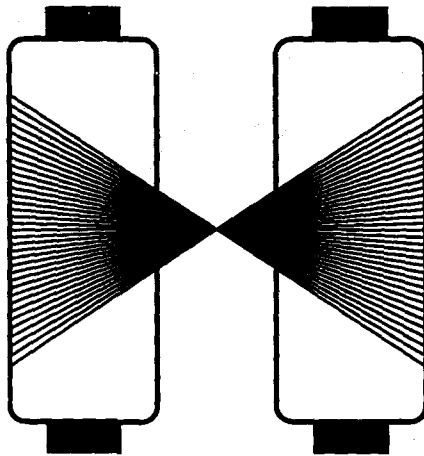




20th

ANNUAL REPORT

2011-2012



HSML



HISAR SPINNING MILLS LIMITED



BOARD OF DIRECTORS

Sh. Gopal Krishan Gupta (M.D.)

Sh. T.N. Goel

Sh. M.L. Kansal

Sh. Anurag Gupta

Sh. Rajesh Gupta

Sh. Vikas Gupta

AUDITORS

Jain & Anil Sood

Chartered Accountants

SCO 12, Basement,

Feroze Gandhi Market,

Ludiana - 141 001

BANKERS

Punjab National Bank

Main Branch, Hisar - 125 001

REGISTERED OFFICE & WORKS

9th KM Stone, Hisar Bhiwani Road,

V.P.O. Dabra (Hisar)

(Haryana) 125 005



NOTICE

Notice is hereby given that the 20th **ANNUAL GENERAL MEETING** of the Shareholders of HISAR SPINNING MILLS LIMITED will be held on Saturday the 29th September, 2012 at 11.00 A.M. at Regd. Office at 9th K.M. Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) to transact the following business:

ORDINARY BUSINESS

1. To review, consider and adopt the Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the Year ended on that date along with the report of Auditors and Directors thereon.
2. To appoint a Director in place of Sh.T.N.Goel who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Sh.Anurag Gupta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider & if thought fit to pass with or without modification the following resolution as Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 269 & other applicable provisions of the Companies Act, 1956 Sh. Gopal Krishan Gupta be & is hereby appointed as Managing Director of the company for a period of the Five Years w.e.f. 01/02/2012.

"FURTHER Resolved that Sh. Gopal Krishan Gupta shall not withdraw any remuneration from the company."

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

"RESOLVED THAT pursuant to the provisions of Section 269 & other applicable provisions of the Companies Act, 1956 Sh. Anurag Gupta be & is hereby appointed as Executive Director of the Company for a period of the Five Years w.e.f. 01/02/2012."

"FURTHER Resolved that subject to the approval of Shareholders in General Meeting Sh. Anurag Gupta shall be paid a consolidated monthly remuneration of Rs. 30,000/- (Thirty Thousand only) w.e.f. 01/02/2012."

For and on Behalf of the Board

**Place : Chandigarh
Dated : 30.08.2012**

**(Gopal Krishan Gupta)
Managing Director**



NOTES :

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy and vote instead of him/herself and such proxy need not be a member of the company. A Proxy form is attached herewith.
2. The proxy form(s) duly completed and signed should reach the company's registered office at 9th K.M. Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) at least 48 hours before the time fixed for the meeting.
3. The Register of members and share transfer book of the company will remain closed from **Thursday the 4th October, 2012 to Friday the 5th October, 2012 (Both days inclusive)**
4. Members are requested to intimate to the company, change in their addresses, if any, at the registered office of the company.
5. Information as required under Clause 49 of the Listing Agreement with respect to the Directors seeking appointment/ re-appointment is as under :-

a) Brief Particulars of Sh.T.N.Goel proposed for re-appointment as Director.

- Sh.T.N.Goel retires by rotation at the Annual General Meeting & being eligible offers himself for re-appointment.
- He has joined the Board of Directors as a Promoter Director in 1992.
- He is an experienced businessman having good knowledge of industry & management. The re-appointment of Sh.T.N.Goel would be beneficial to the Company.
- He is a Director in Four Company.
- As on 31/03/2012 he holds 2,85,890 Equity Shares in the Company.

b) Brief Particulars of Sh.Anurag Gupta proposed for re-appointment as Director.

- Sh.Anurag Gupta retires by rotation at the Annual General Meeting & being eligible offers himself for re-appointment.
- He has joined the Board of Directors as a Promoter Director in the year 2000.
- He is a qualified B.Tech (Mechanical) . He is young & energetic who has inherited the business skill within the family. The re-appointment of Sh.Anurag Gupta would be beneficial to the Company.
- He is not a Director in any other Company.
- As on 31/03/2012 he holds 96,050 Equity Shares in the Company.

c) Brief Particulars of Sh.Gopal Krishan Gupta proposed for re-appointment as Managing Director.

- Sh.Gopal Krishan Gupta retires by rotation at the Annual General Meeting & being eligible offers himself for re-appointment
- He has joined the Board of Directors as a Promoter director in the year 2000.
- He has rich experience in Textiles Industry.
- The re-appointment of Sh. Gopal Krishan Gupta would be beneficial to the Company.
- He is a Director in one Company.
- As on 31/03/2012 he holds 1,15,000 Equity Shares in the Company.



ANNEXURE TO THE NOTICE :

Explanatory Statement Pursuant to Section 173(2) of the companies Act, 1956.

ITEM NO. 5

Sh. Gopal Krishan Gupta was appointed as Managing Director of the Company w.e.f. 01/02/2012 pursuant to Section 269 of Companies Act, 1956. Sh. Gopal Krishan Gupta is a renowned Industrialist having more than 40 years experience in service & industry. The Company shall be benefitted by his presence in the Board in managing capacity & accordingly the resolution is commended for your acceptance.

None of the director other than Sh. Gopal Krishan Gupta & Sh. Anurag Gupta to the extent of his appointment as director is directly or indirectly interested in the resolution.

ITEM NO. 6

Sh. Anurag Gupta was appointed as Executive Director of the Company w.e.f. 01/02/2012 pursuant to Section 269 of Companies Act, 1956. Sh. Anurag Gupta being a qualified B-Tech (Mechanical) is young, energetic & charming personality who has inherited the business skill within the family. The Company will be benefitted by his presence in the Board in the managing capacity & accordingly the Resolution is commended for your acceptance.

None of the director other than Sh. Anurag Gupta & Sh. Gopal Krishan Gupta to the extent of his appointment as director is directly or indirectly interested in the resolution.

Place : Chandigarh
Dated : 30.08.2012

For and on Behalf of the Board

(Gopal Krishan Gupta)
Managing Director



HISAR SPINNING MILLS LIMITED

DIRECTOR'S REPORT

To the Members

Your Directors have great pleasure in presenting the 20th Annual Report together with the Audited Statement of Accounts of your Company for the year ended 31st March, 2012.

FINANCIAL RESULTS :

	Current Year (2011-2012)	(Rs. in Lacs) Previous Year (2010-2011)
Sales & Other Income	1505.14	1311.11
Profit Before Interest & Depreciation	158.71	124.54
Less Interest & Financial Exp.	33.90	16.61
Less Depreciation	79.87	43.49
Profit Before Exceptional & Prior Period Items	44.94	64.44
Exceptional Items	7.39	--
Prior Period Items	0.90	--
Profit Before Tax	53.23	64.44
¹⁶ Provision for Tax	10.14	11.99
Profit After Tax	43.09	52.45

PAST PERFORMANCE

The Turnover of the Company has increased by 14% as compared to previous year. The profit before tax is however less by 18%. It is due to heavy Interest & Depreciation. The company expects even better results in the ensuing year.

