

**31<sup>st</sup> ANNUAL REPORT**  
**2011-2012**



**H. P. Cotton Textile Mills Limited**



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**BOARD OF DIRECTORS**

Shri Raj Kumar Agarwal, Director

Shri Ashok Kumar Agarwal, Deputy Managing Director

Shri Kailash Kumar Agarwal, Deputy Managing Director

Shri Parshotam Das Agarwal, Director

Shri Bibhuti Charan Talukdar, Director

Shri Anil Agarwalla, Director.

Shri Mohan Lal Jain, Director

**BANKERS**

State Bank of Patiala

Oriental Bank of Commerce

IDBI Bank Limited

**AUDITOR**

A.K. Associates, New Delhi

**REGISTRAR & SHARE TRANSFER AGENT**

M/S. Alankit Assignments Ltd.

2E/ 21, Alankit House, Jhandewalan Extension,

New Delhi – 110 055

Tel. No. : (011) 23541234-42541234

Fax No. : (011) 23552001

Website: [www.alankit.com](http://www.alankit.com)

**NOTICE**

Notice is hereby given that the Thirty First Annual General Meeting of the Members of H.P. Cotton Textile Mills Limited will be held on Friday, the 28th day of September, 2012 at 3:00 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 2012 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. Kailash Kumar Agarwal who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sh. Bibhuti Charan Talukdar 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 and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution:-

"Resolved that the Company hereby accords its consent and approval under section 198, 269, 309, 314 and 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 Kailash 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 6th August, 2012 on the following remuneration.

Salary Basic	Rs. 39700-2500-49700 per month.
House Rent Allowance	25% of Basic Salary.
Provident Fund & Gratuity	As per Employee Provident Fund Act and Payment of Gratuity Act and shall not be included in the computation of the ceiling of remuneration.
Medical	Re-imbusement of medical expenses for self and family upto a limit of 5% of basic salary as per rules of the Company.
Leave Travel Assistance	Re-imbusement of Leave Travel expenses for self and family upto a limit of 5% of Basic Salary as per rules of the Company.
Earned Leave	Encashment of un-availed leave at the time of retirement/ cessation of service shall not be included in the computation of the ceiling on remuneration. Earned leave will be maximum 30 days per annum as per rules of the Company.
Minimum Remuneration	That if during any financial year during the currency of the tenure of Shri Kailash Kumar Agarwal, the Company has no profits or its profits are inadequate, the Company shall pay to Shri Kailash Kumar Agarwal the above remuneration as the minimum remuneration for a period not exceeding 3 years or till the tenure of appointment, whichever is earlier, by way of salaries, perquisites and other allowances and benefits as specified above subject to receipt of requisite approvals, if any.

"Further Resolved that the Board of Directors with the recommendation of Remuneration Committee be and are hereby authorized to alter, vary or modify the terms and conditions of the said re-appointment including remuneration, subject to the limits laid down in sections 198, 269, 309, 310 and 311 and all other applicable provisions; if any of the Companies Act, 1956 and the rules framed there under read with Schedule XIII of the Companies Act, 1956 and subject to approval of Central Government, if necessary, and subject to the requisite approvals, if any, being obtained and also to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution".

Place: New Delhi  
Date: 14th August 2012

By Order of the Board of Directors  
Ashok Kumar Agarwal  
Deputy Managing Director

## NOTES:

1. Member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the company. The instrument appointing a Proxy, in order to be effective, must be duly filled, stamped and signed and must reach the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting.
2. Corporate Members are requested to send to the Company a duly certified copy of the Board Resolution, pursuant to Section 187 of the Companies Act, 1956, authorizing their representative to attend and vote at the Annual General Meeting.
3. The Register of members and the Share transfer Books of the Company shall remain closed from 19th Sept., 2012 to 28th Sept., 2012 both days inclusive.
4. Members holding shares in the certificate form are requested to notify / send the following to the Company's Registrars and Share Transfer Agents, Alankit Assignments Limited, Alankit House, 2E/ 21, Jhandewalan Extension, New Delhi-110055 to facilitate better servicing:-
  - i. Any change in their address / mandate / bank details.
  - ii. Particulars of their bank account, in case the same have not been furnished earlier, and
  - iii. Share certificates held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholdings into a single account.
5. Additional particulars of Directors retiring by rotation and eligible for appointment/re-appointment pursuant to Clause 49 of Listing Agreement are mentioned in the Annexure 'A' to the Notice.
6. Members desirous of making a nomination in respect of their shareholders, as permitted by section 109A of the Companies Act, 1956, are requested to write to the Share Transfer Agent of the Company for the prescribed form.
7. Members 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.

**8. EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956**  
**Item No. 5**

Shri Kailash Kumar Agarwal was re-appointed as Whole Time Director designated as Dy. Managing Director for a period of 5 years w.e.f. 6th August, 2007 on the following remuneration which was approved at the Annual General Meeting held on 29th September, 2007. His remuneration was within the limits prescribed in Schedule XIII of the Companies Act, 1956.

- (1) Salary : Rs. 38000/- (Consolidated) per month.
- (2) Medical : Re-imburement of medical expenses for self and family up to a limit of 5% of basic salary as per rules of the Company.
- (3) Provident Fund & Gratuity : As per Employee Provident fund Act and Payment of Gratuity Act and shall not be included in the computation of the Ceiling on remuneration.
- (4) Encashment of unavailed leave at the time of retirement/ cessation of service shall not be included in the computation of the ceiling on remuneration. Earned leave will be maximum 30 days per annum as per rules of the Company.

The Board of Directors in their meeting held on 30th May 2012 upon the recommendation of the Remuneration Committee of the Company and keeping in view that the term of appointment of Shri Kailash Kumar Agarwal as Whole Time Director designated as Deputy Managing Director will be expiring on 5th August 2012 and also in the interest of the company has reappointed Shri Kailash Kumar Agarwal as Whole Time Director designated as Deputy Managing Director for a further period of 5 years w.e.f. 6th August, 2012 subject to the approval of the members of the Company in this Annual General Meeting on a remuneration as mentioned in the resolution with an authority to the Board to alter, vary or modify the terms with recommendation of Remuneration Committee during the tenure of his holding the office as Whole Time Director designated as Deputy Managing Director.

The remuneration to be paid to Shri Kailash Kumar Agarwal will be within the limits prescribed under Schedule XIII of the Companies Act 1956. Hence the resolution is recommended for your approval.

**Memorandum of interest:** Shri Kailash Kumar Agarwal, self, Shri Raj Kumar Agarwal, Director, Shri Ashok Kumar Agarwal, Dy. Managing Director, being relatives, are interested in this resolution. None of the other Directors is interested or concerned in this appointment.

By Order of the Board of Directors

Ashok Kumar Agarwal

Deputy Managing Director

Place: New Delhi

Date: 14th August, 2012

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AT THE ANNUAL GENERAL MEETING**

(PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT)

1.	Name of the Director	<b>Shri Kallash Kumar Agarwal</b>
	DIN NO.	00063470
	Date of Birth	17.07.1961
	Date of Appointment	06.08.1992
	Expertise in specific functional Area	27 years experience with this Company itself.
	Qualification	B.Com, L.L.B
	Directorship in other limited Companies	M/s Acchar Investment Ltd. M/s Jainish Products Ltd. M/s Atishay Investments & Finance Pvt. Ltd. M/s Tayal Tuff Private Ltd. M/s Tayal Vegcraft Private Ltd.
	Memberships/ Chairmanships of Committees of the Directors of the Company	Member in Share Transfer Committee.
	Memberships/ Chairmanships of Committees of the Directors of other Companies	NIL
	Number of share held	85320
2.	Name of the Director	<b>Shri Bibhuti Charan Talukdar</b>
	DIN NO.	00024015
	Date of Birth	01.03.1936
	Date of Appointment	31.10.2004
	Expertise in specific functional Area	Retired Corporate Executive having experience in Corporate Law and Finance over 51 years.
	Qualification	B.Com, Post Graduation Diploma in Business Management.
	Directorship in other limited Companies	Nagreeka Exports Ltd. Nagreeka Capital & Infrastructure Ltd. Prabhu Switch Gear Private Ltd.
	Memberships/ Chairmanships of Committees of the Directors of the Company	Chairman in Remuneration Committee and Shareholder's/Investor's Grievances Committee. Member in Audit Committee and Share Transfer Committee.
	Memberships/ Chairmanships of Committees of the Directors of other Companies	In Nagreeka Exports Ltd. member of Audit Committee, Shareholder's/Investor's Grievance Committee and Remuneration Committee. In Nagreeka Capital & Infrastructure Ltd. member of Audit Committee and Shareholder's/Investor's Grievance Committee.
	Number of share held	NIL

**DIRECTORS REPORT**

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

Your Directors have pleasure in presenting the Thirty First Annual Report together with the Audited Annual Accounts of the Company for the year ended 31st March 2012.

**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.

(Rupees In Lacs)

<b>Particulars</b>	<b>Year ended 31.03.12</b>	<b>Year ended 31.03.11*</b>
Sales and other Income	7376	7395
Profit before financial charges and depreciation	579	413
Financial charges	(284)	(231)
Profit before depreciation	295	182
Depreciation	(144)	(146)
Profit before tax	151	36
Prior year adjustment	(13)	9
Profit before Tax	138	45
Less: Provision for Tax		
- Current Tax		(8)
- Deferred Tax	(48)	(10)
Profit after Tax	90	27
Surplus as per last year	30	3
Surplus carried forward to next year	120	30

\*Previous year's figures have been reclassified/ regrouped wherever necessary to correspond with those of current year.

