES & SPARES		RAW MATERIAL	
	Amount Rupees	Percentage	Amount Rupees	Percentage
Imported	680,979 (847,549)	1.00 (1.00)	458,317 (5,359,217)	0.27 (2.10)
Indigenous	67,655,254 (83,910,933)	99.00 (99.00)	172,010,506 (2,489,530,897)	99.73 (97.90)

Note : Brackets represent previous year's figures.

G) EXPENDITURE IN FOREIGN EXCHANGE

	THIS YEAR Rupees	PREVIOUS YEAR Rupees
Travelling Expenses	1,339,365	741,575
Commission on Export Sales	2,388,237	3,340,793
Foreign Bank Charges	375,436	503,212

H) FOB VALUE OF EXPORTS

244,780,207	246,535,901
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I) C.I.E. VALUE OF IMPORTS

Store & Sapes	698835	749,817
Raw Material	NIL	NIL

12. Previous year's figures have been regrouped/rearranged wherever necessary to make them comparable.

13. Schedules 1 to 19 form an integral part of the accounts and have been duly authenticated.

As per our report of even date attached,
for A.K. ASSOCIATES
Chartered Accountants

(A. K. GUPTA)
PARTNER

A D AGARWAL
CHAIRMAN

A. K. AGARWAL
DY. MANAGING
DIRECTOR

B C TALUKDAR
DIRECTOR

PLACE : New Delhi
DATE : 11-07-2009

P. D. AGARWAL
CHAIRMAN
AUDIT COMMITTEE

AMAR DOSHI
PRESIDENT
(FINANCE)



H.P. Cotton Textile Mills Limited

H.P. THREAD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	AS AT 31ST MARCH, 2009	AS AT 31ST MARCH, 2008
	RUPEES	RUPEES
A. Cash Flow From Operating Activities :		
Net Profit/(Loss) before Tax, Appropriations and Extra Ordinary items	(8,876,581)	(62,793,813)
Less: Gain on Sale of Investment	3,854	68,465
	<u>(8,880,435)</u>	<u>(62,725,348)</u>
Adjustments for Non Cash items :		
Depreciation	15,966,877	16,245,614
Interest	20,957,828	21,577,125
Operating Profits before Working Capital changes	28,044,270	(24,902,609)
Adjustments for Working Capital changes :		
Trade payables & Others	(13,377,933)	(37,068,947)
Inventories	14,949,184	49,486,245
Trade and other receivables	13,355,268	16,228,945
Cash generated from Operations	42,970,789	3,743,634
Interest Paid	(21,063,396)	(20,173,848)
Direct Taxes paid (Net of Refund)	(872,725)	(943,352)
Cash flow before adjustments relating to earlier years	21,034,668	(17,373,566)
Adjustment relating to earlier years	823,237	1,527,184
NET CASH FROM OPERATING ACTIVITIES	<u>21,857,905</u>	<u>(15,846,382)</u>
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(158,584)	(1,034,621)
Sale of Fixed Assets	9,901	151,025
NET CASH USED IN INVESTING ACTIVITIES	<u>(148,683)</u>	<u>(883,596)</u>
C. Cash Flow from Financing Activities :		
Proceeds from Long Term Borrowings	0	300,000
Repayment of Long Term Borrowings	(702,986)	(7,691,840)
Proceeds from Short Term Borrowings	(21,460,147)	27,282,989
Dividend Paid	--	---
NET CASH USED IN FINANCING ACTIVITIES	<u>(22,163,133)</u>	<u>19,891,149</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(453,911)	3,161,171
CASH AND CASH EQUIVALENTS (OPENING BALANCE)	17,280,707	14,119,536
CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	16,826,796	17,280,707

As per our report of even date attached
for A.K. ASSOCIATES
Chartered Accountants

(A. K. GUPTA)
PARTNER

A D AGARWAL
CHAIRMAN

A. K. AGARWAL
DY. MANAGING
DIRECTOR

B C TALUKDAR
DIRECTOR

PLACE : New Delhi
DATE : 11-07-2009

P. D. AGARWAL
CHAIRMAN
AUDIT COMMITTEE

AMAR DOSHI
PRESIDENT
(FINANCE)

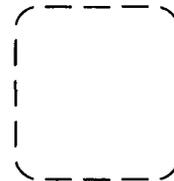
H.P. COTTON TEXTILE MILLS LIMITED

Regd. Office : 15 K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044, (Haryana)

PROXY FORM

I/We of
in the district of being a member/members of the above named Company, hereby appoint
Mr./Mrs.of.....
in the District of or failing him/her Mr./Mrs.
of..... in the District of
as my/our proxy to attend and vote for me/us and on my/our behalf at the Twenty Eighth Annual General Meeting of the
Company to be held at its Regd. Office : 15 K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044, (Haryana) at 4.30 P.M.
on Wednesday, the 30th September, 2009 and at any adjournment thereof.
As witness my/our hands this..... day of 2009..

Signature(s)



DP ID & Client ID/Ledger Folio No. :-

No. of Shares held :-

Note: The Proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the scheduled time for holding the meeting.

----- (TEAR HERE) -----

H.P. COTTON TEXTILE MILLS LIMITED

Regd. Office : 15 K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044, (Haryana)

28th ANNUAL GENERAL MEETING

Date: 30th September, 2009 at 4.30 P.M.

(Please complete the Attendance Slip and hand it over at the entrance of the Meetings Hall and also bring your copy of the Annual Report).

I hereby record my presence at the 28th Annual General Meeting of the Company being held on 30th September, 2009.

.....
Member's/Proxy's Name
(In Block Letters)

.....
Signature of Share holder/Proxy

DP ID & Client ID/Ledger Folio No. :-

No. of Shares held :-

BOOK POST

If undelivered, please return to :

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15 K.M. Stone, Delhi Road, V.P.O. Mayar, Hisar - 125044, (Haryana)