MANAGEMENT DISCUSSION & ANALYSIS

The Spinning Yarn Industry is a lifeline in Textile Business of India. The majority of employment in India is absorbed by Textile Industry. Keeping in view of its importance the Govt. has constituted a separate Department under Textile Ministry. The Govt. has also constituted a Technology upgradation Fund (TUF) by which concessional Loan/subsidy is granted by Govt. through its various nodal agencies for upgradation in technology.

The Govt. of India has abolished the Quota Regime in Textile Sector which has generated further demand of the product in International as well as National Market, which will certainly improve the profitability of company.

The main Raw Material is cotton/cotton waste, which is based on Agricultural production of Cotton. The production is dependent on Monsoon. In Indian climatic condition the monsoon is always an unpredictable factor. Sometimes there is heavy rainfall & sometime the drought situation is created, which affects the production of Cotton to a great extent creating heavy fluctuation in raw material prices. However, the company could maintain the balance in such a situation & earned profit during the year.

In a high competitive market any company may compete by improving the quality of the material it sold and by lowering the cost so to achieve this target the company has changed its new preparatory machine e.g. Blowroom & Cards to improve the quality of yarn. Also the company has installed machine for Regeneration of cotton waste to lower the cost of raw material. The management is assured that by taking these steps all the shareholders will definitely gain in future.

PARTICULARS OF EMPLOYEES

During the year there was no employee in respect of whom information as per section 217 (2A) of the Companies Act, 1956 is required to be given in the director's report.



HISAR SPINNING MILLS LIMITED

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

As required by the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earning and outgo are given in annexure forming part of this report.

FIXED DEPOSIT :

The company has not accepted any deposit within the meaning of section 58-A of the companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975.

LISTING OF SECURITIES :

The Securities of the Company is listed on Stock Exchange at Mumbai. The Listing Fees have been paid up to 31.03.2012.

INSURANCE :

All the properties and insurable interests of the company including Building, Plant & Machinery and Stock wherever necessary and to the extent required have been properly insured.

AUDITORS REPORT

The points stated in the Auditors Report are self explanatory & needs no comments.

DIRECTORS

In accordance with the requirement of the Companies Act, 1956 and the Articles of Association of the Company Sh.T.N.Goel & Sh.Anurag Gupta retires by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

The Corporate Governance Report is annexed herewith along with Auditor's Certificate.

AUDITORS

The term of present Auditors of the company M/s. Jain & Anil Sood, Chartered Accountants, Ludhiana expires at the conclusion of the ensuing Annual General Meeting and they are eligible for reappointment.

DIRECTORS RESPONSIBILITY STATEMENT

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed.
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgment 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 and of the Profit of the company for that year :
- (iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities :
- (iv) That the directors had prepared the annual accounts on a going concern basis.

Acknowledgement:

Yours Directors express their sincere appreciation for all around assistance, cooperation and guidance from the Lenders Punjab National Bank, Small Industries Development Bank of India (SIDBI) and State & Central Govt. Authorities.

Place : Chandigarh
Dated : 30.08.2012

For and On Behalf of the Board

(T.N. Goel)
Director

(Gopal Krishan Gupta)
Managing Director



ANNEXURE TO THE DIRECTORS REPORT

The Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 under Section 217(1) (e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY :

- (i) Power factor has been maintained above 0.9 by proper choice of capacitors as per the requirement of load.
- (ii) Motors have been installed of optimum capacity.
- (iii) Power load is distributed on D.G. Sets at optimum level.

B. TECHNOLOGY ABSORPTION : NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Foreign Exchange used	:	12754482
Foreign Exchange earned	:	3169512

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year (2011-2012)	Previous Year (2010-2011)
A) Power & Fuel Consumption :		
1. Power		
a. Purchased		
i) Units (KWH)	2718018	2958770
ii) Total Amount (Rs.)	14086016	14957936
iii) Rate/Unit Rs. KWH	5.18	5.06
b. Through Diesel Generator		
i) Units (KWH)	125300	143500
ii) Total Amount	1371303	1448223
iii) Cost/Unit	10.94	10.09
Steam Coal	NIL	NIL
Furnace Oil	NIL	NIL
Others/Internal Generators	NIL	NIL
2. Fuel	NIL	NIL
B) Consumption Per Unit of Production		
Cotton Yam / M.T.	1342 Units	1342 Units



CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2011-2012

1. Company's Philosophy on code of Corporate Governance :

Your Company's philosophy on corporate governance envisages the alignment of the highest levels of transparency, accountability and equity, in all facts of its operations and in all its interactions with its stakeholders including shareholders, employees, government and lenders. The Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholders value, over a sustained period of time.

2. Board of Directors :

The Board of Hisar Spinning Mills Limited consists of Six Directors during the financial year 2011-12. Sh. Gopal Krishan Gupta is Executive Chairman of the Company. As per listing Agreement the Company should have at least one half independent Directors.

The detail of Composition and Categories of Directors are given in table below :-

Sr.No.	Name of the Director	Category
1.	Sh. Gopal Krishan Gupta	Chairman Cum Managing Director
2.	Sh. T.N. Goel	Independent and Non-Executive Director
3.	Sh. M.L. Kansal	Non-Executive Director
4.	Sh. Anurag Gupta	Executive Director
5.	Sh. Vikas Gupta	Independent and Non-Executive Director
6.	Sh. Rajesh Gupta	Independent and Non-Executive Director

BOARD PROCEDURE :

The details of the meetings of the Board and Audit Committee held during the financial year 2011-2012 are given in Table below :-

(i) Board of Directors Meeting :

Date of Meeting	Total Members	Attendance by No. of Members
29.04.2011	6	5
30.07.2011	6	4
31.08.2011	6	6
31.10.2011	6	4
30.01.2012	6	5

(ii) Audit Committee Meetings :

Date of Meeting	Total Members	Attendance by No. of Members
27.06.2011	3	3
25.08.2011	3	3
17.11.2011	3	3
16.02.2012	3	3



HISAR SPINNING MILLS LIMITED

The details of attendance of each Director at the Board and Audit Committee Meetings held during the Financial Year 2011-12 and details of number of outside directorship held by each of the Directors are given in Table below :-

Sr. No.	Name of Director	Attendance at Board Meetings	Attendance at Audit Committee Meeting	Attendance at Last AGM	Outside Directorship
1.	Sh. Gopal Krishan Gupta	5	4	Yes	1
2.	Sh. T.N. Goel	3	-	Yes	4
3.	Sh. M.L. Kansal	5	-	Yes	-
4.	Sh. Anurag Gupta	5	-	No	-
5.	Sh. Vikas Gupta	3	4	No	2
6.	Sh. Rajesh Gupta	3	4	No	1

3. AUDIT COMMITTEE

The current Audit Committee has following members viz. Sh. Vikas Gupta as Chairman, Sh. Gopal Krishan Gupta And Sh. Rajesh Gupta as Members. The terms of reference of the Audit Committee, covers the area mentioned in clause 49 of the Listing Agreement of the Stock Exchange and Section 292 A of the Companies Act, 1956.

4. REMUNERATION COMMITTEE

The Remuneration Committee has three members viz. Sh. T.N. Goel, as Chairman, Sh. Rajesh Gupta, as Member & Sh. Vikas Gupta, as Member. Details of the remuneration paid to Executive Director during the financial year ending 31st March 2012 is given below :

	<u>Salary Paid</u>	<u>Service Tenure</u>
1. Sh. Anurag Gupta	360000	up to 31.01.2017

The Company does not have any Stock Option Scheme.

