





Form A

Format of covering letter of the Annual Audit Report as to be filed with
The Stock Exchange

| | | |
|----|--|---|
| 1. | Name of the Company | Himachal Fibres Limited |
| 2. | Annual Financial Statements for the year ended | 31 st March 2014 |
| 3. | Type of Audit Observation | No Qualification |
| 4. | Frequency of observation | Whether Appeared first time/repetitive Since How long period NIL |
| 5. | To be signed by | |
| | CEO/Managing Director |  |
| | CFO/DGM |  |
| | Auditor of the Company |  |
| | Audit Committee Chairman |  |



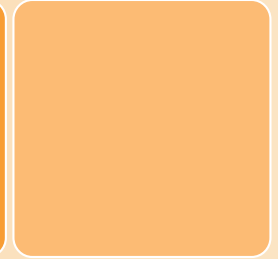
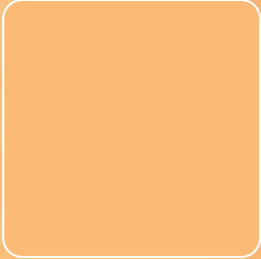
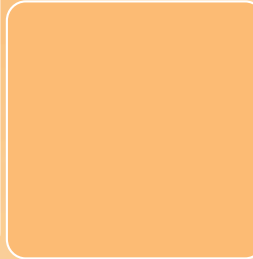


Annual Report
2013-14



Himachal Fibres Limited

www.himachalfibre.com





HIMACHAL FIBRES LIMITED



“ Emerging Trends in Indian Textile Industry ”

FROM THE DESK OF MANAGING DIRECTOR

Dear Shareholders

The global economy has been passing through a prolonged phase of uncertainty and the low growth along with the atmosphere of hesitancy is also reflected in India. The Textile Industry in India was severely impacted by the global slow down and recession during the period under review. Monetary and fiscal policies were geared towards taming domestic inflation, which adversely impacted investments and consumption growth. However, recently inflation has moderated somewhat and it is hoped that it will remain under reasonable control.

The year 2013-14 was marked by declining growth the world over. The growth in the World Gross Product (WGP) was estimated to be 2.3% in 2013. Many large developing countries including Brazil, China and the Russian Federation, saw a significant deceleration in GDP growth in the past two years. This deceleration was attributed to a combination of weak external conditions and domestic impediments.

India was no exception. The Indian economy, Asia's third-largest, slowed sharply to 5% in FY 2013-14 from the scorching growth notched a few years ago due to a string of factors including high inflation, high interest rates, decelerated global economy, delay in project implementation, policy logjam, industrial growth slump, declining business sentiment and high current account deficit.

Having built sizeable capacities across the value chain in cotton as well as in polyester, your company has now commenced its phase of consolidation in right earnest. We would be taking several initiatives towards this end:

- Continuing to effectively manage costs and improve plant efficiency.
- Being more disciplined in our use of cash, rationalization of new capital expenditure and intensifying our focus on high profitable areas in textiles.
- expanding our product portfolio and business markets;
- sharpening customer focus, and finally
- creating and encouraging a high performance culture.

We will internally reinforce strategies to bring about overhead reductions, procurement savings and newer products that carry the stamp of our cutting edge innovation. We will endeavor to improve cash flows and leverage that to accelerate revenue and earnings growth. We would continue our efforts to be the market leader through product innovation and expand our presence in new business geographies.

Indian economy is also expected to grow at a slower rate at 5-6% for next couple of years. It largely depends upon the policy actions of the contemporary government to augment public and private sector investment in infrastructure building, power generation alongside addressing policy bottlenecks hindering capital formation in the country.

The Government of India has formulated an expert group to formulate National Textile Policy, which is expected to look into the issues of global competitiveness of the Indian textile industry including growth in exports. We hope the Group will give some actionable policy inputs to put the textile industry on sustained growth path.

I would like to extend my gratitude to all our stakeholders including shareholders, customers, lenders and our loyal, hardworking and committed employees for their continued support and faith in the Company.

With Best Wishes

Sd/-
Akhil Malhotra
Managing Director



HIMACHAL FIBRES LIMITED

BOARD OF DIRECTORS:

Shri Sushil Singla
Shri Akhil Malhotra
Shri Pawan Nagpal
Shri Mayank Malhotra
Shri Rajan Dhawan
Shri Daljeet Singh Rana

DESIGNATION

Chairman
Managing Director
Whole Time Director
Director
Director
Director

KEY EXECUTIVE OFFICERS

Finance/Accounts/CFO
Shri Ashwani Kumar
G.M (Finance & Accounts)

STATUTORY AUDITORS

Sumat Gupta & Co.
Chartered Accountants,
G.T Road, Miller Ganj
Ludhiana-141003

BANKERS

State Bank of India,
SCB, Miller Ganj,
Ludhiana- 141 003

REGISTERED OFFICE/WORKS

Plot No. 43-44, Industrial Area
Barotiwala- 174 103
Distt. Solan (H.P.)

REGISTRAR & SHARE TRANSFER AGENT

Beetal Financial & Computer Services (P) Ltd,
"Beetal House", 3rd Floor, 99, Madangir,
Behind Local Shopping Centre,
New Delhi – 110 062

CORPORATE OFFICE

SCO-1, Ground Floor, City Tower
Model Town, Ludhiana – 141 002

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NOTICE

NOTICE is hereby given that the **33RD Annual General Meeting** of the members of the Company will be held on Tuesday, the 30th day of September, 2014 at 3:00 p.m. at the Registered Office of the Company situated at Plot no. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.)-174103 to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and Statement of Profit and Loss for the year ended on that date, together with the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Mayank Malhotra (DIN - 01395444), who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. Appointment of Statutory Auditors of the Company.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an 'Ordinary Resolution':

“RESOLVED THAT pursuant to the provisions of Sections 139 of the Companies Act, 2013 (“Act”) and other applicable provisions of the Act, if any and the Rules framed thereunder, as amended from time to time, and pursuant to the recommendation of the Audit Committee, M/s. Sumat Gupta & Co. be and are hereby appointed/reappointed as the Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting (AGM) till the conclusion of the 36th AGM to be held in the year 2017 (subject to ratification by the member at every AGM) at such remuneration as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS:

4. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution for appointment of Mr. Sushil Kumar Singla as Independent Director**

“RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder and Clause 49 of the Listing Agreement (including any statutory modifications or re-enactment thereof and any rules made thereunder, for the time being in force) and subject to such other approvals as may be required, Mr. Sushil Kumar Singla (DIN:00126157), Director of the Company, who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Independent Director not liable to retire by rotation, is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation, to hold office for a period upto March 31, 2019.

5. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution for appointment of Mr. Rajan Dhawan as Independent Director**

“RESOLVED THAT pursuant to the provisions of Sections 149, 150 and 152 read with Schedule IV and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder and Clause 49 of the Listing Agreement (including any statutory modifications or re-enactment thereof and any rules made thereunder, for the time being in force) and subject to such other approvals as may be required, Mr. Rajan Dhawan (DIN 00678553), Director of the Company, in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Independent Director not liable to retire by rotation, is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation, to hold office for a period upto March 31, 2019.

6. **Approval for entering into contracts and/or agreements with Related Parties**

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a ‘Special Resolution’:

“RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions, if any, of the Companies Act, 2013 (the ‘Act’) and subject to such approvals, consents, sanctions and permissions as may be necessary, consent of the members of the company be accorded to the Board of Directors of the Company to enter into contracts and/or agreements with Related Parties as defined under the Act with respect to sale,



purchase or supply of any goods or materials, selling or otherwise disposing of, or buying, leasing of property of any kind, availing or rendering of any services, appointment of agent for purchase or sale of goods, materials, services or property or appointment of such related party to any office or place of profit in the Company or its subsidiary or associates Company or any other transactions of whatever nature with related parties.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and execute all deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all acts, deeds, matters and things that may be necessary ,proper , expedient or incidental thereto for the purpose of giving effect to this Resolution.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to determine the actual sums to be involved in the proposed transactions and the terms & conditions related thereto and all other matters arising out of or incidental to the proposed transactions and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental thereto for the purpose of giving effect to this Resolution”.