**OPERATIONAL PERFORMANCE:**

During the year under review, your Company has earned profit before financial charges and depreciation of Rs 579 lacs as against Rs 413 lacs in the previous year and profit after tax of Rs 90 lacs as against Rs 27 lacs in the previous year. The exports of the Company increased from Rs 4258 lacs to Rs 5248 lacs, showing an increase of 23% over the previous year.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**
**a) Industry Structure & Development:**

The Indian textile industry plays a vital role in the economy of the country by contributing to GDP, generating employment and earning foreign exchange. The textile industry faces a particularly acute challenge as the price of its raw material, viz. cotton, has been fluctuating day to day. The industry has not been able to take the advantage of investments made in recent years because of lack of demand particularly in the local market.

During the year under review your company was able to effect an improved performance through dedicated efforts aimed at improving operational efficiency, quality enhancement, focus on optimal product mix and effective cost saving practices, all of which resulted in improved export sales and enhancement profitability. The remunerative export sale prices and good demand for thread in foreign countries helped the company to overcome the escalation in cost of raw material, power and labour to certain extent.

**b) Risks, Concerns and Opportunities**

The cotton price is subject to climatic variations and market volatility. Frequent changes in government policies will have impact on cotton and yarn prices. Power shortage and shortage of labour are major concerns, which could lead to escalation in cost of production. Higher inflation and substantial increase in interest rate would have adverse impact on profit margins of the company. Moreover, the increased incentives being provided by the Governments of our competitors like China, Pakistan, Bangladesh, Vietnam etc. are enabling the manufacturers in those countries to get ahead of us in various export markets.

In view of rising income levels and resultant higher demand, the industry has an opportunity for the growth which has to be fully exploited in both domestic and export markets. Once the global demand recession is over, opportunities for exports should increase and to take full advantage, improvement in quality will have to be given priority.

**c) Outlook:**

The company is taking all efforts to improve the quality and productivity to get more orders at competitive rates. Your Directors are hopeful that the demand for cotton textiles in the long run should remain strong in India and abroad. Continued efforts to maintain quality, variety in product mix and scouting for new and better markets shall promote growth. Barring unforeseen circumstances the company is confident of achieving better results in the current year.

**QUALITY MANAGEMENT SYSTEM**

The company continues to lay emphasis on excellence in quality and services and is committed to total customer satisfaction. The high quality of the company products is reflected in the company ability to export its product in quality conscious European markets. The company continues to be on a mission to provide customer with products that can match with international standards and will surpass their expectations.

**INTERNAL CONTROL SYSTEM AND THEIR ADEQUACIES**

The Company has adequate Internal Control systems in all areas of operations commensurate with the size of the operation. Your Company has an adequate and effective internal control system to ensure that assets and interests of the Company are safeguarded and reliability of accounting data and accuracy are ensured with proper checks and balances.

The internal control system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors, Statutory Auditors and the business heads are periodically appraised of the internal audit findings and the corrective actions taken. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal controls systems and suggests improvements for strengthening them.

**HUMAN RESOURCES AND SAFETY OF WORKERS**

The Company's HR philosophy is to establish and build a high performing organization, where each individual is motivated to perform to the fullest capacity to contribute to developing and achieving individual excellence and departmental objectives and continuously improve performance to realize the full potential of our personnel.

During the year under review, the industrial relations continued to be cordial and satisfactory.

**DIVIDEND**

To conserve the resources for working capital and capital expenditure the directors do not recommend any dividend for the financial year under review.



**REMUNERATION OF EMPLOYEES**

No employee was in receipt of remuneration equal to or exceeding Rs.60 lacs per annum, if employed for the full year or exceeding Rs. 5 lacs per month if employed for part of the year. Therefore, 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, is not applicable.

**ENVIRONMENT AND POLLUTION CONTROL**

The Company is conscious of the importance of environmentally clean and safe operations. The company's policy is the conduct of all operations in a manner to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

**DIRECTORS**

Shri Kailash Kumar Agarwal and Shri Bibhuti Charan Talukdar, directors are liable to retire by rotation and being eligible, offer themselves for re-appointment. The information on the particulars of Directors seeking appointment and re-appointment as stipulated under Clause 49 of Listing Agreement with the Stock Exchanges, are provided in the notes to Notice forming part of the Annual Report.

**AUDITORS AND AUDIT REPORT**

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

The Auditor's Report on the accounts is self explanatory

**COST AUDITORS**

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 HMVN & Associates, Cost Auditors with approval of Central Government to conduct the cost audit of the products manufactured by the company for the period under review.

**COMPANIES (COMPLIANCE CERTIFICATE)**

Compliance Certificate pursuant to Section 383A of the Companies Act, 1956 is annexed hereto.

**CORPORATE GOVERNANCE**

Company has complied with the requirements of Corporate Governance through constitution and reconstitution of various committees and has taken adequate steps to ensure that all mandatory provisions of Corporate Governance as provided in the Listing Agreement with the Stock Exchanges are duly complied with. A separate report on Corporate Governance along with the Auditors certificate on compliance with the Corporate Governance as stipulated in Clause 49 forms part of this Annual Report.

**INVESTOR SERVICES**

The Company has appointed M/s Alankit Assignments Limited, New Delhi as Registrar and Share Transfer Agent (RTA). No complaint/ query from any of the shareholder is pending to be resolved by the Company or the RTA.

**LISTING OF SHARES**

Company's shares are listed on Delhi Stock Exchange & Bombay Stock Exchange.

**FIXED DEPOSITS**

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

**CASH FLOW**

Inconformity with the provisions of clause 32 of the Listing Agreement the Cash Flow Statement for the year ended 31.03.2012 is annexed hereto.

**PUBLICATION OF 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 2011; 30th Sept. 2011; 31st December 2011 and audited financial result for the quarter/ year ended on 31st March 2012. The summarized results are published in Business Standard (English), Delhi & Dainik Bhaskar (Hindi), Hisar.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUT GO**

The information required under Section 217(l)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 is annexed hereto as annexure A and forms part of this report.

**DIRECTORS RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956 and on the basis of compliance certificates received from the concerned executives of the respective departments 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 annual accounts, applicable accounting standards have been followed and proper explanations have been provided relating to material departures, if any;
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 and of the profit of the Company for that period;
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, if any.
4. That the Directors have prepared the annual accounts on a going concern basis.

**APPRECIATION**

The Directors place on record their thanks and appreciation to all workers, staff members, executives and business associates for their co-operation and contribution to the operations of the company. The Directors are thankful to the Bankers, Financial Institutions for their continued support to the company. The Directors also place on record their sincere thanks to the shareholders for their continued support, co-operation and confidence in the Management of the Company.

**For and on behalf of the Board**

Ashok Kumar Agarwal  
Deputy Managing Director

Kailash Kumar Agarwal  
Deputy Managing Director

Place : New Delhi  
Dated : 14th August, 2012

**ANNEXURE -A TO THE DIRECTORS' REPORT**
**FORM - A**

PARTICULARS	UNIT	2011-12	2010-11
<b>A POWER AND FUEL CONSUMPTION</b>			
<b>1. Purchases from DHVVNL</b>			
Units	000' KWH	8825	12728
Rate	RS/UNIT	5.21	5.27
Total amount	RS. LACS	460.20	670.78
<b>2. OWN GENERATION</b>			
Units generated	000' KWH	1007	1435
Average rate	RS/UNIT	11.32	9.99
Total amount	RS. LACS	113.92	143.38
<b>B. FUEL</b>			
<b>a) STEAM GENERATION</b>			
Quantity of petcock consumed	TONNES	2539.95	2587.34
Average cost of petcock	RS.PER TON	9941.59	9694.40
Total cost of petcock	RS.LACS	252.51	250.83
<b>b) LIQUEFIED PETROLEUM GAS</b>			
LPG consumed	000'KG	34	31
Average cost	RS.PER KG	66.09	53.78
Total cost	RS.LACS	22.31	16.61
<b>C. CONSUMPTION PER KILOGRAM OF PRODUCT</b>			
<b>a) ELECTRICITY</b>			
i) Upto Ring frame	KWH/KG	2.33	2.51
ii) Mills as a whole	KWH/KG	6.62	5.71
Total power consumed	000'UNIT	9832	14163
<b>b) STEAM</b>	KG/KG	6.36	4.36
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. Quality Up gradation
2. Reduction in waste generation in the process
3. Reuse of waste recycled water
4. Steam, power and Water conservation
5. Development wide range of products

**ii) BENEFIT DERIVED AS A RESULT OF ABOVE R & D**

1. Repeat order from customers due to consistency in quality
2. Reduced generation in waste
3. Reutilization of water
4. Reduction in cost of color and chemical used

**iii) FUTURE PLAN OF ACTION**

- a) Cost-efficiency in manufacturing operations through better methods and techniques of production.
- b) Increasing range of production.
- c) Development of new markets.
- d) Efficient inventory management, environmental improvement, 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 (In lacs)**

Foreign Exchange earned	Rs.52,48,45,383	Previous Year Rs.42,58,10,429
Foreign Exchange Used	Rs. 1,37,01,493	Previous year Rs. 65,55,630

**REPORT ON CORPORATE GOVERNANCE**

**THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:** The Company aims at not only its own growth but also maximization of benefits to the shareholders, employees, customers, government and also general public at large. For this purpose the company continuously strives to improve its level of overall efficiency through good corporate governance, which envisages transparency, professionalism and accountability in all its operations.

In compliance with the requirement under clause 49 of the Listing Agreement, all the Board Members have affirmed their compliance of Code of Conduct adopted by the Company for the year-ended 31.03.2012 and a declaration to this effect duly signed by the Dy. Managing Director(s) form part of this report.