5. Share Transfer & Shareholders/Investors Grievances Committee :

The Board of Directors has delegated the power of approving transfer of securities and other related formalities to the Registrar & Share Transfer Agent M/s Indus Portfolio Private Limited, G-65, Bali Nagar, New Delhi - 110015. The Committee under consideration comprises of Sh. Anurag Gupta as Chairman, Sh. Vikas Gupta as Member & Sh. Rajesh Gupta as Member. The committee looks into the grievances of the shareholders concerning transfer of shares and non receipt of annual report and recommend measure for expeditious and effective investor services. The total number of letters received and replied to the shareholders during the year 2011-2012 were 4 and no complaint was outstanding as on 31st March, 2012.

6. GENERAL BODY MEETINGS :

Last Three Annual General Meeting of the Company were held at the Registered Office of the Company at 9th KM Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) – 125 005 (Haryana) as detailed below :-



Year	Date	Time	Details of Special Resolution
2008-09	Wednesday 30/09/2009	11.00 A.M.	Nil
2009-10	Thursday 30/09/2010	11.00 A.M.	Nil
2010-11	Friday 30/09/2011	11.00 A.M.	Nil

No Special Resolution was put through postal ballot last year.

7. DISCLOSURES :

(a) Disclosures regarding materially significant related party transactions

None of the transaction with any of the related parties were in conflict with the interest of the company.

(b) Disclosures of non-compliance by the Company

The Company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets. During the last three years no penalties or strictures have been imposed on the Company by the stock exchanges or SEBI or any other statutory authorities relating to the above.

8. MEANS OF COMMUNICATION :

The quarterly results of the company were published during the year under review in National Newspaper in English & Hindi Language. Management Discussion and Analysis Report forms part of this annual Report.

9. GENERAL SHAREHOLDER INFORMATION :

a) Annual General Meeting

Date : Saturday September 29, 2012
 Time : 11.00 A.M.
 Venue : 9th K.M. Stone, Hisar Bhiwani Road, VPO Dabra (Hisar) 125 005.

b) Financial Year :

The financial year of the company is 1st April to 31st March.

c) Book Closure :

The Dates of Book Closure is from 4th October, 2012 to 5th October, 2012 (Both days inclusive)

d) Listing on Stock Exchanges & Stock Code :

The securities of the company are listed on under mentioned Stock Exchanges given in table below:

Name of the Stock Exchange	Stock code
Bombay Stock Exchange Limited, Mumbai	521068

HISAR SPINNING MILLS LIMITED**e) Share Transfer System :**

The company's shares are traded in Stock Exchange compulsorily in demat mode. The Company has Transferred 7,000 shares in F.Y. 2011-2012 and no shares are pending for transfer.

f) Distribution of Shareholding :

The Distribution of Shareholding as on 31st March, 2012 given in table below :-

No. of equity shares held	Total Holders	% of share holder	No. of share held	% of share holding
Up to 5000	10439	99.47	1742230	46.65
5001 to 10000	19	0.18	153600	4.11
10001 to 20000	9	0.09	145918	3.91
20001 to 30000	11	0.10	285030	7.63
30001 to 40000	4	0.03	145350	3.89
40001 to 50000	3	0.03	143000	3.83
50001 to 100000	7	0.07	556115	14.89
100000 and above	3	0.03	563757	15.09
TOTAL	10495	100.00	3735000	100.00

Categories of Shareholders as on 31st March, 2012 given in table below:-

Category	No. of Share	% of Share Holding
Indian Promoters	1827200	48.92
Private Corporate Bodies	92500	2.48
Indian Public	1815300	48.60
Others	—	—
TOTAL	3735000	100.00

g) Dematerialisation of Shares and Liquidity :

The company's shares are traded in Stock Exchange compulsorily in Demat mode. CDSL have allotted ISIN No. INE689E01014 for Dematerialisation of Shares. Total 6,83,490 Shares are in Electronic Form and 30,51,510 Shares are in Physical Form as on 31.03.2012.

h) Plant Location :**Hisar Unit**

9th K.M. Stone, Hisar Bhiwani Road,
VPO. Dabra (Hisar) 125 005. (Haryana)

i) Address for Correspondence :**Regd. Office and Works :**

Hisar Spinning Mills Limited, 9th K.M. Stone, Hisar Bhiwani Road,
VPO. Dabra (Hisar) 125 005. (Haryana)

Registrar and Transfer Agent :

Indus Portfolio Private Limited, G-65, Bali Nagar, New Delhi-110 015.

j) Compliance Officer :

The name and designation of the compliance officer of the Company is Mr. Sharad Goel (Manager).

k) Compliance :

Compliance certificate obtained from the Auditors is attached to this report.



HISAR SPINNING MILLS LIMITED

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Hisar Spinning Mills Limited

We have examined the compliance of conditions of corporate governance by Hisar Spinning Mills Limited (the Company) for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the company with the Stock Exchanges. The Compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us we certify that company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreements.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer cum 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 JAIN & ANIL SOOD
Chartered Accountants

Place : Chandigarh
Date : 30.08.2012

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447



AUDITOR'S REPORT

To
The Members,
Hisar Spinning Mills Limited

1. We have audited the attached balance sheet of **Hisar Spinning Mills Limited** (the "company") as at **31st March 2012**, the related statement of profit and loss and cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the "Act") and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) 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;
 - (b) 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;
 - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the balance sheet, statement of profit and loss 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 Act;

Contd./P/2



(2)

(e) On the basis of written representations received from the directors, as on 31st March 2012 and taken on record by the board of directors, none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give the information required by the Act in the manner 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 2012;

(ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and

(iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

for JAIN & ANIL SOOD
Chartered Accountants
Firm Registration No. 010505N

(RAJESH KUMAR JAIN)

Place: Chandigarh

Date : 30.08.2012

Partner
Membership No. 088447



(referred to in paragraph 3 of the Auditor's Report of even date to the members of **Hisar Spinning Mills Limited** on the financial statements for the year ended **31st March 2012**)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The company has a program for the physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the company and the nature of its fixed assets. No significant discrepancies were noticed on such verification.
(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
2. (a) The inventory has been physically verified during the year by the management. 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) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, paragraphs 4(iii)(a) to 4(iii)(d) of the Order are not applicable to the company.
(b) The company has taken unsecured loans from three parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year from these parties was rupees 6511500/- and the year end balance of loans taken from such parties was rupees 6511500/-.
(c) In our opinion, the rate of interest and other terms and conditions on which unsecured loans have been taken from parties covered in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the company.
(d) The loans accepted by the company from parties covered in the register maintained under section 301 of the Act are interest free loans. In the case of loans accepted from the parties covered in the register maintained under section 301 of the Act, no principal amount was due for payment to the said parties during the financial year under consideration. Accordingly, paragraph 4(iii)(g) of the Order is not applicable to the company in respect of regularity of payment of the principal amount and interest.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

Contd./P/2



(2)