7. By Order of the Board

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“**RESOLVED THAT** pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, the consent of the Members of the Company be and is hereby given to authorize the Board of Directors to borrow from time to time, at its discretion either from the Company’s Bank or any other bank, financial institution or any other lending institutions or Bodies Corporate(s) or such other persons as may be considered suitable by the Board of Directors for the purpose of Company’s business any sum or sums of money as it may deem proper notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company, if any, (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, if any, that is to say, reserves not set apart for any specific purpose provided that the total amount of moneys to be borrowed together with moneys already borrowed (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) shall not exceed Rs. 50 Crores (Rupees fifty Crores only) outstanding at any one time and that for the implementation of this resolution the Board of Directors may act through any member thereof or any other person duly authorized by the Board of Directors in that behalf”.

For Himachal Fibres Limited

Sd/-

Akhil Malhotra
Managing Director

Place: Ludhiana
Date : 05.09.2014

Registered Office:
Plot No. 43-44, Industrial Area
Barotiwala-174103,
Dist. Solan,
Himachal Pradesh (INDIA)

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a member of the company. The proxy, in order to be effective, must be received by the company not less than 48 hours before the meeting. The blank proxy form is enclosed.



2. Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of items specified in special business and the information required pursuant to the Clause 49 of the Listing Agreement(s) regarding the directors seeking appointment/re-appointment in the Annual General Meeting are annexed hereto and both forms part of the Notice.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 29.09.2014 to 30.09.2014(days inclusive).
4. Members holding shares in physical mode are requested to notify the change in their address, if any, at the earliest to the Company/Registrar and Transfer Agent (RTA). However, members holding shares in electronic mode may notify the change in their address, if any, to their respective Depository Participant.
5. Members desiring any information as regards to accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep the information ready.
6. The copies of relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
7. Members are requested to bring their attendance slip along with their copy of Annual Report to the Annual General Meeting.
8. Members holding shares in the same/identical name(s) under different folios are requested to apply for consolidation of such folios and send relevant share certificates to the Company/RTA of the Company.
9. The Annual Report shall be sent electronically at e-mail address provided by you to the Company, its RTA or with your depositories.

We request you to update your email address with your Depository Participant/Company/RTA to ensure that the Annual Report and other Communication reach you on your preferred email. The members, if they desire, may write to the Company to obtain the physical copy of the Annual Report.

10. INSTRUCTIONS FOR VOTING THROUGH ELECTRONIC MEANS:

In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder , the Members are provided with the facility to cast their vote electronically through the e-voting services provided by Central Depository Services (India) Limited (CDSL), on all resolutions set forth in this Notice.

A. In case of members receiving e-mail (for Members whose e-mail addresses are registered with the Company/ Depositories):

- (i) Log on to the e-voting website **www.evotingindia.com**
- (ii) Click on "Shareholders" tab.
- (iii) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and Click on Login.
- (v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.



(vi) If you are a first time user follow the steps given below:

| For Members holding shares in Demat Form and Physical Form | |
|---|---|
| PAN* | <p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none">Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field.In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field. |
| DOB# | <p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p> |
| Dividend Bank Details# | <p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none">Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field. |

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the EVSN for the relevant HIMACHAL FIBRES LIMITED on which you choose to vote.
- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
 - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.



- They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

B In case of members receiving the physical copy:

- (i) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (ii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

C. Other Instructions:

- The e-voting period commences on 23RD September, Tuesday 2014 (9.00 a.m. IST) and ends on Thursday, 25th September 2014 (6.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in electronic form may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast and confirmed by the Member, he shall not be allowed to change it subsequently.
- Mr. Rajeev Bhambri , Practicing Company Secretary (Membership No. 4327), has been appointed as the Scrutinizer to conduct the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.
- The Scrutinizer shall, within a period not exceeding five working days from the conclusion of the e-voting period, unblock the votes in the presence of atleast two witnesses not in the employment of the Company and submit a Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the Chairman of the Company.
- Members who do not have access to e-voting facility may return the duly completed Ballot Form in the prepaid Business Reply Envelope (enclosed with the Annual Report) so as to reach the Scrutinizer at the Registered Office of the Company not later than Thursday, 25th September, 2014 (6.00 p.m. IST). Members have the option to request for physical copy of the Ballot Form by sending an e-mail to investors@himachalfibres.com by mentioning their Folio No./DP ID and Client ID No. However, the duly completed Ballot Form should reach the Registered Office of the Company not later than Thursday, 25th September, 2014 (6.00 p.m. IST). Ballot Forms received after this date will be treated as invalid.
- A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both these modes, then voting done through e-voting shall prevail and the vote cast through Ballot shall be treated as invalid.

The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.himachalfibres.com and on the website of CDSL www.evoting.cdsl.com within two days of the passing of the resolutions at the 33rd AGM of the Company on 30th September, 2014 and communicated to BSE Limited where the shares

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4 to 5

Mr. Sushil Kumar Singla (DIN 00126157) and Mr. Rajan Dhawan (DIN 00678553) are Non Executive (Independent) Director of the Company. Pursuant to the provisions of Section 149 (10) of the Companies Act, 2013 ('the Act'), an independent director shall hold office for a term up to 5 (five) consecutive years on the Board of a Company and shall be eligible for re-appointment on passing of a special resolution by the Company. Amended clause 49 of the Listing Agreement further provides that a person who has already served as an independent director for five years or more in a company as on October 1, 2014 shall be eligible for appointment, on completion of his present term, for one more term of up to five years only.

The Independent Directors were appointed as per the erstwhile applicable provisions of the Companies Act, 1956, where they were liable to retire by rotation. It is proposed to appoint Mr. Mr. Sushil Kumar Singla (DIN 00126157) and Mr. Rajan Dhawan (DIN 00678553) as Independent Directors under Section 149 of the Act and Clause 49 of the Listing Agreement for a term of five years till March 31, 2019. Further, pursuant to the provisions of Section 152(6) of the Act, the term of the Independent Directors shall not be liable to retire by rotation.



HIMACHAL FIBRES LIMITED

The Company has received the consent in writing, to act as Director and a declaration that they are not disqualified to act as Director under Section 164(2) of the Companies Act, 2013 and meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Notices under section 160 of the Companies Act, 2013 have been received from Members proposing candidature of the above directors for the office of Independent Director of the Company. In the opinion of the Board, these directors fulfill the conditions specified in the Companies Act, 2013 and the Rules made there under for appointment as Independent Directors of the Company.

A brief profile of proposed Independent Directors, including nature of their expertise, is provided at this Annual Report.

No Director, Key Managerial Person (KMP) and relative of any Director or KMP except Mr. Sushil Kumar Singla (DIN 00126157) and Mr. Rajan Dhawan (DIN 00678553), Non-Executive Directors may be deemed to be concerned or interested in the resolution.

ITEM NO. 6

Pursuant to Section 188 of the Companies Act, 2013, the Company can enter into transaction mentioned under aforesaid resolution, which are not in the ordinary course of business and/or are not on arm length basis, only with the approval of the shareholders accorded by way of a special resolution. Though, your Company always seeks to enter into transactions with related parties in the ordinary course of business and at arm's length basis; still there may be some such transactions which are done in the interest of the Company and for which your approval is required under the provisions of the Companies Act, 2013.