**1. Board of Directors**

**a) Composition of Board:** - The Board of Directors comprised seven members consisting of three Executive Directors and four Non-executive Directors as at 31.03.2012. The company is having more than 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 Director	Attendance of last AGM	Shareholding in the Company	Directorship held #	No of Committees@	
					As Chairmon	Memberships held *
Sh. Raj Kumar Agarwal (Director)	Promoter/ Executive	P	6786 (0.18%)	1	NIL	NIL
Sh Ashok Kumar Agarwal (Dy. Managing Director)	Promoter/ Executive	P	75896 (1.99%)	5	NIL	NIL
Sh Kailash Kumar Agarwal (Dy. Managing Director)	Promoter/ Executive	P	85320 (2.24%)	6	NIL	NIL *
Sh Bibhuti Charan Talukdar	Non- Executive / Independent	P	00	4	1	6
Sh Parshotam Das Agarwal	Non- Executive / Independent	P	00	2	1	2
Sh Anil Agarwalla	Non- Executive / Independent	L	00	2	NIL	2
Sh. Mohan Lal Jain	Non- Executive / Independent	P	00	3	NIL	1

# including H. P. Cotton Textile Mills Limited.

@Board Committees for this purpose includes Audit Committee and Shareholder'/Investors' Grievance Committee only.

\* It also includes the Committees in which Directors are Chairman.

No Director is a member of more than 10 committees or Chairman of more than 5 committees across all the companies in which he is a director.

No Director is related to any other Director on the Board in terms of the provisions of the Companies Act, 1956, except for Shri Raj Kumar Agarwal, Shri Ashok Kumar Agarwal and Shri Kailash Kumar Agarwal who are from the promoters' family and are related to each other.

All the directors who are on various Committees are 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.

**b) Directors' Attendance at Board Meetings:** During the financial year 2011-12, the Board of Directors met 06 times on the following dates:

Director/Date of meeting	05.05.11	29.06.11	29.07.11	29.09.11	11.11.11	11.02.12	Meetings Attended
Sh. Raj Kumar Agarwal	NA	NA	P	P	P	P	4
Sh. Ashok Kumar Agarwal	P	P	P	P	P	P	6
Sh. Kailash Kumar Agarwal	P	P	P	P	P	P	6
Sh. Bibhuti Charan Talukdar	L	P	P	P	P	P	5
Sh Parshotam Das Agarwal	P	P	P	P	P	P	6
Sh Anil Agarwalla	P	P	L	L	L	P	3
Sh. Mohan Lal Jain	P	P	P	P	P	P	6
<b>Total Members Present</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>36</b>

P = Present, L = Leave granted, NA=Not Applicable (as not Director as on that date)

c) Committees of the Directors

- i) **Audit Committee:** Audit Committee is consisting of four directors, all being non-executive and independent Director viz. Sh. Parshotam Das Agarwal (Chairman), Sh. Bibhuti Charan Talukdar, Sh. Anil Agarwalla and Shri Mohan Lal Jain. Sh. Raj Kumar Agarwal (Director), Sh. Ashok Kumar Agarwal (Dy. Managing Director), Sh. Kailash Kumar Agarwal (Dy. Managing Director), The Statutory Auditor, Internal Auditor, Cost Auditor and Financial advisor 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 providing effective supervision on the financial transactions, reporting process and the disclosure of its financial information(s) to ensure that these statement(s) are presented/ published timely, accurately, are sufficient and true and fair. It also works as whistle blower to the Board of Directors.

Sh Parshotam Das Agarwal, Chairman of the Audit Committee attended the last Annual General Meeting held on September 29, 2011, at the Registered Office of the Company at 15 K.M. Stone, Delhi Road, Village Mayar, Hisar - 125044 (Haryana).

During the year 2011-12 the Audit Committee met 05 times on 05.05.2011; 29.06.2011; 29.07.2011; 11.11.2011 & 11.02.2012. The attendance record of Audit Committee members is given below:

Name of the Director	Category	No. of Meetings	
		Held	Attended
Sh Parshotam Das Agarwal	Non-executive Independent Director	5	5
Sh Bibhuti Charan Talukdar	Non-executive Independent Director	5	4
Sh Anil Agarwalla	Non-executive Independent Director	5	3
Sh. Mohan Lal Jain	Non-executive Independent Director	5	5

- ii) **Remuneration Committee:** At present the Remuneration Committee consists of three member's viz., Sh Bibhuti Charan Talukdar (Chairman), Sh Parshotam Das Agarwal and Sh Anil Agarwalla, all are non-executive and Independent Directors. The terms of reference of Remuneration Committee include the determination of remuneration packages of the executive directors including remuneration policy and pension rights.

During the year 2011-12 the Remuneration Committee met 01 time on 29.06.2011. The attendance record of remuneration Committee members is given below:

Name of the Director	Category	No. of Meetings	
		Held	Attended
Sh Parshotam Das Agarwal	Non-executive Independent Director	1	1
Sh Bibhuti Charan Talukdar	Non-executive Independent Director	1	1
Sh Anil Agarwalla	Non-executive Independent Director	1	1

**iii) Share transfer Committee:** At present the Share Transfer Committee consists of four members viz., Sh Parshotam Das Agarwal (Chairman), Sh Bibhuti Charan Talukdar, Sh Anil Agarwalla, Sh. Kailash Kumar Agarwal. There were no share transfers pending for registration for more than 30 days as at 31st March 2012.

During the year meetings of the committee were held on 29.06.2011 & 11.02.2012. Attendances of the members at these meetings were as follows:-

Name of the Director	Category	No. of Meetings	
		Held	Attended
Sh Parshotam Das Agarwal	Non-executive Independent Director	2	2
Sh Bibhuti Charan Talukdar	Non-executive Independent Director	2	2
Sh. Kailash Kumar Agarwal	Director (Dy. Managing Director)	2	2
Sh Anil Agarwalla	Non-executive Independent Director	2	2

**iv) The Shareholder/Investors' Grievance Committee:** The Shareholder/Investors' Grievances committee specifically looks into the redressal of the Shareholders and Investors complaints and expeditious share transfer process. The Shareholder/Investors' Grievance Committee consists of three members viz. Sh. Bibhuti Charan Talukdar (Chairman), Sh Parshotam Das Agarwal and Sh Anil Agarwalla.

During the year meetings of the committee were held on 29.06.2011 & 11.02.2012. Attendances of the members at these meetings were as follows:-

Name of the Director	Category	No. of Meetings	
		Held	Attended
Sh Bibhuti Charan Talukdar	Non-executive Independent Director	2	2
Sh Parshotam Das Agarwal	Non-executive Independent Director	2	2
Sh Anil Agarwalla	Non-executive Independent Director	2	2

The committee acts in close liaison with its Share transfer agent and Registrar M/s. Alankit Assignments Ltd. Company has received certificate from its Share transfer agent and Registrar that complaints, if any, received from the shareholders have been suitably redressed and the company regularly follows with the Registrars for redressal of all complaint in time as per statutory requirements.

During the year ended 31<sup>st</sup> March 2012, no complaints/queries were received and as at 31st March 2012 there were no complaints / queries pending for reply.

**d) Remuneration of Directors:**

i) The Company pays remuneration to its Whole Time Director & Deputy Managing 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 (₹)	Contribution to Provident & other Funds ₹	Others (₹)	Total (₹)
Sh Raj Kumar Agarwal**	Director (from 01 July, 2011)	364500	91125	36450	492075
Sh Ashok Kumar Agarwal **	Dy. Managing Director	456000	54720	22800	533520
Sh Kailash Kumar Agarwal **	Dy. Managing Director	456000	54720	22800	533520

\*\* 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.

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

Nome of the Director	Fee paid for Board Meetings (₹)	Fee paid for Audit Committees Meetings (₹)	Fee paid for Remuneration Committees Meetings (₹)	Total Fee Paid (₹)
Sh Bibhuti Charan Talukdar	25000	8000	2000	35000
Sh Parshotam Das Agarwal	30000	10000	2000	42000
Sh Anil Agarwalla	15000	6000	2000	23000
Sh. Mohan Lal Jain	30000	10000	---	40000

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 Kailash Kumar Agarwal and Sh. Bibhuti Charan Talukdar are liable to retire by rotation in the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

## 2. Management Discussions and Analysis Report

The Management Discussion and Analysis Report have been included in this Annual Report and include 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 2011-12 and in 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 three whole time promoter directors whose appointment and remuneration has been fixed by the Board in terms of resolution passed by the Members.
- 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 all the mandatory requirements 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	No. of Special Resolutions
30 <sup>th</sup> AGM	September 29, 2011	Thursday	4:00 P M	4
29 <sup>th</sup> AGM	September 21, 2010	Tuesday	4:00 P M	1
28 <sup>th</sup> AGM	September 30, 2009	Wednesday	4.30 P M	1

- ii) **Postal Ballot:** No resolution was put to postal ballot during the year ended 31st March 2012.
- iii) **Compliance made by the Company:** Compliance certificate for Corporate Governance from Auditors of the Company is submitted elsewhere in this report.

#### 5.) GENERAL SHAREHOLDER INFORMATION

##### i) Annual General Meeting :

- a. Date & Time : 28th September, 2012 at 3:00 p.m.
- b. Venue : At Registered Office of the Company  
15 K.M. Stone, Delhi Road,  
VPO Mayar, Hisar - 125044 (Haryana)

- ii) **Financial Calendar:** The Last financial year of the Company was of twelve months from April 2011 to March 2012. The tentative financial calendar of the Company for the year 2012-13 shall be as follow:

Board meetings to take on record	Schedule
Financial results for the quarter ending June 30, 2012	During August, 2012
Financial results for the quarter ending September 30, 2012	During October, 2012
Financial results for the quarter ending December 31, 2012	During January, 2013
Financial results for the quarter ending March 31, 2013	During May, 2013

##### iii) Date of Book Closure:

The Register of Members and the Share transfer Books of the Company shall remain closed from 19th Sept., 2012 to 28th Sept., 2012 both days inclusive.

##### iv) Listing of Equity Shares on Stock Exchanges at :

Bombay Stock Exchange Limited	The Delhi Stock Exchange
Phiroze Jeejeebhoy Towers,	Association Ltd., DSE House,
Dalal Street	3/1, Asaf Ali Road,
Mumbai - 400 001	New Delhi - 110 002



The Company is regularly paying the Listing fee to Mumbai Stock Exchange (BSE) and Delhi Stock Exchange (DSE). The fee for the current year 2012-13 has been paid.