5. According to the information given to us, there are no contracts or arrangements during the year that need to be entered into a register in pursuance of section 301 of the Act. Therefore, the provisions of clause 4 (v) of the Order are not applicable to the company.
6. The company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder.
7. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules, 2011, prescribed by the Central Government under Section 209 (1) (d) of the Act and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determining whether they are accurate or complete.
9. (a) The company is generally regular in depositing the undisputed statutory dues including employees' state insurance, provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities, though there has been slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable. However, a cheque of rupees 105617/- issued by the company in favour of Punjab National Bank for payment of custom duty during July 2011 was presented for payment by the bank after the balance sheet date.
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income tax/sales tax/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited with the appropriate authorities on account of any dispute.
10. In our opinion, the accumulated losses of the company are not more than fifty per cent of its net worth as on 31st March 2012. The company also has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year. In arriving at the accumulated losses, net worth and cash losses as above, we have considered the qualifications, if any, which are quantifiable in the audit reports of the years to which these pertain.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank. According to records of the company, the company did not have any outstanding debentures during the year.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

Contd./P/3



(3)

13. In our opinion and according to the information and explanations given to us, the company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. The company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of paragraph 4(xiv) of the Order are not applicable to the company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, the term loans taken during the year have been applied for the purpose for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The company has not issued any debentures.
20. The company has not raised any money by public issues during the year.
21. 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 JAIN & ANIL SOOD
Chartered Accountants
Firm Registration No. 010505N

(RAJESH KUMAR JAIN)

Place: Chandigarh
Date : 30.08.2012

Partner
Membership No. 088447



HISAR SPINNING MILLS LIMITED

Balance Sheet as at 31st March 2012

(in rupees)

Particulars	Note No.	As at 31.03.2012		As at 31.03.2011	
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	3	43850000		43850000	
(b) Reserves and surplus	4	<u>-9966622</u>	33883378	<u>-14274969</u>	29575031
Non-current liabilities					
(a) Long-term borrowings	5	47274293		12137793	
(b) Deferred tax liabilities (net)	6	<u>0</u>	47274293	<u>0</u>	12137793
Current liabilities					
(a) Short-term borrowings	7	-		2074099	
(b) Trade payables	8	3277889		5085700	
(c) Other current liabilities	9	14006803		5393418	
(d) Short-term provisions	10	-	17284692	139421	12692638
Total			<u>98442363</u>		<u>54405462</u>
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets	11	51093934		23560682	
(ii) Capital work-in-progress	12	9373021		-	
(b) Long-term loans and advances	13	1641611		3936328	
(c) Other non-current assets	14	<u>2008852</u>	64117418	<u>842057</u>	28339067
Current assets					
(a) Inventories	15	18523274		19115905	
(b) Trade receivables	16	4115186		5676675	
(c) Cash and cash equivalents	17	6826017		437049	
(d) Short-term loans and advances	18	380832		426322	
(e) Other current assets	19	4479636	34324945	410444	26066395
Total			<u>98442363</u>		<u>54405462</u>

Significant accounting policies 2

The accompanying notes form an integral part of the financial statements.

As per our attached report of even date
for JAIN & ANIL SOOD

Chartered Accountants
Firm Registration No. 010505N

for and on behalf of the Board

Place: Chandigarh
Date : 30.08.2012

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA) (T.N. GOEL)
Managing Director Director

HISAR SPINNING MILLS LIMITED



Statement of profit and loss for the year ended 31st March 2012

(In rupees)

Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
REVENUE			
Revenue from operations	20	150301176	130357057
Other income	21	212834	754031
Total revenue		150514010	131111088
EXPENSES			
Cost of materials consumed	22	104118146	94788344
(-) Increase/ decrease in inventories	23	2675028	-4528834
Employee benefits expense	24	2176259	2162692
Finance costs	25	3390186	1661153
Depreciation	26	7986619	4349088
Other expenses	27	25674002	26234562
Total expenses		146020240	124667005
Profit before exceptional and prior period items and tax		4493770	6444083
Exceptional items	28	738639	-
Prior period items	29	89595	-
Profit before tax		5322004	6444083
Less: tax expense:			
(1) Current tax		1014108	1198584
(2) Provision of income tax relating to earlier years		-451	83
(3) Deferred tax		-	-
Profit for the period		4308347	5245416
Earnings per equity share (EPS):	30		
Basic and diluted EPS		1.15	1.40
(Nominal value of equity share - rupees 10/-)			
Significant accounting policies	2		

The accompanying notes form an integral part of the financial statements.

As per our attached report of even date

for JAIN & ANIL SOOD
Chartered Accountants
Firm Registration No. 010505N

for and on behalf of the Board

Place: Chandigarh
Date: 30.08.2012

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA)
Managing Director

(T.N. GOEL)
Director



HISAR SPINNING MILLS LIMITED

Cash flow statement for the year ended 31st March 2012

Particulars	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011
A. Cash flow from operating activities		
Net profit before tax and extraordinary items	5322004	6444083
Adjustments for:		
Depreciation	7986619	4349088
Profit on disposal of tangible fixed assets	-738639	-4780
Loss/ (-) gain on unrealised foreign exchange	108054	-
Interest income	-302429	-232889
Interest expense	3082906	1625966
Operating profit before working capital changes	15458515	12181468
Movement in working capital:		
Decrease/ (-) increase in trade receivables	1561489	696759
Decrease/ (-) increase in inventories	592631	-5423024
Decrease/ (-) increase in loans and advances and other assets	-3575091	-302632
Increase/ (-) decrease in trade payables and other liabilities	6214122	568555
Cash generation from operation	20251666	7721126
Direct taxes paid (net of refunds)	-1251512	-875313
Net cash flow from/ (-) used in operating activities	19000154	6845813
B. Cash flow from investing activities		
(-) Purchase of tangible fixed assets (including capital work-in-progress and capital advances)	-44272663	-3503364
Proceeds from disposal of tangible fixed assets	2107000	112500
(-) Increase in non-current term deposits with bank having more than 12 months maturity at the year end (term deposit receipts pledged with banks towards margin against bank guarantees)	-1019500	-
Interest received	111084	187208
Net cash flow from/ (-) used in investing activities	-43074079	-3203656

Contd./P/2



(2)

C. Cash flow from financing activities

Proceeds from /(-) repayment of long-term borrowings	35166500	-2272000
Proceeds from /(-) repayment of short-term borrowings	-2074099	303856
Interest paid	-2629508	-1776863
Net cash flow from/ (-) used in financing activities	30462893	-3745007
Net increase/ (-) decrease in cash and cash equivalents	6388968	-102850
Cash and cash equivalents at the beginning of the year	437049	539899
Cash and cash equivalents at the end of the year	6826017	437049
<u>Components of cash and cash equivalents</u>		
Balances with banks in current/ cash credit accounts	6520694	18305
Cheques, drafts on hand and under clearing	77299	147210
Cash on hand	228024	271534
	6826017	437049

Note: The cash flow statement has been prepared under the 'indirect method' as set out in Accounting Standard (AS) - 3 'Cash Flow Statement'.

As per our attached report of even date

for JAIN & ANIL SOOD
Chartered Accountants
Firm Registration No. 010505N

for and on behalf of the Board

Place: Chandigarh
Date : 30.08.2012

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA)
Managing Director

(T.N. GOEL)
Director



Notes to financial statements for the year ended 31st March 2012

1. Nature of operations

The company is engaged in the business of manufacturing and sale of cotton yarn.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India under the Companies (Accounting Standard) Rules, 2006 and relevant provisions of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the company has ascertained its operating cycle as twelve months for the purpose of current – non current classification of assets and liabilities.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Revenue recognition

Revenue from sale of manufactured goods and sale of waste is recognised on transfer of all significant risks and rewards of ownership to the buyer which coincides with dispatch of goods to the customers. Revenue from sale of manufactured goods and sale of waste is disclosed net of returns, if any.