The proposal outlined above is in the interest of the Company and the Board re-recommends the resolution set out in the accompanying Notice as special resolution.

| Name of Related Party | Name of Directors/ KMP who is related and nature of Interest | Particulars of the Contract and relevant information | Yearly Monetary Value (In Rs.) |
|--------------------------------|--|--|--------------------------------|
| M/s Shiva Textfabs Limited | 1. Mr. Akhil Malhotra (managing Director) 2. Mr. Mayank Malhotra (Managing Director) 3. Mr. Sushil Kumar singla (Independent Director) 4. Mr. D S Rana (Whole Time director) 5. Mr. surender Nath Kapoor (director) | Sale, purchase or supply of goods, material or services including Job work and Lease of immovable property goods, material or services | Upto Rs. 100 Crore |
| M/s Shiva Speciality Yarns Ltd | 1. Mr. Akhil Malhotra (managing Director) 2. Mr. Mayank Malhotra (Managing Director) 3. Mr. Sushil Kumar singla (Independent Director) 4. Mr. Ramkaran Bhardwaj (Whole Time director) | Sale, purchase or supply of goods, material or services including Job work and Lease of immovable property | Upto Rs. 5 Crore |
| Shiva Spin N Knit Ltd | 1. Mr. Akhil Malhotra (director) 2. Mr. Mayank Malhotra (Director) 3. Mr. Ajay Kumar (Whole Time Director) | Sale, purchase or supply of goods, material or services including Job work and Lease of immovable property | Upto Rs. 1 Crore |
| Yogindera Worsted Limited | 1. Mr. Mayank Malhotra (Managing Director) 2. Mr. Akhil Malhotra (Director) 3. Mr. Sushil Kumar singla (Director) 4. Mr. Prem Parkash Thukral (Whole Time Director) | Lease of immovable property | Upto Rs. 30 crore |
| Indian Yarn Ltd | 1. Mr. Akhil Malhotra (Director) 2. Mr. Mayank Malhotra (Director) 3. Mr. Sham Lal Bansal (Nominee Director) 4. Mr. Anoop Kumar Sud (Nominee Director) 5. Mr. Devendra Kumar Verma (Whole Time Director) | Sale, purchase or supply of goods, material or services including Job work and Lease of immovable property | Upto Rs. 10 crore |
| K.K Fibres ltd | 1. Mr. Akhil Malhotra (Director) 2. Mr. Mayank Malhotra (Director) 3. Mr. Suresh Kumar Sharma (whole Time Director) | Sale, purchase or supply of goods, material or services including Job work and Lease of immovable property | Upto Rs. 10 lacs |
| Mr. Akhil Malhotra | - | Sale, purchase or supply of goods, material or services including Job work and Lease of immovable property | Upto Rs. 5 lacs |

None of other Director or Key Managerial Personnel of the Company and their relatives are concerned or interested in the said resolution except specified above.



ITEM NO. 8

The Shareholders in the General Meeting held on 26.06.2006 had authorized the Board of Directors for the borrowings upto an amount of Rs 50 Crores (Rupees fifty Crores only) by passing ordinary resolution, pursuant to section 293(1)(d) of the Companies Act, 1956.

The corresponding section i.e. 180(1)(c) of the newly enacted Companies Act, 2013 requires the approval of company/ shareholders by a special resolution for exercise the borrowing power . The Board accordingly recommend the resolution of borrowing upto an amount of Rs 50 Crores (Rupees Fifty Crores only) for the approval of the members by a special resolution.

Information pursuant to Clause 49 of the Listing Agreement(s) regarding the Directors seeking appointment/ re-appointment in the AGM.

| Name of the Director | Mr. D S Rana | Mr. Mayank Malhotra | Mr.Pawan Nagpal |
|---|--|---|---|
| DIN | 02911594 | 01395444 | 02911054 |
| Date of Birth | 20.06.1963 | 04.10.1986 | 10.10.1958 |
| Date of Appointment | 15.03.2010 | 12.04.2013 | 01.08.2013 |
| Expertise in specific functional area | Rich experience of more than 20 years in Textile Industry. | Industrial and Business experience of more than 7 years. | Rich experience of more than 28 years in Textile Industry |
| No. of Shares in HFL | Nil | 200000 | NIL |
| Qualification | Textile Engineer | undergraduate | Graduate |
| Directorships of other Companies as on 31 st March, 2014 | Shiva Textfabs Ltd | <ol style="list-style-type: none"> 1. Shiva Speciality yarns limited 2. Shiva Textfabs Limited 3. Brijeshwari Textiles Private Limited 4. Hitech Dyeing And Finishing Mills Private Limited 5. Balmukhi Textiles Private Limited 6. Shiva Spin-n-Knit Limited 7. Shiva Texchem (Gujarat) Private Limited 8. Shiva Spinfab Private Limited 8. K K Fibers Limited 10. Yogindera worsted Limited | NIL |
| Chairmanship / Membership of other Committees of Companies as on 31 st March, 2014 | Ni | 2 | - |
| Relationship with other Directors | Not related to any director | Son of Mr. Akhil Malhotra (Managing Director) | Not related to any director |



DIRECTOR'S REPORT

Dear Fellow,

The Directors of your Company are presenting their 33th Annual Report on the affairs of the Company together with Audited Financial Statements of the Company for the year ended 31st March, 2014.

1. Financial Results

THE FINANCIAL AND OPERATIONAL PERFORMANCE OF THE COMPANY IS AS FOLLOWS:

Rs. In Lacs

| | 2013-14 (12 Months) | 2012-13 (12 Months) |
|--------------------------|--------------------------------|--------------------------------|
| Sales | 13057.30 | 12095.46 |
| Other Income | 14.22 | 44.75 |
| Total Receipts | 13071.53 | 12140.21 |
| Total Expenses | 13065.23 | 11986.71 |
| Profit before tax | 6.30 | 153.50 |
| Income Tax | 1.21 | 33.00 |
| Deferred Tax | 17.91 | 54.60 |
| Fringe Benefit Tax | - | - |
| Profit after tax | (12.81) | 65.90 |

2. Business Performance

Your directors are pleased to report the Company's business operations performance as follows:

- **Sales Revenue**

During the year under review, the turnover of the Company was Rs. 13057.30 lac as against Rs. 12095.46 lac in 2012-13.

- **Profitability**

The Company incurred a net loss after tax of Rs. 12.81 lacs during the current year against the net profit after tax of Rs. 65.90 lac in the previous year.

3. Management Discussion and Analysis Report

(a) Industry structure, Development & Future outlook

India's textiles and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors to Indian economy in terms of direct and indirect employment generation and net foreign exchange earnings. Textile sector contributes about 14% to industrial production, 4% to the gross domestic product (GDP), and 27 per cent to the country's foreign exchange inflows. It provides direct employment to over 45 million people and second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

The Indian textiles industry accounts for about 24 per cent of the world's spindle capacity and 8 per cent of global rotor capacity. The Cotton yarn production in India has increased by about 10 per cent during April



2013-February 2014 and the total cloth production grew by 3 per cent during the period April 2013–February 2014. The Man-Made Fibers (MMF) in Indian textile has successfully established its presence in almost all the countries across the globe. MMF production recorded an increase of 4% during the period April 2013 - February 2014.

The India's cotton consumption grew by 12% to 4.8 million tons and is expected to grow by 7% to 5.4 million tons in 2014-15. World ending stocks are forecast to increase by 12 % in 2013-14 to 20 million tons, and then to expand by another 5% in 2014-15 to 21 million tons. The projected accumulation of cotton stocks will weight on international cotton prices in 2014-15, particularly as more stocks will be held outside of China.

In the global exports of Textiles, India has improved its ranking to emerge as the second largest textile exporter. Currently, India textiles exports worth US\$ 40.2 billion, while the total global textiles exports stand at US\$ 772 billion, with India commanding 5.2% of the share. The rise in textile exports from India is largely attributed to the growth in apparel and clothing sector as this account for almost 43% of the share. The Indian textile and apparel industry has potential to reach at size US\$ 221 billion by 2021.

Since most of the capacity expansions have taken place in normal/ commodity products, the severity of competition and decrease in profit margins is inevitable. Thus, in order to survive, sustain and thrive in the global market, it would be necessary to differentiate and improve presence in value added products in the near future. Further, Technical textile is expected to grow at a faster pace as compared to other textiles products. It would be prudent to be an early bird and earmark some investments for this area for better and sustainable profitability.