**v) Stock Code :**

The scrip code of the Company at BSE is 502873.

**vi) Market Price data and comparison with broad based indices**

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	SHARE PRICE		BSE SENSEX	
	High in Rs.	Low in Rs.	High	Low
2011-12				
April, 2011	23.55	15.70	19811	18976
May, 2011	21.80	19.00	19254	17786
June, 2011	21.50	20.05	18873	17314
July, 2011*	N.A.	N.A.	19132	18132
August, 2011	20.90	18.05	18440	15766
September, 2011	19.85	16.20	17212	15801
October, 2011	22.45	18.40	17908	15745
November, 2011	23.00	19.45	17702	15479
December, 2011	21.45	17.15	17004	15136
January, 2012	20.50	15.00	17259	15358
February, 2012	19.90	16.50	18524	17062
March, 2012	21.00	16.65	18041	16921

\*July, 2011 data not available

Source: bseindia.com/archives

**vii) Share Transfer Agent, Plant Location & Address for Correspondence:**

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: alankit@alankit.com	15 <sup>th</sup> 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 <sup>th</sup> K.M Stone, Delhi Road, VPO, Mayar Hisar – 125044 (Haryana) Phone :91-1662-261425-27 Fax : 91-1662-261417 e-mail ID: <a href="mailto:info@hpthreads.com">info@hpthreads.com</a>

**viii) Distribution Schedule & Shareholding Pattern:**

The Distribution Schedule & Shareholding Pattern of the Company as on 31.03.2012 is as follows:

Range No. of Shares	Shareholders		Shares	
	Number	%Age	Number	%Age
Up to 5000	1947	96.01	564094	14.81
5001 to 10000	26	1.28	183385	4.81
10001 to 20000	26	1.28	358076	9.40
20001 to 30000	6	0.30	138054	3.62
30001 to 50000	5	0.25	197516	5.19
50000 to 100000	8	0.39	664200	17.43
100001 to Above	10	0.49	1704675	44.74
<b>Total</b>	<b>2028</b>	<b>100</b>	<b>3810000</b>	<b>100</b>

Category	No of Holders	No. of shares held	% Age
Promoters	49	2379690*	62.46
Mutual fund	1	600	0.02
Financial Institution	2	2450	0.06
FII	1	50	0.00
NRI	6	672	0.02
Body Corporate	59	139858	3.67
Individuals	1910	1286680	33.77
<b>Total</b>	<b>2028</b>	<b>3810000</b>	<b>100</b>

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

**ix) 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 under rolling settlement and are compulsory traded and settled only in the dematerialized form. A total of 35,92,490 (94.29%) shares of the company have been dematerialized as on March 31, 2012. There is no case in process/ pending for transfer as well as dematerialization of shares.

- x) 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.
- xi) Shri Ashok Kumar Agarwal 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@hpthreads.com
- xii) 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.

**Declaration under Clause 49 (1) (D)(ii) of Listing Agreement**

I, Ashok Kumar Agarwal, Deputy Managing Director of the Company, hereby declare that all members of the Board of Directors have affirmed compliance with the code of Conduct for the year-ended 31.03.2012.

Ashok Kumar Agarwal  
Deputy Managing Director

Place: New Delhi  
Dated : 14th August, 2012

**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 2012 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, if any, 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, if any, 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, if any, 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 2012.

Place: New Delhi  
Date: 30th May, 2012

Ashok Kumar Agarwal  
Dy. Managing Director and  
Compliance Officer

Kailash Kumar Agarwal  
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, if any;
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 and of the profit and loss of the Company for that period;
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability for 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, if any,
4. That the Directors have prepared the annual accounts on a going concern basis.

Ashok Kumar Agarwal  
Deputy Managing Director

Kailash Kumar Agarwal  
Deputy Managing Director

Place: New Delhi  
Dated : 30th May, 2012

**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 2012 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 state that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that based on the report given by the Registrar (RTA) of the company as on 31st March 2012 there was no investor grievance matter against the Company remaining unattended / pending for more than 30 days.

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

(CA A.K. Gupta)  
F.C.A.

Membership No.16533  
Firm Registration No. 000596N

Place: New Delhi  
Dated : 14th August, 2012

**COMPLIANCE CERTIFICATE**

CIN No. : L18101HR1981PLC012274  
Nominal Capital : Rs.4,25,00,000.00

To

The Members  
M/S. H.P.COTTON TEXTILE MILLS LIMITED  
15 K.M. STONE, DELHI ROAD  
VPO MAYAR, HISAR (HARYANA)

I have examined the registers, records, books and papers of M/S. H.P.COTTON TEXTILE MILLS LIMITED required to be maintained under the Companies Act, 1956 (the Act) and rules made there under and also the provisions contained in the Memorandum and Articles of Association of the company for the Financial Year ended on 31st March, 2012. In my Opinion and to the best of my information and according to the examination carried out by me and the explanation furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all the registers as stated in annexure 'A' to this certificate, as per the provision of act and rules made there under and all the entries therein have been duly recorded.
2. The company duly filed the forms as stated in Annexure 'B' to this certificate with the Registrar of Companies within time prescribed under the Act and rules made there under.
3. The Company being a public limited company and has minimum prescribed paid up capital.
4. The Board of Directors duly met 6 (Six) times on 05.05.2011, 29.06.2011, 29.07.2011, 29.09.2011, 11.11.2011 & 11.02.2012 in respect of which meeting, proper notices were given and the proceedings were properly recorded and signed in the Minutes Books maintained for the purpose.
5. The Company has closed its Register of Members from 14th September 2011 to 21st September 2011 and necessary compliance of sec. 154 of the act has been made.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 29.09.2011 after giving due notice to the members of the company and resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
7. No Extra-Ordinary General Meeting of the members of the company was held during the financial year.
8. The Company has not advanced any loans to its directors and /or persons or firms or companies referred in the sec.295 of the Act.
9. The Company has duly complied with the provisions of sec. 297 of the act in respect of contract specified in section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. The Company has obtained necessary approvals from the Board of Directors, members pursuant to section 314 of the Act.
12. The Company has not issued any duplicate share certificates during the financial year.
13. i. The company has delivered all the certificates on lodgment thereof for transfer in accordance with the provisions of the Act.  
ii. The company has not deposited any amount in a separate Bank account as no dividend was declared during the year.  
iii. The company was not required to post warrants to any member of the company as no dividend was declared during the year.



- IV. There was nothing pending as unpaid dividend money, application money due for refund, matured debentures and the interest accrued thereon and therefore the nothing is required to be transferred to Investor Education and Protection Fund.
- V. The company has duly complied with the requirement of section 217 of the act.
- 14. Board of Directors in the Company is duly constituted. During the year Sh. Raj Kumar Agarwal is appointed as a new whole time director in the Company w.e.f. 1st July, 2011.
- 15. The company has appointed Sh. Raj Kumar Agarwal as Whole time Director during the year ended 2011-12.
- 16. The company has not appointed any sole-selling agents during the financial year.
- 17. The company was not required to obtain any approvals of central government; Company Law Board, Regional Director, Registrar and / or such other authorities as may be prescribed under the various provisions of the act and rules made there under.
- 18. The Directors has disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the act and rules made there under.
- 19. The company has not issued any shares/ debentures/ other securities during the financial year.
- 20. The company has not bought back shares during the financial year.
- 21. There was no redemption of preference shares/ debentures/ other securities during the financial year.
- 22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, right shares and bonus shares pending registration and transfer of shares.
- 23. The company has not invited /accepted any deposits including any unsecured loan falling within the meaning of Sec. 58A of the Companies Act, 1956 during the financial year.
- 24. The amount borrowed by company from Financial Institutions, Banks & Others during the financial year ending 31.03.2012 is within the borrowing limit of the company.
- 25. The company has not made any loans or given guarantees or provided securities to other bodies corporate during the financial year and consequently no entries have been made in the register kept for the purpose.
- 26. The Company has not altered the provisions of the Memorandum with respect to Situation of the Company's registered office from one state to another during the year under scrutiny.
- 27. The company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
- 28. The company has not altered the provisions of the Memorandum with respect to the name of the company during the year under scrutiny.
- 29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the financial year.
- 30. The company has not altered its Articles of Association during the financial year.
- 31. As per information & explanations provided to me there was no prosecution initiated against or show cause notice received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for the offence under the act.
- 32. As per information & explanations provided to me the company has not received any money as security from its employees during the financial year.
- 33. The company has deposited both employees and employer's contribution to Provident Fund with prescribed authorities pursuant to Sec.418 of the Act.

**Place: Hisar**  
Date: .20.07.2012

**Signature** :  
Company Secretary : Anju Jain  
C.P. No. : 2728

**Annexure-A**

1. Register of Members u/s 150 of the Act
2. Minutes Book of Board Meetings
3. Minutes Book of Annual General Meetings u/s 193
4. Books of Accounts u/s 209 of the Act.
5. Register of Director/ Managing Director/ Manager & Secretaries u/s 303
6. Register of Director's Shareholdings u/s 307
7. Register of Share Application money & allotment
8. Register of Share transfer u/s 108
9. Register of particulars of contracts in which directors are interested u/s 301
10. Register of Mortgages & Charges u/s 143

**Annexure-B**

Forms and returns as filed by the company with the Registrar of companies or other authorities during the financial year ending on 31st March 2012:

S.No.	Form No.	Filed u/s	Date of filing	Whether filed within time Yes/No	If delay in filing fee Yes/No
1.	23AC & 23 ACA	220	05.12.2011	YES	NO
2.	20B	159	19.10.2011	YES	NO
3.	66	383A	17.10.2011	YES	NO
4.	23	192	21.10.2011	YES	NO
5	32	303(2),264(2),266(1)(a), 266(1)(b)(iii),260	01.07.2011	YES	NO
6.	23C	233B(2)	09.08.2011	YES	NO

**A K ASSOCIATES**  
Chartered accountants  
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 2012, the Statement of 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. As explained in Note 16 to the Balance Sheet that Insurance Claim receivable amounting to Rs. 33999 thousand is subject to settlement by the insurance company.