(d) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are recognised as an expense at the undiscounted amount in the statement of profit and loss of the year in which the related service is rendered.

(ii) Defined contribution plan - provident fund and pension fund

The contribution to provident fund and pension fund are considered as defined contribution plans and are charged to the statement of profit and loss as they fall due, based on the amount of contribution required to be made.

(iii) Compensated absences

Based on the leave rules of the company, employees are not permitted to accumulate leave. Any unavailed privileged leave to the extent encashable is paid to the employees and charged to the statement of profit and loss for the year.

Contd./P/2



(2)

(iv) Defined benefit plan - gratuity

Liability for gratuity is provided through a policy taken from Life Insurance Corporation of India (LIC) by a trust formed for the purpose. The net present value of obligation towards gratuity to employees is actuarially determined as at the balance sheet date based on the Projected Unit Credit (PUC) Actuarial Method. Actuarial gains and losses are recognised in the statement of profit and loss for the year.

(e) Fixed assets

Fixed assets have been stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price including duties and taxes (other than those subsequently recoverable by the company from the taxing authorities) and any directly attributable costs of bringing the asset to working condition for its intended use. When assets are sold or discarded their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the statement of profit and loss.

Advances paid towards the acquisition of fixed assets outstanding at the balance sheet date are disclosed as 'Capital advances' under the note of 'Long-term loans and advances' and the cost of fixed assets not ready for their intended use before such date are disclosed under 'Capital work-in-progress'.

(f) Depreciation

Depreciation on tangible fixed assets has been provided on written down value method at the rates and in the manner specified in Schedule - XIV to the Companies Act, 1956.

(g) Impairment of assets

At each balance sheet date an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e., the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

(h) Inventories

Inventories (other than saleable waste) have been valued at lower of cost and net realisable value. However, raw materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. The cost in respect of various items of inventory is computed as under :

- in case of raw material, stores and spares, diesel and packing material at first-in-first-out (FIFO) cost method plus direct expenses.

- in case of work-in-progress at raw material cost (determined on FIFO cost method) plus appropriate portion of conversion cost and other overheads incurred depending upon the stage of completion.

- in case of finished goods at raw material cost (determined on FIFO cost method) plus conversion cost, packing cost and other overheads incurred to bring the goods up to their present condition and location.

Saleable waste has been valued at estimated net realisable value.

Contd./P/3



(3)

(i) Effects of change in foreign exchange rates

Foreign currency transactions are initially recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction. At each balance sheet date foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

(j) Government grants

Government grants related to revenue have been deducted from related expense which they are intended to compensate. Government grants of the nature of promoters' contribution have been credited to Capital Reserve.

(k) Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for intended use. All other borrowing costs are recognised as an expense in the statement of profit and loss.

(l) Tax expense

Tax expense comprises current and deferred tax. Provision for current tax is made in accordance with the provisions of Income-tax Act, 1961. Deferred tax resulting from timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT credit entitlement. The company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that company will pay normal Income Tax during the specific period.

(m) Segment reporting

The company operates only in one business segment viz., 'yarn' which is the reportable segment in accordance with the requirements of Accounting Standard (AS) - 17 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006.

(n) Provisions, contingent liabilities and contingent assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial statements.



HISAR SPINNING MILLS LIMITED

(In rupees)

	As at 31.03.2012		As at 31.03.2011	
	Number of shares	Amount	Number of shares	Amount
3. Share capital				
Authorised				
Equity shares of rupees 10/- each	8000000	80000000	8000000	80000000
Preference shares of rupees 10/- each	2000000	20000000	2000000	20000000
Total		100000000		100000000
Issued				
Equity shares of rupees 10/- each	3735000	37350000	3735000	37350000
5% Redeemable non cumulative preference shares of rupees 10/- each	650000	6500000	650000	6500000
Total	4385000	43850000	4385000	43850000
Subscribed and fully paid				
Equity shares of rupees 10/- each	3735000	37350000	3735000	37350000
5% Redeemable non cumulative preference shares of rupees 10/- each	650000	6500000	650000	6500000
Total	4385000	43850000	4385000	43850000

The reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :

Equity shares of rupees 10/- each :

Particulars	Number of shares	Amount	Number of shares	Amount
Number of shares and amount at the beginning	3735000	37350000	3735000	37350000
Add : Shares issued	-	-	-	-
Number of shares and amount at the end	3735000	37350000	3735000	37350000

5% Redeemable non cumulative preference shares of rupees 10/- each :

Particulars	Number of shares	Amount	Number of shares	Amount
Number of shares and amount at the beginning	650000	6500000	650000	6500000
Add : Shares issued	-	-	-	-
Number of shares and amount at the end	650000	6500000	650000	6500000



Rights, preferences and restrictions attaching to each class of shares:

Equity shares: The company has one class of equity share having par value of rupees 10/- per share. Every member holding equity shares and entitled to vote and present in person or by proxy shall have voting rights which shall be in the same proportion as the capital paid on the equity share or shares (whether fully paid up or partly paid up) held by him bears to the total paid up equity capital of the company.

Preference shares: The company has issued 5% redeemable non cumulative preference shares having par value of rupees 10/- per share. The preference shareholders enjoy preferential rights in respect of payment of dividend and repayment of capital over the equity shareholders. The preference shares shall not entitle the holders thereof to any voting rights, except in respect of resolutions which directly affect the rights attached to the preference shares, and in the event the company does not pay any dividend on the said preference shares no voting rights shall accrue to such holders on account of non-payment of dividend. The said preference shares will be redeemable at par at the discretion of the board either in lump sum or in four quarterly instalments commencing from 01.01.2024 and ending on 31.12.2024 but before the expiry of 20 years from the date of allotment (27.07.2005) subject to the provisions of the Companies Act, 1956 and other applicable legislations as may be in force from time to time and the provisions of the articles of association of the company.

Shares in the company held by each shareholder holding more than 5 percent shares:

Name of the shareholder	Number of shares	% held	Number of shares	% held
Equity shares of rupees 10/- each :				
T.N. Goel	285290	7.64	282890	7.57
5% Redeemable non cumulative preference shares of rupees 10/- each :				
T.N. Goel	224000	34.46	224000	34.46
Gopal Krishan Gupta	110000	16.92	110000	16.92
M.L. Kansal	70000	10.77	70000	10.77
Saran Pal Singh	70000	10.77	70000	10.77
Kuldeep Kaur	40000	6.15	40000	6.15



(In rupees)

	As at 31.03.2012		As at 31.03.2011	
4. Reserves and surplus				
Capital reserves				
As at the commencement of the year	3342000		3342000	
Add : receipt during the year	-	3342000	-	3342000
Surplus i.e. balance in statement of profit and loss				
As at the commencement of the year	-17616969		-22862385	
Add: Profit for the year as per the statement of profit and loss	4308347	-13308622	5245416	-17616969
Total		-9966622		-14274969
5. Long-term borrowings				
Secured (*)				
Term loans from bank	4392793		6126793	
Term loans from financial institution	30370000	34762793	-	6126793
Unsecured				
Inter-corporate deposits	6000000		6000000	
Loans and advances from related parties	2885000		11000	
Loans and advances from other promoters	3626500	12511500		6011000
Total		47274293		12137793

(*) Nature of security and guarantee by directors or others:

Term loans from bank:

Term loans from bank i.e., Punjab National Bank are secured by (a) hypothecation of building constructed/ to be constructed, plant and machinery installed up to 31.03.2011, other assets and equipments purchased with the bank loan along with furniture & fixture. (b) first charge ranking paripassu with Small Industries Development Bank of India (SIDBI) by way of equitable mortgage of all the immovable properties i.e., land & building thereon of the company situated at VPO Dabra, Distt, Hissar, admeasuring about 34 kanal 14 marlas owned by the company. The above securities are also held as security for loan repayable on demand (cash credit) from Punjab National Bank (refer note no. 7 'Short-term borrowings').