(b) Internal control systems & adequacy

Your Company has an adequate internal control system. There is a system of continuous Internal Audit which aims at ensuring effectiveness and efficiency of systems and operations. The report is reviewed by the Audit Committee of the Board consisting of Independent Directors. The scope of the Internal Audit is not limited to accounts only but includes operations, inventories, costing records, physical verifications of immovable and movable assets etc on regular basis. Further, the Company has also taken steps to develop a mechanism to assess and minimize risks by having a Risk Management Committee.

(c) Human resource management

Your Company gives utmost importance to human resource. It considers "Human Resource as Human Capital" and believes in the development of Human Resource. The Company strongly believes in the Performance Management System and always tries to explore and tap high potential at the Group level to meet new challenges and competition. Our main tool is training and developing talent at various levels. Internal and external trainings are regularly organized for the development of the members/employees.

(d) Safety, Health & Environment

The Company's top priority is safety, with regard to employment. It encourages safety measures at all operational levels, especially at floor level. Regular training programs are conducted to create awareness about the importance of safety at work. Medical camps are organized periodically for welfare of the members. Additionally, regular medical facilities are also provided to them.

(e) Management perception of Risks & Concerns

The performance of textile industry during first three quarters of FY 2013-14 was quite encouraging. However, the last quarter witnessed sudden jerks in demand and price drop from export market, led by china. This was followed immediately by domestic market which adversely affected the market sentiment and profit margins. The upward surge in cotton prices and downward turn in yarn prices along with slack demand is going to hit the bottom line significantly.



To procure cotton more judiciously and carry reasonable inventory by reducing to 2 months instead of previous practices of 6 months shall help minimizing the risk. Further, initiatives towards differentiated/ value added products coupled with cost optimization will lead to better managing the profit margins.

(f) Opportunities and Threats

Opportunities:

1. Government thrust for textile export.
2. Scope for atomization.
3. Large overseas and domestic market.

Threats:

1. Shortage of skilled labour.
2. Ever increasing cost of power & finance.
3. Volatile Government policies particularly for raw material.

(g) Financial Performance

• **Resource utilisation**

a) Fixed assets

The gross fixed assets as at 31st March, 2014 were Rs. 5491.77 lac as against Rs. 5672.18 lac in the previous year. The Net block of assets as on 31st March, 2014 was Rs. 2408.25 lacs.

b) Current assets

Inventory levels as at 31st March, 2014 were Rs. 2401.79 lac as against Rs. 2972.90 lac in the previous year. The trade receivables as at 31st March, 2014 were Rs. 2260.62 lac as against Rs. 1356.97 lac in the previous year.

• **Financial condition & liquidity**

Liquidity & capital resources

(Rs. in lac)

| Particulars | 2013-14 | 2012-13 |
|------------------------------|----------|----------|
| Cash & cash equivalents: | | |
| Beginning of the year | 46.86 | 41.09 |
| End of the year | 43.06 | 46.86 |
| Net cash provided (used) by: | | |
| Operating Activities | 535.82 | 558.14 |
| Investing Activities | (14.40) | (150.71) |
| Financial Activities | (525.22) | (401.66) |

7. Directors

During the year under review, Mr Mayank Malhotra was appointed as director of the Company and Mr Pawan Nagpal was appointed as Whole Time Director of the Company for a period of three years w.e.f. 01.09.2013. Mr.Rajinder Kumr and Mr.Raj Mittal resigned from the directorship of the company with effect from 24.09.2013 and 21.04.2014 respectively.



Mr. Mayank Malhotra, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re appointment.

Pursuant to Section 149 of the Companies Act, 2013, the Board at its meeting held on 13.08.2014 recommended appointment of Mr Sushil Kumar Singla and Mr.Rajan Dhawan as Independent Directors of the Company, not liable to retire by rotation for a period of five years till 31st March, 2019 subject to approval of the Members of the Company. These Directors have given the declarations to the Board that they meet the criteria of independence as provided under Section 149(6) of the said Act and also confirmed that they will abide by the provisions as mentioned in Schedule IV of the Companies Act, 2013. The Company has received requisite notices in writing from members proposing their appointment as Independent Directors.

9. Listing of securities

The Securities of the Company are listed on Bombay Stock Exchange Ltd (BSE).

10. Registrar and Share Transfer Agent

Beetal Financial & Computer Services (P) Ltd, Beetal house, 3rd Floor, 99 Madangir, Behind Local Shopping Centre, New Delhi -110062 is the Registrar and Share Transfer Agent of the Company.

11. Fixed Deposit

During the year, the Company has not accepted any deposits Section 58A & 58AA of Companies Act, 1956 and other related provisions read with the Companies (Acceptance of Deposit) Rules, 1975.

12. Dividend

The Board of Directors of your Company has not recommended any dividend for the financial year 2013-14.

13. Corporate Governance

The Company has in place a comprehensive system of Corporate Governance. A separate report on Corporate Governance forms part of the Annual Report of the Company. A certificate from the auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

14. Corporate Social Responsibility

Pursuant to Section 135 of the Companies Act, 2013 the Company has constituted the Corporate Social Responsibility (CSR) Committee of the Board of Directors. The terms of reference of the CSR Committee are as per the provisions of the Companies Act, 2013 read with rules made there under.

15. Auditors

M/s Sumat Gupta & Co, Chartered Accountants, Ludhiana, who are the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting (AGM). It is proposed to re-appoint them to Statutory Auditors of the Company for three years to hold office from the conclusion of this AGM till the conclusion of the 36th AGM to be held in the year 2017 subject to ratification of their appointment at every AGM. M/s Sumat Gupta & Co have, under Section 139(1) of the Companies Act, 2013 and the Rules framed thereunder furnished a certificate of their eligibility and consent for re-appointment

16. Auditors' Report

The Statutory Auditors of the Company have submitted Auditors' Report on the Accounts of the Company for the financial year ended 31st March, 2014.

Auditors' Report on the Accounts of the Company for the year under review is self-explanatory and requires no comments.



17. Statement of particulars of employees

Statement showing particulars of the employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 is not given as no employee was in receipt of remuneration equal to or exceeding Rs. 60 lac per annum or Rs. 5 lac per month if employed for the part of the year.

19. Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

- i) In preparation of the annual accounts, applicable accounting standards have been followed;
- ii) Appropriate accounting policies have been selected and applied consistently and have 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 as at 31st March, 2014 and of the profit of the Company for the year ended on 31st March, 2014;
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The annual accounts have been prepared on a going concern basis.

20. Acknowledgement

Your directors are pleased to place on record their sincere gratitude to the Government, Financial Institutions, Bankers and Business Constituents for their continued and valuable co-operation and support to the Company. They also take this opportunity to record their appreciation of the valuable contribution made by the employees in the successful operations of the Company during the year.

For and on behalf of the Board
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana
Dated: 05.09.2014

Sd/-
(Akhil Malhotra)
Chairman & Managing Director



ANNEXURE TO THE DIRECTOR'S REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2014

I Conservation of energy

The Company initiated several steps to conserve energy, wherever possible. The Energy Conservation Cell continuously meets, conducts studies, verifies and monitors the consumption & utilisation of energy including identification of energy conservation areas in different manufacturing units of the Company.

A. STATEMENT RELATING TO CONSERVATION OF ENERGY

| | | 2013-14 | 2012-13 |
|-----------|---|---------|---------|
| A) | POWER AND FUEL CONSUMPTION | | |
| 1 | ELECTRICITY | | |
| | (a) PURCHASED | | |
| | UNIT (LACS) | 42.07 | 65.31 |
| | TOTAL AMOUNT (RS/LAC) | 305.06 | 363.39 |
| | RATE/UNIT (RS) | 7.25 | 5.72 |
| | (b) OWN GENERATION | | |
| | THROUGH DIESEL GENERATOR | | |
| | UNIT (LACS) | 0.87 | 1.89 |
| | UNIT PER LITER OF DIESEL OIL | 15.7 | 3.12 |
| | COST/UNIT (RS) | 17.94 | 13.79 |
| 2 | COAL | | |
| | QUANTITY (KGS) | 526837 | 682059 |
| | TOTAL COST (RS.) | 4599287 | 6554584 |
| | AVERAGE RATES (RS.) | 8.73 | 9.61 |
| 3 | FURNACE OIL | | |
| 4 | OTHER/INTERNAL GENERATION | | |
| | (RICE HUSK CONSUMPTION) | | |
| | QUANTITY (LAC/KGS) | | |
| | RATE/UNIT (RS/KG) | | |
| B) | CONSUMPTION PER UNIT OF PRODUCTION | | |
| | PRODUCT | | |
| | COTTON & BLENDED YARN | | |
| | ELECTRICITY UNIT/PER KG | 1.84 | 2.55 |
| | FURNACE OIL | | |
| | COAL | | |



B. RESEARCH & DEVELOPMENT

The Research & Development efforts in the company are focused for improvement of in-house expertise, creating work culture and adoption of new technologies, wherever possible, to conserve energy consumption.