Adjustment, if any, arising upon the settlement of claim will be made during the year in which claim is settled by the insurance company.

5. 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, Statement of 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, Statement of 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, 2012 and taken on record by the Board of Directors, we report that 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 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 2012.
  - (ii) In the case of the Statement of Profit and Loss Account, of the Profit 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

(CA A. K. GUPTA)

M. No.16533

Firm Registration No. 000596N

PLACE: New Delhi  
DATE: 30/05/2012



**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 details and situation of fixed assets.
- (b) The fixed 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 Act, 1956. The maximum amount involved during the year was Rs.3422 thousand and the year-end balance of loans taken from such parties was Rs. 3422 thousand.
- (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 and 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.
- (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 and during the immediately preceding financial year.
- (xi) According to the information and explanations given to us, during the year the company has not defaulted in repayment of dues to financial institutions and/ or banks.
- (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

(CA A. K. GUPTA)  
M. No.16533  
Firm Registration No. 000596N

PLACE: New Delhi  
DATE: 30/05/2012

**Balance Sheet as at 31st March, 2012**

	Note	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	38,100	38,100
Reserves and Surplus	3	73,450	64,451
		<u>111,550</u>	<u>102,551</u>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	4	26,522	38,710
Deferred Tax Liabilities (Net)	5	14,754	9,944
Long-Term Provisions	6	12,542	11,435
		<u>53,818</u>	<u>60,089</u>
<b>Current Liabilities</b>			
Short-Term Borrowings	7	142,479	130,280
Trade Payables	8	49,166	69,272
Other Current Liabilities	9	41,023	29,128
Short-Term Provisions	10	6,671	6,129
		<u>239,339</u>	<u>234,809</u>
<b>TOTAL</b>		<u><b>404,707</b></u>	<u><b>397,449</b></u>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Fixed Assets:			
Tangible Assets	11	108,490	115,700
Capital Work-in-Progress		186	271
		<u>108,676</u>	<u>115,971</u>
Long-Term Loans and Advances	12	12,542	12,571
<b>Current assets</b>			
Inventories	13	154,833	143,964
Trade Receivables	14	50,913	59,008
Cash and Bank Balances	15	12,242	11,560
Short-Term Loans and Advances	16	65,501	54,375
		<u>283,489</u>	<u>268,907</u>
<b>TOTAL</b>		<u><b>404,707</b></u>	<u><b>397,449</b></u>
Significant Accounting Policies	1		
Notes forming part of the financial statements	1-26		

As per our report of even date attached

For A.K. Associates  
Chartered Accountants

**C.A. A.K. Gupta**  
**(PARTNER)**  
**M.No. 16533**  
**Firm Registration No. 000596N**

For and on behalf of the Board of Directors

**Ashok Kumar Agarwal**  
**Dy. Managing**  
**Director**

**Kailash Kumar Agarwal**  
**Dy. Managing**  
**Director**

**Bibhuti Charan Talukdar**  
**Mohan Lai Jain**  
**Directors**

Place : New Delhi  
Date : 30.05.2012

**Statement of Profit and Loss for the year ended 31st March, 2012**

	Note	2011-12 ₹ in Thousand	2010-11 ₹ in Thousand
<b>INCOME</b>			
Revenue from Operations	17	735351	736653
Other income	18	2246	2858
		<b>737597</b>	<b>739511</b>
<b>EXPENDITURE:</b>			
Cost of Materials Consumed	19	377,595	447,735
Changes in inventories of finished Goods, Work-in-Progress and Stock-in-Trade	19A	29,044	(45,782)
Employee Benefits Expense	20	101,271	104,733
Finance Costs	21	28,323	23,095
Depreciation	11	14,373	14,612
Other Expenses	22	173,183	190,643
		<b>723,789</b>	<b>735,036</b>
<b>Profit before tax</b>		<b>13,808</b>	<b>4,475</b>
<b>Tax expense:</b>			
Current Tax expense for current year (MAT)		2,877	830
Less: MAT Credit Entitlement		(2,877)	-
Net Current Tax expense		-	830
Deferred Tax		4,809	951
		<b>4,809</b>	<b>1,781</b>
<b>Profit for the year</b>		<b>8,999</b>	<b>2,694</b>
Earnings per share (of Rupees 10/- each):	23		
Basic	(In Rs.)	2.36	0.71
Diluted		2.36	0.71
Significant Accounting Policies	1		
Notes forming part of the financial statements		1-26	

As per our report of even date attached

For A.K. Associates  
Chartered Accountants

**C.A. A.K. Gupta**  
**(PARTNER)**  
**M.No. 16533**  
**Firm Registration No. 000596N**

Place : New Delhi  
Date : 30.05.2012

For and on behalf of the Board of Directors

**Ashok Kumar Agarwal**  
**Dy. Managing**  
**Director**

**Kailash Kumar Agarwal**  
**Dy. Managing**  
**Director**

**Bibhuti Charan Talukdar**  
**Mohan Lai Jain**  
**Directors**

**Note 1: SIGNIFICANT ACCOUNTING POLICIES****1 Basis of Preparation of Financial Statements**

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.

**2 Use of Estimates**

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between actual and estimation are recognised in the period in which the result are known/ materialise.

**3 Fixed Assets**

All fixed assets are valued at cost less depreciation. All costs including borrowing costs relating to the acquisition and installation of fixed assets are capitalised.

**4 Depreciation**

Depreciation is provided under the 'Straight Line Method' as per the rates specified in Schedule XIV to the Companies Act, 1956.

**5 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 adjustments is made there against Reversal of impairment loss is recognised as income in the profit and loss account.

**6 Investment**

Long Term Investments are carried at cost less provision; if any, for diminution in market value which in the opinion of the Board of Directors is not temporary.

**7 Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as 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.

**8 Revenue Recognition**

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.

**9 Borrowing Cost**

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.

**10 Employees Benefits**

- a) Gratuity: Provision for gratuity liability has been made as per actuarial valuation.
- b) Leave Encashment: Provision for accumulated leave encashment liability has been made as per actuarial valuation.

**SIGNIFICANT ACCOUNTING POLICIES****11 Foreign Exchange 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.

**12 Taxation**

- a) Provision for current tax is made after taking into consideration benefits admissible under The Income Tax Act, 1961.
- b) 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.

**13 Inventories**

Inventories have been valued as under:-

- Finished Goods including in transit has been valued at cost or market value whichever is less.
- Loose yarn is valued at cost.
- Stock in Process is valued at 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.

**14 Segment Reporting**

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

**Notes on Financial Statements for the Year ended 31st March, 2012**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>Note 2: Share capital</b>		
<b>Authorised</b>		
42,50,000 Equity Shares of ₹10/- each	42,500	42,500
<b>Issued, Subscribed and Paid Up</b>		
Shares at the beginning of the accounting period 38,10,000 Equity shares of ₹10/- each fully Paid up in cash	38100	38,100
Shares issued during the year	-	-
Shares cancelled/forfeited during the year	-	-
	<b>38,100</b>	<b>38,100</b>
	<b>As at 31st March, 2012</b>	<b>As at 31st March, 2011</b>

<b>Detail of Shareholders Holding More Than 5% Shares</b>	No. of Shares	%of Holding	No. of Shares	% of Holding
Jainish Products Limited	227750	5.978	227750	5.978
Kulvinder Singh	213453	5.602	213363	5.600
Achhar Investments Limited	212300	5.572	212300	5.572
Sacred Trading and Investment Company Limited	209070	5.487	209070	5.487
Sailesh Textile Manufacturing Company Limited	207000	5.433	207000	5.433
Vinod kumar Ohri	193948	5.090	193948	5.090
During the 5 years immediately preceding the Balance Sheet date				
- Equity Share issued pursuant to any contract without			Nil	Nil
- Equity Shares allotted by way of bonus shares			Nil	Nil
- Equity Shares bought back			Nil	Nil

**Rights, Preferences and Restrictions Attached to shares:**
**Equity Shares**

The Company has one class of equity shares having a par value of ₹10/- each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**Note 3: Reserves and Surplus**

<b>Capital Reserve</b>		
- Central Investment Subsidy	1,500	1,500
- State subsidy	1,510	1,510
- Share Premium	18	18
- Surplus on Issue of Forfeited Shares	11	11
General Reserve	58,441	58,441
<b>Surplus in Profit and Loss Account</b>		
Opening balance	2,971	277
Add: Profit for the year	8,999	2,694
Closing balance	<b>11,970</b>	<b>2,971</b>
	<b>73,450</b>	<b>64,451</b>



**Notes on Financial Statements for the Year ended 31st March, 2012**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>Note 4 : Long-Term Borrowings</b>		
<b>Secured</b>		
From Bank		
IDBI Bank Limited	13,950	27,050
HDFC Bank Limited	411	346
ICICI Bank Limited	535	-
From other parties		
Kotak Mahindra Prime Limited	704	392
<b>Unsecured</b>		
Trade Deposits	7,500	7,500
Loans and Advances from Related Parties	3,422	3,422
	<b>26,522</b>	<b>38,710</b>

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. The Term Loans from IDBI are guaranteed by Sh. K. L. Agarwal and Sh. A.K. Agarwal, Promoter/Directors of the Company in their personal capacity.

3. The Term loans from ICICI Bank Ltd, HDFC Bank Limited and Kotak Mahindra Prime Ltd are secured by hypothecation of vehicles acquired under the respective loans.