Term loans from bank i.e., Punjab National Bank are further covered by personal guarantee of the promoter directors of the company namely Sh. Gopal Krishan Gupta, Sh. Anurag Gupta, Sh. M.L. Kansal and Sh. T.N. Goel.

Term loans from financial institution:

Term loans from financial institution i.e., Small Industries Development Bank of India (SIDBI) together with interest, costs, expenses, penal interest and all other monies dues and payable by the company are secured by (a) first charge by way of hypothecation in favour of SIDBI in a form satisfactory to SIDBI in respect of all the movable fixed assets i.e., plant and machinery, equipment, tools and accessories, moulds, miscellaneous fixed assets etc., save & except stocks and book debts acquired/ to be acquired under the project (new machinery installed specifically from loan financed by SIDBI on or after 01.04.2011). (b) first charge ranking paripassu with Punjab National Bank by way of equitable mortgage in a form satisfactory to SIDBI of all the immovable properties i.e., land & building thereon of the borrower situated at VPO Dabra, Distt, Hissar, admeasuring about 34 kanal 14 marlas owned by the company.

Term loans from financial institution i.e., Small Industries Development Bank of India (SIDBI) are further covered by irrevocable and unconditional personal guarantee of the promoter directors of the company namely Sh. Gopal Krishan Gupta, Sh. Anurag Gupta, Sh. M.L. Kansal and Sh. T.N. Goel.



HISAR SPINNING MILLS LIMITED

Terms of repayment:

Term loans from bank

(i) Term loan of rupees 2062000/- is repayable in 42 monthly instalments of rupees 50000/- each after six months of disbursement but not later than December 2008.

(ii) Term loan of rupees 11688000/- is repayable in 28 quarterly instalments of rupees 418000/- each with effect from March 2009.

Yearwise repayment schedule	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Term loans from bank (rupees)	2272000	1672000	1672000	1672000	1048793

Term loans from financial institution:

(i) Term loan of rupees 29300000/- is repayable in 66 monthly instalments commencing 18 months after the date of first disbursement i.e., 02.08.2011. The first 18 instalments of rupees 300000/- each, next 18 instalments of rupees 400000/- each, next 18 instalments of rupees 510000/- each, next 11 instalments of rupees 625000/- each and the last final instalment of rupees 645000/-.

(ii) Term loan of rupees 1700000/- is repayable in 66 monthly instalments commencing 18 months after the date of first disbursement i.e., 02.08.2011. The first 18 instalments of rupees 15000/- each, next 18 instalments of rupees 25000/- each, next 18 instalments of rupees 30000/- each, next 11 instalments of rupees 35000/- each and the last final instalment of rupees 55000/-.

Yearwise repayment schedule	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Term loans from financial institution (rupees)	630000	3780000	4660000	5330000	6480000	7440000	2680000

Terms of repayment of unsecured long-term borrowings:

Inter-corporate deposits:

Unsecured inter-corporate deposits are repayable at the time of squaring up of term loan facilities availed by the company from bank.

Loans and advances from related parties and from other promoters:

Unsecured loans and advances from related parties and from other promoters are repayable at the time of squaring up of term loans availed by the company from financial institution.



HISAR SPINNING MILLS LIMITED

(In rupees)

	As at 31.03.2012	As at 31.03.2011
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Depreciation on fixed assets (a)	1031470	558564
Less: deferred tax assets #		
Foreign exchange difference on purchase of fixed assets (b)	33389	-
Un-absorbed depreciation [to the extent of (a) - (b)]	998081	558564
Net deferred tax liabilities	<u>0</u>	<u>0</u>

Deferred tax assets and deferred tax liabilities have been offset as they relate to the same governing taxation laws.

7. Short-term borrowings

Secured (**)

Loan repayable on demand from bank (cash credit)		2074099
Total	<u></u>	<u>2074099</u>

(**) Nature of security and guarantee by directors or others:

Loan repayable on demand from bank (cash credit) is secured by hypothecation of stocks of raw material, work-in-progress, finished goods, stores and spares and hypothecation of entire receivables/book debts.

The said facilities from Punjab National Bank are further secured by hypothecation of block assets of the company and first charge ranking paripassu with Small Industries Development Bank of India (SIDBI) by way of equitable mortgage of all the immovable properties i.e., land & building thereon of the company situated at VPO Dabra, Distt, Hissar, admeasuring about 34 kanal 14 marlas owned by the company. These securities are also held as security for term loan from bank (refer note no. 5 Long-term borrowings).

Loan repayable on demand from bank (cash credit) is also covered by personal guarantee of the promoter directors of the company namely Sh. Gopal Krishan Gupta, Sh. Anurag Gupta, Sh. M.L. Kansal and Sh. T.N. Goel.



	(In rupees)	
	As at 31.03.2012	As at 31.03.2011
8. Trade payables		
Micro, small and medium enterprises (***)	-	-
Others	3277889	5085700
Total	3277889	5085700

(***) The company has not received the required information from its suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/ payable as required under the said Act have not been made.

9. Other current liabilities

Current maturities of long-term borrowings	2302000	2272000
Interest accrued and due on borrowings	668417	453251
Interest accrued but not due on borrowings	238232	-
<u>Other payables</u>		
- Advances from customers	554038	847560
- Creditors against capital goods	8577722	-
- Accrued employee benefits expense	197318	281077
- Statutory dues	385342	122065
- Other liabilities	1083734	1417465
Total	1406803	5393418

10. Short-term provisions

Provision for current income tax and interest thereon (net of prepaid taxes)	-	139421
Total	-	139421



Description of assets	Gross carrying amount				Depreciation			Net carrying amount			
	As at 01.04.2011	Additions during the year	Disposal	Other adjustments	As at 31.03.2012	Opening accumulated depreciation	Depreciation Eliminated	Other adjustments accumulated depreciation of assets	Closing accumulated depreciation	As at 31.03.2012	As at 31.03.2011
Freehold land and site development	1387964	-	-	-	1387964	-	-	-	-	1387964	1387964
Buildings	17132201	833021	-	-	17965222	9357993	639031	-	9997024	7968198	7774208
Plant and equipment	70252197	36300033	13179175	5477822	87895233	56080775	7296016	11810814	5197832	46368145	14171422
Furniture and fixtures	410148	8668	-	-	418816	387860	11294	-	399154	19662	22288
Vehicles	90765	-	-	-	90765	47927	11091	-	59018	31747	42838
Office equipment	683897	26500	-	-	710397	521935	29187	-	551122	159275	161962
Total	89957172	37169222	13179175	5477822	109466397	66396490	7966619	11810814	5197832	57374463	23560682
Previous Year	88947388	1234784	225000	-	89957172	62164682	4349088	117280	-	66396490	23560682

Note: Other adjustments of gross carrying amount of rupees 5477822/- (previous year - nil) represents items of tangible assets that have been retired from active use and are held for disposal. The related accumulated depreciation on such tangible assets of rupees 5197832/- (previous year - nil) has been eliminated from depreciation. Such tangible assets have been stated at the lower of their net book value and net realisable value and are shown separately in note no. 18 'Other current assets' under the head 'Tangible fixed assets held for sale'.