C. TECHNOLOGY ABSORPTION

It is proposed to adopt latest technology in the plant to maximize production, yield and better quality along with minimum consumption of energy.

D. FOREIGN EXCHANGE EARNING AND OUTGO

| | 2013-14 (12 Months) (Rs./Lacs) | 2012-13 (12 Months) (Rs./Lacs) |
|--------------------------------------|--------------------------------------|--------------------------------------|
| a) Earning (Export Sales- FOB Value) | NIL | NIL |
| b) Outgo: | | |
| i) Imports-Raw Material & Spares | NIL | NIL |
| Capital Goods | NIL | NIL |
| ii) Expenditure | NIL | NIL |
| c) Net Foreign Exchange Earnings | NIL | NIL |

For and on behalf of the Board
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana
Dated: 05.09.2014

Sd/-
(Akhil Malhotra)
Chairman & Managing Director



REPORT ON CORPORATE GOVERNANCE

This Report on Corporate Governance forms part of the Annual Report. Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices that ensures that a Company meets its obligations to optimize shareholders value and fulfill its responsibilities to the community, customers, employees, Government and other segment of society. This report on Corporate Governance, besides being in compliance of the mandatory Listing agreement, gives an insight into the functioning of the Company.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

- Faith in Bright future of Textiles and hence continued expansion in areas "Which we know best".
- Total Customer focus in all operational areas.
- Products to be of best available quality through TQM and zero defect implementation.
- World class manufacturing facilities with most modern R & D and process technology.
- Faith in individual potential and respect for human values.
- Encouraging innovation for constant improvements to achieve excellence in all functional areas.
- Accepting change as a way of life.
- Appreciating our role as a responsible corporate citizen.

During the period under review, the company had best corporate practices so as to bring them in line with the revised Clause 49 of the listing agreement. The Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholder's wealth and at the same time protect the interests of all its shareholders.

2. BOARD OF DIRECTORS

i) Board Meetings:

During the Financial year i.e. 01.04.2013 to 31.03.2014, the Board met 4 (Four) times on the following dates-

28th May, 2013

13th August, 2013

14th November, 2013

13th February, 2014

ii) Composition as on March 31, 2013:

The Board of directors of the company is having an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at last Annual General Meeting of the Company and also the number of Directorship/Chairmanship in other Indian Public Limited Companies are as follows:



| Name of the Director | Category | Attendance of meeting during 2013-14 | | No. of Other Directorship(s) (excluding directorships in Foreign company and private company) | No of Membership(s)/ Chairmanship(s) of Board committees in other companies | |
|---|---|--------------------------------------|----------|---|---|-------------------------------|
| | | Board Meeting | Last AGM | | Chairman-Ship in Board Committee | Membership in Board Committee |
| Shri Sushil Kumar Singla (Appointed on 04/06/2010) | Chairman/ Independent/ Non Executive | 4 | Yes | 6 | 3 | - |
| Shri Rajinder Kumar (Appointed on 28/05/2010) | Promoter / Whole Time Director/ Executive | 3 | No | 1 | - | - |
| Shri Akhil Malhotra (Appointed on 28/05/2010) | Promoter/ Managing Director/ Executive | 3 | No | 12 | - | 3 |
| Shri. Daljeet Singh Rana (Appointed on 15/03/2010) | Non Executive/ professional | 4 | No | 2 | - | - |
| Shri Raj Mittal (Appointed on 18/07/2007) | Independent/ Non Executive | 4 | No | - | - | - |
| Shri Rajan Dhawan (Appointed on 04/06/2010) | Independent /Non Executive | 4 | No | 7 | | |
| Shri Prem Prakash Thukral (Appointed on 13.02.2012) | Whole Time Director/ Occupier/ Executive | 3 | Yes | - | - | - |

3. AUDIT COMMITTEE:

As at 31st March, 2014, the Audit Committee comprised of 3 Directors

1. Shri Sushil Kumar Singla, Chairman
2. Shri Rajan Dhawan, Member
3. Shri Akhil Malhotra, Member

The terms of reference of the Audit Committee are, as contained in section 292A of the Companies Act, 1956 and also contained in Corporate Governance Clause of the Listing Agreement.

The audit Committee met 4 times during the financial year ended on 31.03.2014 i.e. on 28th May 2013, 13th August 2013, 14th November 2013 & 14th February 2014. In terms of reference of this committee, cover the matters specified under the listing agreement and the Companies Act, 1956.

| Name of the Director | Category | Attendance |
|--------------------------|------------------------------------|------------|
| Shri Sushil Kumar Singla | Chairman/Independent Non Executive | 4 |
| Shri Raj Mittal | Member/Independent Non Executive | 4 |
| Shri Akhil Malhotra | Promoter/ Managing Director | 4 |

4. REMUNERATION COMMITTEE

The remuneration committee comprises of three Directors viz. Shri Sushil Kumar Singla as Chairman, Shri Daljeet Singh Rana and Shri Rajan Dhawan as members. All are non-executive independent Directors. Broad terms of reference of the Remuneration Committee include recommendation to the Board on salary/perquisites, commission and retirement benefits and finalization of the perquisite package payable to the company's Managing Director/ Whole-time/ Executive Directors.



4.1 SITTING FEES TO DIRECTORS

Details of sitting fees to directors for 2013-14 are as follows :

| Name of the Director | Sitting Fees for Board Meetings (Rs) | Sitting Fees for Audit Committee Meetings (Rs) |
|----------------------------|--------------------------------------|--|
| 1 Shri Sushil Kumar Singla | 10000 | 10000 |
| 3 Shri Daljeet Singh Rana | 10000 | - |
| 4 Shri Raj Mittal | 10000 | - |
| 5 Shri Rajan Dhawan | 10000 | 10000 |

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

To specifically look after the share transfer work and to look into the redressal of complaints like transfer of shares, non-receipt of annual report and non-receipt of dividend etc., the company has set up a Shareholders / Investor Grievance Committee. The committee consists of three members viz. Shri Sushil Kumar Singla, Director, as the Chairman, Shri Rajan Dhawan & Shri Akhil Malhotra Directors as the members of the Committee.

The said committee has also been entrusted with the tasks of Share Transfer Committee as required to be formed under the Companies (Issue of Share Certificate) Rules, 1960.

Details of Shareholders Complaints received by the company during the Year:

| Complaint Received during the Year | Complaints Resolved during the Year | Complaints pending as on 31.03.2014 |
|------------------------------------|-------------------------------------|-------------------------------------|
| NIL | NIL | NIL |

6. COMPLIANCE OFFICER

Shri Mukesh Singh Verma, Head (Corporate Affairs) & Company Secretary is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreement with Stock Exchange(s) for the Financial Year 2013-2014 and he had resigned from the office with effect from 15th July,2014.

7. CEO/CFO CERTIFICATION

In terms of the requirement of the clause 49(V), The CEO i.e. The Managing Director/ Whole Time Director/ Manager appointed in terms of Companies Act, 2013 and the CFO i.e. the whole time Finance Director or any other person heading the finance function shall certify to the board regarding the authenticity of the financial statement. Therefore Certificate from Shri Akhil Malhotra, Managing Director & Shri Ashwani Kumar, G.M (F&A) has obtained and placed before the Board of Directors. The same is attached herewith the Corporate Governance Report.