4. There is no default in repayment of principal loan or interest there on.

5. Repayment Schedule:

Particulars	Rate of Interest (%)	Terms of Repayment		
		2012-13	2013-14	2014-15
<b>Banks</b>		₹ in Thousand		
IDBI Bank Limited	14.74	10,500	12,000	-
	9.00	2,600	1,950	-
HDFC Bank Limited	13.57	346	-	-
	12.50	209	236	175
ICICI Bank Limited	11.50	248	278	257
<b>Others</b>				
KOTAK MAHINDRA PRIME LTD.	9.34	392	-	-
	10.72	330	367	337
Trade Deposits	10.00	-	7,500	-
Loans and Advances from Related Parties	12.00	-	3,422	-

Out of the loan instalments of IDBI Bank Ltd due for repayment during 2012-13 aggregating to ₹13100 thousand instalments aggregating to ₹3150 thousand due for repayment in April 2012 have been repaid in March 2012.

**Note 5: Deferred Tax Liability**

Timing Difference on Account of Depreciation	21,595	24,199
Timing Difference on Account of Expense Allowable on Payment Basis	(5,899)	(5,738)
Timing Difference on Account of Losses Carried Forward	(942)	(8,517)
	<b>14,754</b>	<b>9,944</b>

**Note 6: Long-Term Provisions**

Provision for Employee Benefits:		
Provision for Gratuity	8,559	7,731
Provision for Leave Salary	3,983	3,704
	<b>12,542</b>	<b>11,435</b>

**Notes on Financial Statements for the Year ended 31st March, 2012**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>Note 7: Short-Term Borrowings</b>		
<b>Secured:</b>		
Cash Credit:		
State Bank of Patiala	49,451	44,243
Oriental Bank of Commerce	24,512	15,292
Letter of Credit:		
State Bank of Patiala	42,578	40,421
Oriental Bank of Commerce	24,777	29,194
<b>Unsecured:</b>		
Trade Deposits	1,161	1,130
	<b>142,479</b>	<b>130,280</b>

1. 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.

2. Cash Credits from State Bank of Patiala & Oriental Bank of Commerce are guaranteed by Sh. Raj Kumar Agarwal, Sh. Ashok Kumar Agarwal and Sh. Kailash Kumar Agarwal, Promoter/Directors of the Company in their personal capacity.

**Note 8 : Trade Payables**

Trade Payables	49,166	69,272
	<b>49,166</b>	<b>69,272</b>
Based on the information available with the Company, amount payable to Micro & Small Enterprises as defined under the MSMED Act, 2006.	Nil	Nil
Interest paid or payable under the Provisions of MSMED Act, 2006	Nil	Nil

**Note 9: Other Current Liabilities**

Loan Repayable Within 12 months		
From Bank		
IDBI Bank Limited	9,950	7,500
ICICI Bank Limited	248	-
HDFC Bank Limited	555	464
From Others		
Kotak Mahindra Prime Limited	722	735
Other payables		
Statutory Remittances	5,967	4,201
Advances from Customers	23,546	16,211
Interest Accrued But Not Due	35	17
	<b>41,023</b>	<b>29,128</b>

1. There is no default in repayment of principal loan or interest there on.

**Note 10: Short-Term Provisions**

Provision for Employee Benefits:		
Provision for Bonus	4,499	4,807
Provision for Gratuity	265	418
Provision for Leave Salary	187	219
Others Provision :		
Provision for Tax (Net of Advance Tax ₹11,57,891, P.Y. ₹4,00,059)	1,720	685
	<b>6,671</b>	<b>6,129</b>

**SCHEDULES TO THE BALANCE SHEET**
**NOTE : 11**
**FIXED ASSETS**

Sl. No.	Particulars	GROSS BLOCK					DEPRECIATION				NET BLOCK		
		As at 1st April, 2011 ₹	Addition during the Year ₹	Sale/ Transfer ₹	As at 31st March, 2012 ₹	Upto Previous Year ₹	For the Year ₹	Adjustment ₹	Total Upto 31st March 2012 ₹	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.		
1.	Free Hold Land	2,125	-	-	2,125	-	-	-	-	-	-	2,125	2,125
2.	Buildings	60,781	-	-	60,781	31,753	2,072	-	33,825	-	-	26,956	29,028
3.	Plant & Machinery	324,495	3,375	-	327,870	247,985	11,053	-	259,038	-	-	68,832	76,510
4.	Furniture & Fixtures	4,300	181	-	4,481	4,022	36	-	4,058	-	-	423	278
5.	Office Equipments	5,736	559	-	6,295	4,773	290	-	5,063	-	-	1,232	963
6.	Vehicles	10,788	3,607	1,491	12,904	3,992	922	932	3,982	932	932	8,922	6,796
	<b>TOTAL</b>	408,225	7,722	1,491	414,456	292,525	14,373	932	305,966	932	932	108,490	115,700
	Previous Year Total	406,610	5,051	3,436	408,225	280,566	14,612	2,653	292,525	2,653	2,653	115,700	

**Notes on Financial Statements for the Year ended 31st March, 2012**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>Note 12 : Long-Term Loans and Advances</b>		
Security Deposits Unsecured, Considered Good	12,542	12,571
	<u>12,542</u>	<u>12,571</u>
<b>Note 13: Inventories</b>		
Raw materials	55,394	13,402
Work-in-progress *	62,947	50,832
Finished goods	19,030	58,485
Stores and spares	16,417	18,496
Scrap	1,045	2,749
	<u>154,833</u>	<u>143,964</u>
	<u>55,411</u>	<u>41,507</u>
* Includes Loose Yarn		
<b>Note 14: Trade Receivables</b>		
Trade Receivables Outstanding for a Period Exceeding Six Months		
Secured, considered good	1	5
Unsecured, considered good	915	7,246
Other Trade Receivables		
Secured, considered good	25,291	36,803
Unsecured, considered good	24,706	14,954
	<u>50,913</u>	<u>59,008</u>
Trade Receivable outstanding for a period more than six months (Unsecured) includes ₹915403.00 under litigation. Loss; if any arising upon the decision of the court, will be accounted for in the year when the judgement is passed by the court.		
<b>Note 15 : Cash and Bank Balances</b>		
Cash in hand	769	1,018
Cheques, drafts on hand	-	231
Balances with Scheduled Banks		
-In Current Accounts	1,314	875
-In Margin Money against LC	10,157	9,434
Post Office Saving Bank A/c	2	2
	<u>12,242</u>	<u>11,560</u>
<b>Note 16: Short-Term Loans and Advances</b>		
Insurance Claim Receivable*	33,999	34,010
Prepaid expenses	1,188	478
Balances with government authorities		
Unsecured, considered good		
- VAT credit receivable	22,351	13,796
- Mat Credit Entitlement	2,877	-
- Duty Drawback Receivable	2,813	1,983
Others (Advance Receivable in Cash or in Kind)		
Unsecured, considered good	2,273	4,108
	<u>65,501</u>	<u>54,375</u>

\*Insurance Claim receivable is subject to settlement by the insurance company. Adjustment; if any, arising upon the settlement of claim will be made during the year in which claim is settled by the insurance company.

**Notes on Financial Statements for the Year ended 31st March, 2012**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
	2011-12	2010-11
<b>Note 17: Revenue from Operations</b>		
Sales	735352	736653
	<u>735352</u>	<u>736653</u>
<b>Sale of Products Comprises :</b>		
<u>Manufactured Goods</u>		
Yarn & Threads	708642	717572
Less: Sales Returns	-	13
Less: Rebate & Discount	18331	14260
	<u>690311</u>	<u>703299</u>
Add/Less: Exchange Rate Fluctuations	2881	(677)
	<u>693192</u>	<u>702622</u>
Raw Material Scrap*	27553	22229
Other Scrap	2600	2155
Duty Drawback and other export incentives	12006	9647
	<u>735351</u>	<u>736653</u>
* Includes Insurance Claim	-	<u>728,225</u>
<b>Note 18: Other Income</b>		
Interest Income	1,708	1,372
Other Non-Operating Income	538	1,486
	<u>2,246</u>	<u>2,858</u>
<b>Interest Income Comprises:</b>		
Interest from banks on:		
Deposits	-	-
Other Margin Money	802	342
Interest on Early Payment of Trade Payables	248	315
Interest on Income Tax refund	40	51
Other interest(Int. on Security Deposit with DHVPLN)	618	664
	<u>1,708</u>	<u>1,372</u>
<b>Other Non-Operating Income Comprises:</b>		
Rental Income from Sub-Letting	-	96
Profit on sale of fixed assets	171	12
Liabilities / Provisions No Longer Required written back (Sundry Balance W/off)	7	224
Prior period income	336	1,152
Miscellaneous income	24	2
	<u>538</u>	<u>1,486</u>
<b>Details of Prior Period Items</b>		
Provision for Income Tax	280	-
Subsidy on Interest on Term Loan	-	1,126
Interest	52	-
Others	46	26
	<u>378</u>	<u>1,152</u>

**Notes on Financial Statements for the Year ended 31st March, 2012**

	% of Consumption		As at 31st	As at 31st
	This Year	Previous Year	March, 2012	March, 2011
			₹ in Thousand	₹ in Thousand
<b>Note 19: Cost of Materials Consumed</b>				
Imported				
Indigenous	100.00	100.00	377,595	447,735
	<b>100.00</b>	<b>100.00</b>	<b>377,595</b>	<b>447,735</b>
Material Consumed:				
Raw Material:				
- Cotton			283,611	345,047
- Yarn			3,006	4,680
- Man Made Fibre			1,872	16,917
			<b>288,489</b>	<b>366,644</b>
Packing Materials			23,799	25,557
Colour & Chemicals			65,307	55,534
			<b>377,595</b>	<b>447,735</b>
<b>Note 19A: Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade</b>				
<u>Inventories at the end of the year:</u>				
Finished Goods			19,030	58,485
Work-in-Progress			62,947	50,832
Cotton Scrap			1,045	2,749
			<b>83,022</b>	<b>112,066</b>
<u>Inventories at the beginning of the year:</u>				
Finished goods			58,485	19,113
Work-in-progress			50,832	44,548
Cotton Scrap			2,749	2,623
			112,066	66,284
			<b>29,044</b>	<b>(45,782)</b>
<b>Note 20: Employee Benefits Expense</b>				
Salaries and Wages			54,691	53,534
Contributions to Provident and Other Funds			6,400	6,321
Employee State Insurance			3,455	3,583
Staff Welfare Expenses			36,725	41,295
			<b>101,271</b>	<b>104,733</b>