HISAR SPINNING MILLS LIMITED



	(In rupees)	
	As at 31.03.2012	As at 31.03.2011
12. Capital work-in-progress		
Tangible assets in transit	9373021	-
Total	9373021	-
13. Long-term loans and advances (unsecured, considered good)		
Capital advances	-	2268580
Security deposits	1617748	1667748
Prepaid expenses	23863	-
Total	1641611	3936328
14. Other non-current assets (unsecured, considered good)		
Non-current bank balances - term deposits having more than 12 months maturity at the year end (term deposit receipts pledged with banks towards margin against bank guarantees)	1521500	502000
Interest accrued on term deposits with bank	234746	124036
Advance to gratuity trust	252606	216021
Total	2008852	842057
15. Inventories (Refer note no. 2 (h) for mode of valuation)		
Raw material	11237664	10128930
Work-in-progress	1658615	3046487
Finished goods	2505607	3710248
Stores and spares, diesel and packing material	3004343	2030680
Saleable Waste	117045	199560
Total	18523274	19115905
16. Trade receivables (unsecured, considered good)		
Outstanding for a period exceeding six months from the date they became due for payment	9871	437832
Outstanding for a period not exceeding six months from the date they became due for payment	4105315	5238843
Total	4115186	5676675

HISAR SPINNING MILLS LIMITED



	(In rupees)	
	As at 31.03.2012	As at 31.03.2011
17. Cash and cash equivalents		
Balances with banks		
- in current/ cash credit accounts	6520694	18305
- in term deposits accounts (term deposit receipts pledged with banks towards margin against bank guarantees)	1521500	502000
Cheques, drafts on hand and under clearing	77299	147210
Cash on hand	228024	271534
	<u>8347517</u>	<u>939049</u>
Less: Term deposit accounts having more than 12 months maturity at the year end (disclosed under note no. 13)	1521500	502000
Total	<u>6826017</u>	<u>437049</u>
Of the above, the balances that meet the definition of cash and cash equivalents as per Accounting Standard (AS) - 3 'Cash Flow Statement' is:	6826017	437049
18. Short-term loans and advances (unsecured, considered good)		
Advance income tax (net of provision for income tax)	147624	49190
Advances to suppliers of goods and services	151662	174884
Other loans and advances	43719	169306
Prepaid expenses	37827	32942
Total	<u>380832</u>	<u>426322</u>
19. Other current assets (unsecured, considered good)		
Interest subsidy receivable	1015827	410444
Interest accrued on security deposits	80635	-
Excise duty refundable under EPCG scheme	3103184	-
Tangible fixed assets held for sale	279990	-
Total	<u>4479636</u>	<u>410444</u>

HISAR SPINNING MILLS LIMITED



	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011
20. Revenue from operations		
Sale of products		
Manufactured goods	148356213	126973284
	<u>148356213</u>	<u>126973284</u>
Other operating revenues		
Sale of waste	1312533	1810589
Sale of scrap	11200	29475
Export incentives	101446	-
Transfer of hank yarn obligation	519784	1543709
	<u>1944963</u>	<u>3383773</u>
Total	<u>150301176</u>	<u>130357057</u>
Details of sale of manufactured goods under broad heads		
Cotton yarn	148356213	126973284
21. Other Income		
Interest income	212834	232889
Profit on sale of tangible fixed assets	-	4780
Insurance claim received	-	516362
Total	<u>212834</u>	<u>754031</u>
22. Cost of materials consumed		
<u>Cost of raw materials consumed</u>		
Opening stock of raw materials	10128930	8712523
Add: purchase of raw materials	105274240	96204751
	<u>115403170</u>	<u>104917274</u>
Less :		
Sale of raw materials	47360	-
Closing stock of raw materials	11237664	10128930
Cost of materials consumed - Total	<u>104118146</u>	<u>94788344</u>
Details of raw material consumed under broad heads		
Cotton waste/textile waste	104118146	94788344

HISAR SPINNING MILLS LIMITED



	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011
23. (-) Increase/ decrease in inventories		
Closing inventories		
Finished goods	2505607	3710248
Saleable waste	117045	199560
Work-in-progress	1658615	3046487
	<u>4281267</u>	<u>6956295</u>
Opening inventories		
Finished goods	3710248	1349125
Saleable waste	199560	319832
Work-in-progress	3046487	758504
	<u>6956295</u>	<u>2427461</u>
(-) Increase/ decrease in inventories - Total	2675028	-4528834
Details of inventories of finished goods under broad heads		
Closing inventories		
Cotton yarn	2505607	3710248
Opening inventories		
Cotton yarn	3710248	1349125
Details of inventories of work-in-progress under broad heads		
Closing inventories		
Cotton yarn work-in-progress	1658615	3046487
Opening inventories		
Cotton yarn work-in-progress	3046487	758504
24. Employee benefits expense		
Salaries, wages and bonus	2019673	2030985
Contribution to provident fund and other funds	148552	119659
Staff welfare expenses	8034	12048
Total	<u>2176259</u>	<u>2162692</u>
25. Finance costs		
Interest expense	3074164	1605193
Interest paid on shortfall in payment of advance income tax	8742	20773
Other borrowing costs	307280	35187
Total	<u>3390186</u>	<u>1661153</u>
26. Depreciation		
Depreciation on tangible assets (refer note no. 11)	7986619	4349088
Total	<u>7986619</u>	<u>4349088</u>

HISAR SPINNING MILLS LIMITED

	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011
27. Other expenses		
Consumption of stores and spare parts	4759406	5443632
Packing material consumed	1058253	1063960
Diesel consumed	1371303	1448223
Power and fuel	14086016	14957936
Contract labour charges	864511	807146
Repair and maintenance		
- Machinery	478479	351461
- Building	226371	294098
Insurance charges	181175	138838
Fees and subscription	117821	93005
<u>Auditors remuneration</u>		
- Audit fees	56180	44120
- Tax audit fees	11236	11030
- Certification fees	22472	-
Legal and professional charges	134400	61290
Net loss on foreign currency transactions and translation	103374	-
Export shipment expenses	542396	-
Freight and cartage outward	426100	648620
Rebate and discount	314735	25422
Miscellaneous expenses	919774	845781
Total	25674002	26234562
28. Exceptional Items		
Profit on disposal of tangible fixed assets	738639	-
Total	738639	-
29. Prior period Items		
Interest income on security deposits	89595	-
Total	89595	-



HISAR SPINNING MILLS LIMITED

	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011

30. Earnings per equity share (EPS)

The calculation of EPS as disclosed in the statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 'Earning Per Share' notified under the Companies (Accounting Standards) Rules, 2006.

(i) A statement on calculation of EPS is as under:

Profit for the period attributable to equity shareholders	4308347	5245416
Total (a)	4308347	5245416
Number of equity shares outstanding during the year (nos.) (Nominal value of equity share - rupees 10/-)	3735000	3735000
Total (b)	3735000	3735000
Basic and diluted EPS (rupees) (a/b)	1.15	1.40

Note: There are no potential equity shares

31. Contingent liabilities and commitments

(to the extent not provided for)

(i) Contingent liabilities:

Counter guarantees issued to Punjab National Bank in respect of the guarantees issued by the said bank in favour of various government authorities.	1521500	502000
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(ii) Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	34229241
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Performance bonds executed in favour of The President of India against exports obligations for purchase of capital goods under Export Promotion Capital Goods (EPCG) scheme	25493306	8343306
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32. Employee benefits

Disclosures as required by the Accounting Standard (AS) - 15 'Employee benefits' are as under:

- (A) General description of plan: Defined gratuity benefit obligation (funded)
 (B) Method of valuation of gratuity: Projected Unit Credit (PUC) Actuarial Method.