8. CODE OF CONDUCT

In tune with the corporate philosophy, the Board of Directors of the company has laid down a code of conduct for all Board Members and Senior Management of the company in terms of the requirement placed in the amended clause 49 of the Listing Agreement. The code of conduct is displayed at company's website at www.himachalfibre.com.

All members of the Board and Senior Management personnel affirm compliance with the code of conduct and business ethics and Shri Akhil Malhotra, Managing Director has given declaration to this effect as hereunder:

**Declaration regarding compliance with the code of conduct and ethics policy of the company by board members and senior management personnel**

I hereby confirm that:

The company has obtained from all members of the Board and Senior Management personnel, affirmation that they have complied with the code of conduct and ethics for Directors and senior management personnel for the financial year 2013-14.

Place: Ludhiana
Date: 05/09/2014

Sd/-
Akhil Malhotra
Managing Director

9. ANY SPECIAL RESOLUTIONS PASSED IN THE PREVIOUS 3 AGM'S

| Financial Year | Location of Meeting | Date & Time | Special Resolution passed |
|-----------------------|---------------------------------|--------------------------|---|
| 2012-13 | Registered Office at Barotiwala | 27.09.2013 01.00 P.M. | <ul style="list-style-type: none"> • Appointment of Shri Akhil Malhotra as a Managing Director • Appointment of Sh Pawan Nagpal WTD as occupier |
| 2011-12 | Registered Office at Barotiwala | 29.09.2012 01.00 P.M. | <ul style="list-style-type: none"> • Appointment of Sh Prem Parkash Thukral, WTD as occupier. |
| 2010-11 | Registered office at Barotiwala | 30.09.2011 01.00 P.M | <ul style="list-style-type: none"> • Proposal for the preferential basis. • Appointment of Shri Akhil Malhotra as a Managing Director. • increase in Authorised Capital of the Company |

10. GENERAL INFORMATION FOR SHAREHOLDERS

- The Company did not have any materially significant related party transactions, which may have potential conflict with the interest of the company. The disclosure relating to transactions with the related parties as per Accounting Standard 18 is appearing in the Para-10(ii) of Notes to accounts in the Balance Sheet of the company for the year ended 31st March, 2014.
- No matter relating to non-compliance by the company, penalties, structures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

11. MEANS OF COMMUNICATION

| | |
|---|--|
| Newspapers where quarterly results are normally published | Business Standard (English & Hindi) |
| Any website, where displayed | www.himachalfibre.com www.bseindia.com |
| Whether it also displays official news releases; and the presentations made to institutional investors or to analysts | Not yet |
| Whether Management Discussion & Analysis Report is a part of annual report or not | Yes |



12. GENERAL SHAREHOLDER INFORMATION

| | |
|-------------------------------------|---|
| Company Registration Detail | |
| AGM : Date, time and venue | Friday, 30 th September, 2014 Time: 03.00 P.M. Venue: Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.) 174103 |
| Financial Year | 01 st April 2013 to 31 st March 2014 |
| Book Closure Date | 25 rd September, 2014 to 30 th September, 2014 |
| Listing | The Securities of the Company are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001The Company has duly paid the listing fee of the Stock Exchange for the F Y 2013-14 |
| Demat ISIN Number for NSDL and CDSL | INE723D01013 |
| Payment of Depository Fees | Annual Custody/ Issuer fee for the year 2013-14 has been paid by the Company to NSDL and CDSL. |
| BSE Scrip Code | 514010 |

13. REGISTRAR AND TRANSFER AGENT

a) ADDRESS:

MS BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.
'Beetal House', 3rd Floor, 99, Madangir,
Behind Local Shopping Centre,
New Delhi – 110 062
Ph. 011-29961281 (6 Lines) Fax. 011-29961284
E-mail. beetal@beetalfinancial.com
Website. www.beetalfinancial.com

b) SHARE TRANSFER SYSTEM:

Share Transfers in physical form can be lodged with the Registrar and Share Transfer Agent at the above mentioned address. The transfers are normally processed within 15-20 days from the day of receipt, if the documents are complete in all respects.



14. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2014

| No. of Equity Shares held | No. of Shareholders in each category | % of total | No. of shares held | % of total |
|---------------------------|--------------------------------------|---------------|--------------------|---------------|
| Up to 5000 | 1,825 | 95.75 | 1,61,100 | 1.8678 |
| 5001 to 10000 | 22 | 1.15 | 16,300 | 0.1890 |
| 10001 to 20000 | 11 | 0.57 | 16,750 | 0.1942 |
| 20001 to 30000 | 9 | 0.47 | 22325 | 0.2588 |
| 30001 to 40000 | 3 | 0.16 | 10,550 | 0.1223 |
| 40001 to 50000 | 6 | 0.31 | 27,525 | 0.3191 |
| 50001 to 100000 | 5 | 0.26 | 32,600 | 0.3978 |
| 100001 and above | 25 | 1.31 | 83,37850 | 96.6707 |
| TOTAL | 1,914 | 100.00 | 86,25,000 | 100.00 |

15. DEMATERIALIZATION OF SHARES:

As on 31st March 2014 the following Shares of the Company are held at Dematerialized form:

| Shares held at CDSL | Shares held at NSDL | Shares held in Physical Form | Total |
|---------------------|---------------------|------------------------------|---------|
| 4221125 | 1744200 | 2659675 | 8625000 |

16. MARKET PRICE DATA*

Shares was not traded during this Financial year starting from 1 April,2013 to 31st March,2014.

17. PLANT LOCATION(S) & ADDRESS FOR CORRESPONDENCE

| | |
|--------------------------------------|---|
| Registered Office & Works | Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.)-174103 |
| Address for Correspondence | Himachal Fibres Limited, Corporate Office: SCO-1, Ground Floor, City Tower, Model Town, Ludhiana-141002 Phone: 0161-4675499 Fax: 0161-4684010 E.Mail-investors@himachalfibre.com |



CEO and CFO CERTIFICATION [Clause-49(V)]

To,
The Board of Directors
Himachal Fibres Limited
Corporate office
Sco-1, City Tower,
Model town, Ludhiana

We, Akhil Malhotra, Managing Director and Ashwani Kumar, G.M (F&A) of Himachal Fibres Limited have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) 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.
 - (a) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
 - (b) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, that there is no deficiencies in the design or operation of such internal controls.
 - (c) We have indicated to the auditors and the Audit committee that
 - (i) There were no significant changes in internal control over financial reporting during the year;
 - (ii) All 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
 - (iii) There were no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Dated-05.09.2014
Place-Ludhiana

Sd/-
Akhil Malhotra
Managing Director

Sd/-
Ashwani Kumar
G.M (F&A)



COMPLIANCE [Clause-49(VII)-Certificate from the Auditors]

To,
The Members,
HIMACHAL FIBRES LIMITED
Corporate office
Sco-1, City Tower,
Model town, Ludhiana

We have examined the compliance of conditions of Corporate Governance by the HIMACHAL FIBRES LIMITED, for the period ended on 31st March, 2014, as stipulated in Clause 49(VII) of the Listing Agreement of the said Company with Stock Exchanges.

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

On the basis of our review and according to the information and explanations given to us, no investors grievance(s) is/are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/ Investors Grievance Committee of the Board and the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange(s) haven been complied with in all material respects by the Company.