**Notes on Financial Statements for the Year ended 31st March, 2012**

		2011-12 ₹ In Thousand	2010-11 ₹ In Thousand
<b>Note 21: Finance Costs</b>			
Interest Expense on Borrowings		23,473	19,456
Other Borrowing Costs		4,850	3,639
		<u>28,323</u>	<u>23,095</u>
<b>Note 22: Other Expenses</b>			
Consumption of Stores and Spare Parts	(a)	26,720	25,578
Power and Fuel		84,893	108,174
Sludge Shifting Expenses		1,085	642
Water		804	838
Rent including lease rentals		1,473	1,412
Repairs and Maintenance - Buildings	(b)	1,279	2,918
Repairs and Maintenance - Machinery	(c)	1,690	2,151
Repairs and Maintenance - Others		395	463
Insurance		1,152	783
Rates and taxes		563	605
Communication		1,259	1,079
Travelling and conveyance	(d)	4,988	4,103
Vehicle Expenses	(e)	3,147	2,503
Printing and stationery		873	846
Freight and forwarding		21,734	23,128
Sales commission		9,789	6,841
Business promotion		2,368	1,873
Bank Charges		108	109
Legal and professional		2,053	2,244
Festival Expenses		2,254	1,628
Payment to Statutory Auditors		592	578
Prior period Expenses		1,650	309
Miscellaneous Expenses		2,314	1,838
		<u>173,183</u>	<u>190,643</u>

(a) Net of Insurance Claim ₹ NIL/- (Previous Year ₹620220/-).

(b) Net of Insurance Claim ₹ NIL/- (Previous Year ₹182107/-).

(c) Net of Insurance Claim ₹ NIL/- (Previous Year ₹214895/-).

(d) Include ₹54679 /- for attending board meetings (Previous Year ₹52139/-).

(e) Net of Insurance Claim ₹104,700/- (Previous Year ₹18439/-).

	% of Consumption		This Year	Previous Year
	This Year	Previous Year		
Imported	4.33	2.17	1156	554
Indigenous	95.67	97.83	25564	25024
	<u>100.00</u>	<u>100.00</u>	<u>26720</u>	<u>25578</u>

**Payments to Statutory Auditors Comprises**

- Audit Fee	450	450
- Certification Fee	75	75
- Reimbursement of Expenses	67	53
	<u>592</u>	<u>578</u>

**Prior period items**

Custom Duty	1,514	-
Duty Drawback	30	283
Others	106	26
	<u>1,650</u>	<u>309</u>

**Notes on Financial Statements for the Year ended 31st March, 2012**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>Note 23: Earning Per Equity Share</b>		
Earning Available to Equity Shareholder	8,999	2,694
Weighted Average No. of Equity Shares	3,810,000	3,810,000
Earning Per Equity Share in Rupee	2.36	0.71
<b>Note 24: Contingent Liabilities</b>		
Contingent Liabilities Shall be classified as:		
Unredeemed Bank Guarantees	28	-
Other money for which the company is contingently liable*	3,807	3,098
*The Entry tax was imposed by the Haryana Government but was struck down by the Hon'ble Punjab & Haryana High Court. The Haryana Government has gone into appeal before the Hon'ble Supreme Court of India against the judgement of Punjab & Haryana High Court. The liability of Entry Tax; if any, arising upon the judgement of Hon'ble Supreme Court of India will be provided during the year in which the judgement is passed by the Hon'ble Court.		
<b>Note 25: Foreign Exchange Transaction</b>		
Value of Import Calculated on C.I.F basis		
Raw Material	-	-
Components, Sotres and spares parts	1,422	554
Capital Goods	2,681	-
	<u>4,103</u>	<u>554</u>
<b>Expenditure in foreign currency</b>		
Travelling Expenses	1141	1255
Commission on Export Sales	7391	3966
Professional Fees	397	-
Foreign Bank Charges	668	782
	<u>9,597</u>	<u>6,003</u>
<b>Earning in foreign exchange</b>		
Export of goods calculated on F.O.B basis	524,845	425,810



**Notes on Financial Statements for the Year ended 31st March, 2012**
**Note 25A : Related Party Transaction**

Name of the related party	Relationship	Interest Paid	Amount payable	₹ in Thousand
				Amount Recoverable
<b><u>Unsecured Loan &amp; Interest Thereon</u></b>				
Achhar Investmets Ltd.	Associates	134 (134)	1,114 (1,114)	
Atishay Investments & Finance (P) Ltd.	Associates	16 (4)	136 (136)	
Jainish Products Ltd.	Associates	150 (150)	1,254 (1,254)	
Sacred Trading & Investment Co. Ltd.	Associates	110 (110)	918 (918)	
<b><u>Board Sifting Fees</u></b>				
Sh.Bibhuti Charan Talukdar	Director	35 (28)	Nil Nil	Nil Nil
Sh.Parshotam Das Agarwal	Director	42 (33)	Nil Nil	Nil Nil
Sh. Mohan Lal Jain	Director	42 (31)	Nil Nil	Nil Nil
Sh. Anil Agarwalla	Director	23 (7)	Nil Nil	Nil Nil
<b><u>Salary / Reumeration</u></b>				
Sh.Kashmiri Lal Agarwal	Advisor	798 (594)	Nil Nil	Nil Nil
Sh.Ashok Kumar Agarwal	Dy.Managing Director	534 (534)	Nil Nil	Nil Nil
Sh.Kailash Kumar Agarwal	Dy.Managing Director	534 (534)	Nil Nil	Nil Nil
Sh.Ravindra Agarwaal	Relative of Director	606 (597)	Nil Nil	Nil (38)
Sh. Raj Kumar Agarwal	Relative of Director	1204 (599)	Nil Nil	Nil (592)

**Notes on Financial Statements for the Year ended 31st March, 2012**
**₹ in Thousand**

Name of the related party	Relationship	Interest Paid	Amount payable	Amount Recoverable
<b><u>Rent/Lease Rent</u></b>				
Surender Kumar Agarwal H U F*	Associates	60 (53)	Nil Nil	250 (250)
Raj Kumar Agarwal H U F*	Associates	60 (53)	Nil Nil	250 (250)
Jawala Prasad Ram Pat	Associates	108 (108)	Nil Nil	Nil Nil
Supermax Promoters Pvt Ltd.	Associates	36 (36)	Nil Nil	Nil Nil
Siram Appartments Pvt.Ltd.	Associates	36 (36)	Nil Nil	Nil Nil
Sanjay Mercantile Pvt.Ltd.	Associates	150 (125)	275 (125)	Nil Nil
Kashmiri Lal Agarwal H.U.F.	Associates	60 (50)	110 (50)	Nil Nil
Jai Narain Agarwal H.U.F.	Associates	15 (13)	28 (13)	Nil Nil
<b><u>Others</u></b>				
A Agarwalla & Co.	Associates	Nil (440)	50 (50)	Nil Nil

\* Amount due from these parties represents the Security Deposit given to them.  
(Bracket represent previous year figures)

**Note 26 : Notes On Accounts:**

- Balance of Trade Receivable, Advance Recoverable and Trade Payables are subject to Confirmation.
- Stores and Spares consumed includes spares consumed for repairs of Plant & Machinery.
- Previous year figures have been regrouped and rearranged wherever necessary to suit the present year layout.

**Ashok Kumar Agarwal**  
Dy. Managing  
Director

**Kailash Kumar Agarwal**  
Dy. Managing  
Director

**Bibhuti Charan Talukdar**  
**Mohan Lal Jain**  
Directors

Place : New Delhi

Date : 30.05.2012

**CASH FLOW STATEMENT FOR THE YEAR 2011-12**

	As at 31st March, 2012 ₹ in Thousand	As at 31st March, 2011 ₹ in Thousand
<b>A. Cash Flow From Operating Activities :</b>		
Net Profit before extraordinary items and tax	13,808	4,475
Adjustments for:		
Depreciation	14,373	14,612
Provision for Income Tax written back	(278)	-
Profit on sale of Tangible Assets	(171)	(12)
Finance costs	28,323	23,095
Interest income	(1,708)	(1,372)
	<u>40,539</u>	<u>36,323</u>
<b>Operating Profit Before Working Capital Changes</b>	<b>54,347</b>	<b>40,798</b>
<b>Changes in working capital:</b>		
Adjustments for (increase) / decrease in operating assets:		
Inventories	(10,869)	14,806
Trade receivables	8,095	(5,120)
Short-term loans and advances	(8,249)	(39,886)
Long-term loans and advances	29	65
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	(20,106)	21,642
Other current liabilities	9,101	(1,046)
Short-term provisions	(493)	(2,011)
Long-term provisions	1,107	3,882
Cash Generated From Operations	<u>32,962</u>	<u>(7,668)</u>
<b>Less: Income Tax Paid ( Net of Refunds)</b>	<b>(1,563)</b>	<b>423</b>
<b>Net cash from Operating Activities (A)</b>	<b>31,399</b>	<b>33,553</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure on Tangible assets	(7,637)	(3,451)
Proceeds from sale of Tangible assets	730	796
Interest Received	1,708	1,372
Net Cash Used in Investing Activities (B)	<u>(5,199)</u>	<u>(1,283)</u>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Borrowings	2,620	-
Repayment of Long-Term Borrowings	(12,032)	(6,919)
Proceeds from Short-Term Borrowings	12,199	(1,062)
Finance cost	(28,305)	(23,078)
Net Cash Used in Financing Activities (B)	<u>(25,518)</u>	<u>(31,059)</u>
<b>Net increase / (decrease) in Cash and cash equivalents (A+B+C)</b>	<b>682</b>	<b>1,211</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>11,560</b>	<b>10,349</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>12,242</b>	<b>11,560</b>