(In rupees)

Particulars	2011-2012	2010-2011
(C) Reconciliation of opening and closing balance of defined benefit obligation:		
1. Present value of obligation as at the beginning of the period	357028	383406
2. Current service cost	60496	64521
3. Interest cost	31240	30672
4. Net actuarial (-) gain/ loss on obligations	-76694	-121571
5. Benefits paid	-	-
6. Present value of obligation as at the end of the period	372070	357028

(D) Fair value of plan assets:

1. Fair value of plan assets at the beginning of the period	573049	440382
2. Expected return on plan assets	51578	46537
3. Contributions	49	86130
4. Benefits paid	-	-
5. Actuarial gain/ (-) loss on plan assets	-	-
6. Fair value of plan assets at the end of the period	624676	573049

(E) Amount recognised in the balance sheet:

1. Present value of obligation as at the end of the period	372070	357028
2. Fair value of plan assets at the end of the period	624676	573049
3. Amount recognised in the balance sheet - asset	252606	216021

(F) Expenses recognised during the period:

1. Current service cost	60496	64521
2. Interest cost	31240	30672
3. Expected return on plan assets	-51578	-46537
4. Net actuarial (-) gain/ loss on obligations	-76694	-121571
5. Expenses recognised in the statement of profit and loss	-36536	-72915

(G) Actuarial (-) gain/ loss on planned assets

1. Actual return on plan assets	51578	46537
2. Expected return on plan assets	51578	46537
3. Actuarial (-) gain/ loss on planned assets	-	-

(H) Actuarial (-) gain/ loss recognised

1. Net actuarial (-) gain/ loss on obligations	-76694	-121571
2. Actuarial (-) gain/ loss on planned assets	-	-
3. Total actuarial (-) gain/ loss	-76694	-121571
4. Actuarial (-) gain/ loss recognised	-76694	-121571

(I) Actuarial assumptions:

1. Discount rate (per annum)	8.75%	8.00%
2. Salary growth rate (per annum)	7.00%	7.00%
3. Mortality	LIC (1994-96)	
4. Withdrawal rate (per annum)	2.00%	2.00%
5. Normal retirement age	58 years	58 years

Note: The above information is certified by the actuary and relied upon by statutory auditors.



HISAR SPINNING MILLS LIMITED

33. Related parties disclosures

(a) The name of the transacting related party and description of the relationship between the parties:

Key management personnel:

Mr. Gopal Krishan Gupta
Mr. Anurag Gupta

Enterprises over which key management personnel or relative of such personnel is able to exercise significant influence:

Usha Yams Limited

(b) Related party transactions:

(In rupees)

Sr. No.	Description of the nature of transactions	2011-2012		2010-2011	
		Key management personnel	Enterprises over which there is significant influence	Key management personnel	Enterprises over which there is significant influence
1.	Remuneration	360000	-	360000	-
2.	Credit balance outstanding at the year end in respect of remuneration	-	-	82500	-
3.	Acceptance of loans	2874000	-	-	-
4.	Credit balance outstanding at the year end in respect of loans	2885000	-	11000	-
5.	Purchase of raw material	-	-	-	979351

(c) Details of material related party transactions included in (b) above:

(In rupees)

Sr. No.	Description of the nature of transactions	2011-2012		2010-2011	
		Key management personnel	Enterprises over which there is significant influence	Key management personnel	Enterprises over which there is significant influence
1.	Remuneration				
	Mr. Anurag Gupta	360000	-	360000	-
2.	Credit balance outstanding at the year end in respect of remuneration				
	Mr. Anurag Gupta	-	-	82500	-
3.	Acceptance of loans				
	Mr. Gopal Krishan Gupta	2874000	-	-	-
4.	Credit balance outstanding at the year end in respect of loans				
	Mr. Gopal Krishan Gupta	2885000	-	11000	-
5.	Purchase of raw material				
	Usha Yams Limited	-	-	-	979351



HISAR SPINNING MILLS LIMITED

34. No amount of dividend has been proposed to be distributed to equity and preference shareholders for the period.

35. There is no impairment of assets during the year.

36. Value of imports calculated on C.I.F basis:

	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011
Stores and spare parts	1301110	1121301
Capital goods	11453372	-
Total	12754482	1121301

37. Total value of all imported raw materials, stores and spares consumed during the financial year and the total value of all indigenous raw materials and stores and spares similarly consumed and the percentage of each to the total consumption:

	(In rupees)			
	For the year ended 31.03.2012		For the year ended 31.03.2011	
	Amount	%	Amount	%
(i) Raw materials				
- Imported				
- Indigenous	104118146	100%	94788344	100%
Total	104118146	100%	94788344	100%
(ii) Stores and spares				
- Imported	1445078	30.36%	1766193	32.45%
- Indigenous	3314328	69.64%	3677439	67.56%
Total	4759406	100%	5443632	100%

38. Earnings in foreign exchange:

(i) Export of goods calculated on F.O.B. basis:

	(In rupees)	
	For the year ended 31.03.2012	For the year ended 31.03.2011
Manufactured goods	3169512	-
Total	3169512	-

39. The company has reclassified previous year's figures to conform to current year's classification as per revised Schedule VI notified under the Companies Act, 1956. The adoption of revised Schedule VI has significantly impacted the disclosure and presentation made in the financial statements. However, it does not impact recognition and measurement principles followed for preparation of financial statements.

As per our attached report of even date

for JAIN & ANIL SOOD
Chartered Accountants
Firm Registration No. 010505N

for and on behalf of the Board

Place: Chandigarh
Date : 30.08.2012

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA)
Managing Director

(T.N. GOEL)
Director

HISAR SPINNING MILLS LIMITED

Regd. Office : V & P.O. Dabra, Hisar-125005 (Haryana)

PROXY FORM

I/We Regd. Folio No.....
Address.....
being member of Hisar Spinning Mills Ltd. appoint.....
of.....my/our proxy in my/our absence to at-
tend and vote for me/us for my/or our behalf, at the 20th Annual General Meeting of the Company to be
held on Wednesday, 29th September, 2012 at 11.00 a.m. or at any adjournment thereof.
In witness thereof I/We have set my/our hand(s) this.....day of.....2012

Please affix Rs. 1 Revenue Stamp

Signature of the member

In the presence ofWitness

Note : The Proxy form must be deposited with the company, not less than 48 hours before the time for holding the meeting.

HISAR SPINNING MILLS LIMITED

Regd. Office : V & P.O. Dabra, Hisar (Haryana)

20TH ANNUAL GENERAL MEETING

ATTENDANCE SLIP

I/Mr./Mrs./Miss.....
Reg. Folio No.....hereby record my presence at the 20th Annual
General Meeting of the Company on Wednesday, 29th September 2012 at 11.00 a.m.

Signature of the member/proxy

Note : Please fill this attendance slip and hand it over at the entrance of the meeting hall.

BOOK-POST

If undelivered please return to :
HISAR SPINNING MILLS LIMITED
Regd. Office & Works : 9th K.M. Stone,
Hisar-Bhiwani Road,
V.P.O. Dabra (Hisar) 125 005 (Haryana)