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

For SUMAT GUPTA & CO.
Chartered Accountants

Sd/-
SUMAT GUPTA
PARTNER
M. No. 86000

Dated-05.09.2014
Place-Ludhiana



INDEPENDENT AUDITOR'S REPORT

To the Members of,
Himachal Fibres Limited,

Report on the Financial Statements

We have audited the accompanying financial statements of **Himachal Fibres Limited**, ('the Company') which comprise the balance sheet as at **31 March 2014**, the statement of profit and loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of cash flows for the year ended on that date.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. **As required by section 227(3) of the Act, we report that:**
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REG. NO.010288N**

**DATED: 28.05.2014
PLACE: LUDHIANA**

**Sd/-
SUMAT GUPTA
PARTNER
(M.NO.086000)**



**ANNEXURE TO AUDITOR'S REPORT
(REFER TO PARA ONE OF OUR REPORT OF EVEN DATE)**

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations give to us, a portion of fixed assets has been physically verified by the management during the year in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) In our opinion and according to information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.
2. (a) According to the information and explanations given to us, the inventories have been physically verified by the management during the year. However, in respect of certain items, the inventories were verified by the management on a visual estimation which has been relied upon by us. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventories, we are of the opinion that the company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories is compared to book records were not material and have been properly dealt with in the books of account.
3. (a) According to the information and explanations given to us, the company has not granted unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) According to the information and explanation provided to us and on basis of examination of the books of the account. We are of the opinion that the company has taken loan of Rs. 11.00 crores (Maxmium Outstanding Balance Rs.11.00 crores) during the year under review from two companies covered in the register maintained under section 301 of the Act.
- (c) According to information and explanation give to us and on the basis of the examination of the books of account, we are of the opinion that the repayment of principal amount are regular in respect of loans taken by the company as when they fall due.
4. In our opinion and according to the information and explanations give to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and also with regard to sale of goods and services .Further , on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control systems.
5. (a) According to the information and explanations given to us, particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in



HIMACHAL FIBRES LIMITED

pursuance of contracts on arrangements entered in the register maintained under section 301 of the Act and exceeding the value of Rs. Five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. The company has not accepted any deposits other than Inter Corporate Deposits in earlier year. Therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptances of Deposit) Rules, 1975 are not applicable.
7. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the records with a view to determining whether they are accurate or not.
9. (a) According to the information and explanations given to us and records of the company examined by us, the company is not regular in depositing the undisputed statutory dues, including, provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, and other material statutory dues applicable to it. On the basis of examination of books, there are following undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable:-

| S.No. | Statute | Nature | Amount |
|-------|--------------------------------|----------------------------|-----------|
| 1. | Himachal Pradesh Sales Tax Act | Works Contract Tax Payable | 136008/- |
| 2. | Income Tax Act, 1961 | Fringe Benefit Tax | 103040/- |
| 3. | Income Tax Act, 1961 | Income Tax (FY 2012-2013) | 3134800/- |

- (b) According to the information and explanations given to us, no disputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty and cess matters.
10. The company has been registered for a period more than five years, it has accumulated losses of Rs. 1617.52 Lacs at the end of the year which are more than fifty percent of its net worth. However it has not incurred any cash losses during the current and immediately preceding financial year.
11. According to the information and explanation given to us and as per the books and records examined by us, the company has not defaulted in repayment of dues to financial institutions and banks.
12. According to information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company does not fall with in the category of Chit fund/Nidhi/Mutual Benefit fund/Society, therefore clauses (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the year under audit.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments, therefore clauses (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the year under audit.



HIMACHAL FIBRES LIMITED

15. On the basis of our examination of records and as per the explanations given to us, we are of the opinion that the company has not given any guarantee for loan taken by others from bank or financial institution.
16. On the basis of our examination of records and as per the explanations given to us, the company has not raised any term loan during the period under review.
17. According to information and explanations given to us and as per the records examined by us, as on the date of balance sheet, the funds raised by the Company on short term basis have not been applied for long term investments.
18. According to information and explanations given to us and as per the records examined by us, the company has made allotment of equity shares on preferential basis during the year under review. However the price at which allotment is made is not prejudicial to the interest of the company.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India we have neither come across any instance of fraud on or by the company, noticed and reported during the year, nor have we been informed of such case by the management.

**FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REG. NO.010288N**

**DATED: 28.05.2014
PLACE: LUDHIANA**

**Sd/-
SUMAT GUPTA
PARTNER
(M.NO.086000)**



HIMACHAL FIBRES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2014

| PARTICULARS | NOTE NO | AS AT 31.03.2014 | AS AT 31.03.2013 |
|---|---------|----------------------------|----------------------------|
| <u>EQUITY AND LIABILITIES</u> | | | |
| (1) SHAREHOLDER'S FUNDS | | | |
| (A) SHARE CAPITAL | I | 221250000.00 | 221250000.00 |
| (B) RESERVES AND SURPLUS | II | <u>84230849.65</u> | <u>85512080.24</u> |
| TOTAL OF SHARE HOLDER'S FUND (A) | | 305480849.65 | 306762080.24 |
| (2) NON-CURRENT LIABILITIES | | | |
| (A) LONG-TERM BORROWINGS | III | 124164000.00 | 135132000.00 |
| (B) OTHER LONG TERM PROVISIONS | IV | <u>957805.00</u> | <u>0.00</u> |
| TOTAL OF NON CURRENT LIABILITIES (B) | | 125121805.00 | 135132000.00 |
| (3) CURRENT LIABILITIES | | | |
| (A) SHORT-TERM BORROWINGS | V | 227664450.99 | 225867157.47 |
| (B) TRADE PAYABLES | VI | 47102291.34 | 44952110.88 |
| (C) OTHER CURRENT LIABILITIES | VII | 28283863.90 | 34724236.41 |
| (D) SHORT-TERM PROVISIONS | VIII | <u>3358740.00</u> | <u>3403040.00</u> |
| TOTAL OF CURRENT LIABILITIES (C) | | 306409346.23 | 308946544.76 |
| TOTAL | | <u>737012000.88</u> | <u>750840625.00</u> |
| <u>ASSETS</u> | | | |
| (1) NON-CURRENT ASSETS | | | |
| FIXED ASSETS | | | |
| TANGIBLE ASSETS | IX | 240824768.87 | 265023140.68 |
| DEFERRED TAX ASSETS (NET) | | 12285034.00 | 14075828.00 |
| LONG TERM LOANS AND ADVANCES | X | 1386904.44 | 17997981.48 |
| OTHER NON-CURRENT ASSETS | XI | <u>2165000.00</u> | <u>2165000.00</u> |
| TOTAL OF NON CURRENT ASSETS (A) | | 256661707.31 | 299261950.16 |
| (2) CURRENT ASSETS | | | |
| INVENTORIES | XII | 240178788.75 | 297297546.00 |
| TRADE RECEIVABLES | XIII | 226061809.19 | 135697467.84 |
| CASH AND CASH EQUIVALENTS | XIV | 4305548.73 | 4685946.45 |
| SHORT-TERM LOANS AND ADVANCES | XV | 7124022.90 | 11060123.55 |
| OTHER CURRENT ASSETS | XVI | <u>2680124.00</u> | <u>2837591.00</u> |
| TOTAL OF CURRENT ASSETS (B) | | <u>480350293.57</u> | <u>451578674.84</u> |
| GRAND TOTAL (A + B) | | <u>737012000.88</u> | <u>750840625.00</u> |