See accompanying notes forming part of the financial statements

As per our report of even date attached  
For A.K. Associates  
Chartered Accountants

**C.A. A.K. Gupta**  
**(PARTNER)**  
**M.No. 16533**  
**Firm Registration No. 000596N**

For and on behalf of the Board of Directors

**Ashok Kumar Agarwal**  
**Dy. Managing**  
**Director**

**Kailash Kumar Agarwal**  
**Dy. Managing**  
**Director**

**Bibhuti Charan Talukdar**  
**Mohan Lal Jain**  
**Directors**

Place : New Delhi  
Date : 30.05.2012



**H.P.COTTON TEXTILE MILLS LTD.**

Registered office: 15th K.M. stone, Delhi Road, VPO-Mayar (Hisar), Haryana  
Website: www.hpthreads.com, E-mail: hisar@hpthread.com

Dear Shareholder,

**RE: Information of email address for receipt of documents electronically**

The ministry of Corporate Affairs ('Ministry') has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circulars bearing no. 17/2011 dated 21.04.2011 and 18/2011 dated 29.04.2011 issued by the Ministry, companies can now send various notices/ documents (including notice calling Annual General Meeting, Audited Financial Statements, Directors Report, Auditors Report etc) to their shareholders through electronic mode, to the registered e-mail addresses of the shareholders.

It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment.

This is also golden opportunity for every shareholder of H.P. Cotton Textile Mills Ltd. (the Company) to contribute to the Corporate Social Responsibility initiative of the Company. All you have to do is to register your e-mail id with the Company to receive communication through electronic mode.

**ADVANTAGES OF REGISTERING FOR E-COMMUNICATION:**

- Receive communication promptly
- Reduce paper consumption and save trees
- Eliminate wastage of paper
- Avoid loss of document in postal transit
- Save costs on paper and postage

For supporting this initiative, if you hold share in:

- a) electronic form, please intimate your email address to your Depository Participant (DP). The same will be deemed to be your registered email address for serving notices/ documents including those covered under Section 219 of the Companies Act, 1956.
- b) physical form, please send a duly signed letter quoting the name of first/ sole holder and folios to the Company's Registrar:

M/s Alankit Assignments Ltd.  
2E/21, Alankit House,  
Jhandewalan Extension,  
New Delhi - 110055  
Tel. No. 011-23541234-42541234  
Fax No. 011-23552001  
Website: www.alankit.com

We strongly urge you to support this "Green Initiative" by opting for electronic mode of communication and making the world a cleaner, greener and healthier place to live in. In case your share are in physical form, we also urge you to have your shares dematerialized by approaching Depository Participant (DP) of your choice.

**FOR H.P. COTTON TEXTILE MILLS LTD.**

**ASHOK KUMAR AGARWAL**  
(Compliance Officer)

**H.P. COTTON TEXTILE MILLS LIMITED**

Regd. Office : 15<sup>th</sup> 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 Thirty First Annual General Meeting  
of the Company to be held at its Regd. Office: 15 K.M.Stone, V.P.O. Mayar, Hisar - 125 044 (Haryana) at  
**3.00 P.M.on Friday, the 28<sup>th</sup> September 2012** and at any adjournment thereof.

As witness my/our hands this ..... day of ..... 2012.

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: 15th K.M.Stone, Delhi Road, V. P.O. Mayar, Hisar-125 044 (Haryana)

**31<sup>st</sup> ANNUAL GENERAL MEETING**

Date: 28<sup>st</sup> September 2012 at 3.00 p.m.

**ATTENDANCE SLIP**

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

I here by record my presence at the 31st Annual General Meeting of the Company being held on 28th September 2012.

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

.....  
Signature of Share holder/Proxy

DP ID & Client ID/Ledger Folio No. :- .....  
No. of Shares held :- .....

**H.P.COTTON TEXTILE MILLS LTD.**

Registered office: 15th K.M. stone, Delhi Road, VPO-Mayar (Hisar), Haryana  
Website: www.hpthreads.com, E-mail: hisar@hpthread.com

To

The Members of

**H. P . COTTON TEXTILE MILLS LIMITED**

The Board of Directors at its Meeting held on 30th May, 2012 has, pursuant to the approval of the Remuneration Committee of the Board and subject to the approval of the Members, approved:-

- (i) the re-appointment and the remuneration payable to Mr. Kailash Kumar Agarwal (hereinafter referred to as "KKA") as a Whole Time Director of the Company designated as Deputy Managing Director for a period of 5 years with effect from 06th August, 2012 to 05th August 2017; and
- (ii) the revision in remuneration payable to Mr. Ashok Kumar Agarwal (hereinafter referred to as "AKA") as Whole Time Director designated as Deputy Managing Director for a period of 2 years w.e.f. 02<sup>nd</sup> August 2012 for the remaining period of his tenure i.e. up to 01st August, 2014. The Board of Directors has revised the remuneration of Shri Ashok Kumar Agarwal in accordance with the resolution passed in the annual general meeting held on 30th September, 2009 where the members have authorized the Board of Directors to vary, alter, modify the remuneration of Shri Ashok Kumar Agarwal within the limits specified in Part II of Schedule XIII to the Companies Act, 1956 from time to time during the period of 5 years from 2nd August, 2009.

In compliance with the requirements of section 302 of the Companies Act, 1956, an Abstract of the terms of their re-appointment and/or remuneration payable together with the Memorandum of Concern or Interest is set out herein below:

<b>Name and Designation</b>	<b>Scale of Salary</b>	<b>Period of Re-appointment and/or Remuneration upto</b>
Mr. Kailash Kumar Agarwal Whole Time Director designated as Deputy Managing Director	₹ 39700-2500-49700 per month	06th August, 2012 to 05th August, 2017
Mr. Ashok Kumar Agarwal Whole Time Director designated as Deputy Managing Director	₹ 39700-2500-49700 per month	02nd August, 2012 to 01st August, 2014

**Perquisites applicable to KKA and AKA:**

House Rent Allowance	25% of Basic Salary.
Provident Fund & Gratuity	As per employees Provident Fund Act and Payment of Gratuity Act and shall not be included in the computation of the ceiling on remuneration.
Medical	Re-imbusement of medical expenses for self and family upto a limit of 5% of basic salary as per rules of the Company.
Leave Travel Assistance	Re-imbusement of Leave Travel Assistance expenses for self and family upto a limit of 5% of Basic Salary as per rules of the Company.
Earned Leave	Encashment of unavailed leave at the time of retirement/ cessation of service shall not be included in the computation of the ceiling on remuneration. Earned leave will be maximum 30 days per annum as per rules of the Company.

**Minimum Remuneration:**

Where in any financial year during the currency of the tenure of KKA and AKA, the Company has no profits or its profits are inadequate, the Company may pay to KKA and AKA the above remuneration as the minimum remuneration for a period not exceeding 3 years or till the tenure of appointment, whichever is earlier, by way of salaries, perquisites and other allowances and benefits as specified above subject to receipt of requisite approvals, if any.

The terms and conditions of the re-appointment and remuneration payable to KKA and AKA may be varied, altered, increased, enhanced or widened from time to time by the Remuneration Committee and the Board as it may in its sole discretion deem fit within the above limits and subject to the limits laid down in sections 198, 269, 309, 310 and 311 and all other applicable provisions of the Companies Act, 1956 and the rules framed there under read with Schedule XIII of the Companies Act, 1956 and subject to the approval of Central Government, if necessary, and subject to the requisite approvals, if any, being obtained.

**EXPLANATORY STATEMENT****Re-appointment of Kailash Kumar Agarwal**

Keeping in view that the 5 year term of appointment of Kailash Kumar Agarwal designated as Deputy Managing Director will expire on 5th August 2012, the Board of Directors has, in the interest of the Company and on the recommendation of the Remuneration Committee, at its meeting held on May 30, 2012 re-appointed KKA as Whole Time Director designated as Deputy Managing Director for a further period of 5 years w.e.f. 6th August, 2012, subject to the approval of the members of the Company in the ensuing Annual General Meeting, on a remuneration as mentioned in the resolution with an authority to the Board to alter, vary or modify the terms with recommendation of Remuneration Committee during the tenure of his holding the office as Whole Time Director designated as Deputy Managing Director.

The remuneration to be paid to KKA will be within the limits prescribed under Schedule XIII of the Companies Act, 1956.

**Revision in Remuneration of Ashok Kumar Agarwal**

Shri Ashok Kumar Agarwal was re-appointed as Whole Time Director designated as Dy. Managing Director for a period of 5 years w.e.f. 02nd August, 2009 on the remuneration and other terms as approved of the Annual General Meeting held on 30th September, 2009. His remuneration was within the limits prescribed in Schedule XIII of the companies Act, 1956. In that Annual General Meeting the members of the company have also authorized the Board of Directors of the company to vary, alter, modify the remuneration of Shri Ashok Kumar Agarwal within the limits specified in Part II of Schedule XIII to the Companies Act, 1956 from time to time during the period of 5 years from 2nd August, 2009.

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 to the Board of Directors w.e.f. 02nd August 2012 for the remaining period of his tenure i.e. up to 01st August, 2014 as mentioned herein above.

The revised remuneration payable to AKA will be within the limits prescribed under Schedule XIII of the Companies Act, 1956.

**Memorandum of Interest:**

Apart from KKA and AKA who are interested in their respective and each other's re-appointment and/or remuneration payable to them and Mr. Raj Kumar Agarwal, Director, being relative of the KKA and AKA, none of the other director is concerned or interested in the above matter.

**By Order of the Board**  
**For H. P. Cotton Textile Mills Limited**

**Ashok Kumar Agarwal**  
**Dy. Managing Director & Compliance Officer**