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS XXV

AS PER REPORT OF EVEN DATE ATTACHED
FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REG.NO.010288N

ON OR BEHALF OF THE BOARD

Sd/-
SUMAT GUPTA
PARTNER
M.NO.086000

Sd/-
AKHIL MALHOTRA
MANAGING DIRECTOR

Sd/-
MAYANK MALHOTRA
DIRECTOR

Place : Ludhiana
Dated : 28-05-2014

Sd/-
MUKESH VERMA
COMPANY SECRETARY

Sd/-
ASHWANI KUMAR
GM-F&A



HIMACHAL FIBRES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

| PARTICULARS | NOTE NO | AS AT 31.03.2014 | AS AT 31.03.2013 |
|---|-------------|----------------------|----------------------|
| REVENUES | | | |
| REVENUE FROM OPERATIONS | XVII | 1305730484.00 | 1209546722.70 |
| OTHER INCOME | XVIII | 1422621.96 | 4474552.13 |
| TOTAL REVENUE | | <u>1307153105.96</u> | <u>1214021274.83</u> |
| EXPENSES: | | | |
| COST OF MATERIALS CONSUMED | XIX | 473049158.30 | 566377279.14 |
| PURCHASE OF STOCK-IN-TRADE | | 597736496.00 | 419276314.00 |
| CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE | XX | 64420878.00 | 7439945.00 |
| EMPLOYEE BENEFIT EXPENSE | XXI | 43610189.25 | 58349849.00 |
| FINANCIAL COSTS | XXII | 43352046.26 | 47523366.02 |
| DEPRECIATION | | 27037225.00 | 26969685.00 |
| OTHER EXPENSES | XXIII | 57316649.50 | 72734623.98 |
| TOTAL EXPENSES | | <u>1306522642.31</u> | <u>1198671062.14</u> |
| IX. PROFIT BEFORE TAX (VII - VIII) | | <u>630463.65</u> | <u>15350212.69</u> |
| X. TAX EXPENSE: | | | |
| (1) CURRENT TAX | | 120900.00 | 3300000.00 |
| (2) DEFERRED TAX | | 1790794.00 | 5459612.00 |
| — PROFIT AFTER TAX | | (1281230.35) | 6590600.69 |
| EARNING PER EQUITY SHARE: | | | |
| BASIC AND DILUTED | | (0.15) | 0.22 |
| ACCOUNTING POLICIES AND NOTES | XXIV | | |
| TO ACCOUNTS | | | |

AS PER REPORT OF EVEN DATE ATTACHED
FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REG.NO.010288N

ON OR BEHALF OF THE BOARD

Sd/-
SUMAT GUPTA
PARTNER
M.NO.086000

Sd/-
AKHIL MALHOTRA
MANAGING DIRECTOR

Sd/-
MAYANK MALHOTRA
DIRECTOR

Place : Ludhiana
Dated : 28-05-2014

Sd/-
MUKESH VERMA
COMPANY SECRETARY

Sd/-
ASHWANI KUMAR
GM-F&A



CASH FLOW STATEMENT FOR THE YEAR 31ST MARCH 2014

| PARTICULARS | AMOUNT (RS.) | |
|---|----------------------|----------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| A. CASH FLOW FROM/USED IN OPERATING ACTIVITIES | | |
| NET PROFIT BEFORE TAX | 630463.65 | 15350212.69 |
| ADJUSTMENTS FOR: | | |
| DEPRECIATION | 27037225.00 | 26969685.00 |
| INTEREST EXPENSES | 43352046.26 | 47523366.02 |
| INTEREST INCOME | (792186.00) | (444010.05) |
| PROFIT ON SALE OF FIXED ASSETS | (606943.00) | (1245581.00) |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | 69620605.91 | 88153672.66 |
| ADJUSTMENTS FOR: | | |
| (INCREASE)/DECREASE IN TRADE AND OTHER RECEIVABLES | (69659696.66) | (27432808.01) |
| (INCREASE)/DECREASE IN INVENTORIES | 57118757.25 | 11165943.00 |
| INCREASE/(DECREASE) IN TRADE PAYABLES AND OTHER LIABILITIES | (3376687.05) | (12477524.87) |
| CASH GENERATED FROM OPERATIONS | 53702979.45 | 59409282.78 |
| INCOME TAX PAID | 120900.00 | 3595639.00 |
| NET CASH FROM/USED IN OPERATING ACTIVITIES | 53582079.45 | 55813643.78 |
| B. CASH FLOW FROM/USED IN INVESTING ACTIVITIES | | |
| PURCHASE OF FIXED ASSETS | (12479308.00) | (18459680.08) |
| SALE OF FIXED ASSETS | 10247397.57 | 2943878.00 |
| INTEREST RECEIVED | 792186.00 | 444010.05 |
| NET CASH FROM/USED IN INVESTING ACTIVITIES | (1439724.43) | (15071792.03) |
| C. CASH FLOW FROM/USED IN FINANCING ACTIVITIES | | |
| PROCEEDS FROM ISSUE OF EQUITY WARRANTS | 0.00 | 64000000.00 |
| REPAYMENT OF LONG TERM BORROWINGS | (10968000.00) | (59909276.00) |
| CHANGES IN WORKING CAPITAL LOANS/SHORT TERM BORROWINGS | 1797293.52 | 3266949.47 |
| INTEREST PAID | (43352046.26) | (47523366.02) |
| NET CASH FROM/USED IN FINANCING ACTIVITIES | (52522752.74) | (40165692.55) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVLANTS | (380397.72) | 576159.20 |
| OPENING CASH AND CASH EQUIVLANTS | 4685946.45 | 4109787.25 |
| CLOSING CASH AND CASH EQUIVLANTS | 4305548.73 | 4685946.45 |

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

XIX

AS PER REPORT OF EVEN DATE ATTACHED
FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REG.NO.010288N

ON OR BEHALF OF THE BOARD

Sd/-
SUMAT GUPTA
PARTNER
M.NO.086000

Sd/-
AKHIL MALHOTRA
MANAGING DIRECTOR

Sd/-
MAYANK MALHOTRA
DIRECTOR

Place : Ludhiana
Dated : 28-05-2014

Sd/-
MUKESH VERMA
COMPANY SECRETARY

Sd/-
ASHWANI KUMAR
GM-F&A



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2014

| PARTICULARS | AMOUNT (IN RS.) | |
|---|---------------------|---------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| SHARE CAPITAL | | |
| NOTE-I | | |
| AUTHORISED SHARE CAPITAL | | |
| 1,75,00,000 EQUITY SHARES OF RS. 10/- EACH | 175000000.00 | 175000000.00 |
| 1,65,000 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARES OF RS. 100/- EACH | 16500000.00 | 16500000.00 |
| 14,35,000 4% NON-CUMMULATIVE REDEEMABLE PREFERENCE SHARES OF RS. 100/- EACH | 143500000.00 | 143500000.00 |
| TOTAL | 335000000.00 | 335000000.00 |
| ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL | | |
| 86,25,000 (PY 46,25,000) EQUITY SHARES OF RS.10/-EACH FULLY PAID UP | 86250000.00 | 86250000.00 |
| 1,50,000 (PY 1,50,000) 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARES OF RS. 100/- EACH | 15000000.00 | 15000000.00 |
| 12,00,000 (PY 12,00,000) 4% NON-CUMMULATIVE REDEEMABLE PREFERENCE SHARE OF RS. 100/- EACH | 120000000.00 | 120000000.00 |
| TOTAL | 221250000.00 | 221250000.00 |

(A) (i) DETAIL OF SHAREHOLDERS HOLDING MORE THAN 5% EQUITY SHARES

| | % | NO. OF SHARES | % | NO. OF SHARES |
|--|---------------|----------------|---------------|----------------|
| SH. AKHIL MALHOTRA (PROMOTER DIRECTOR) | 3.60% | 310000 | 3.60% | 310000 |
| BALMUKHI TEXTILE P LTD | 15.28% | 1318050 | 15.28% | 1318050 |
| BRIJESHWARI TEXTILES P LTD | 15.28% | 1318050 | 15.28% | 1318050 |
| SHIVA SPINFAB P LTD | 15.86% | 1368050 | 15.86% | 1368050 |
| HIMACHAL STEEL UDYOG LTD. | 11.89% | 1025175 | 9.84% | 848675 |
| SHIV NARAYAN INVESTMENTS P. LTD. | 11.59% | 999975 | 11.59% | 999975 |
| GARG CORPORATION LTD. | 6.97% | 601000 | 6.97% | 601000 |
| GARG FINCAP LTD. | 7.79% | 671500 | 7.79% | 671500 |
| TOTAL | 88.26% | 7611800 | 86.21% | 7435300 |

(ii) DETAIL OF SHAREHOLDING MORE THAN 5% 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARES

| | % | NO. OF SHARES | % | NO. OF SHARES |
|---------------------------------|----------------|---------------|----------------|---------------|
| SHIVA TEXTFABS LTD | 66.67% | 100000 | 66.67% | 100000 |
| GENERAL INSURANCE CORP OF INDIA | 10.00% | 15000 | 10.00% | 15000 |
| ORINETAL INSURANCE CO LTD | 13.33% | 20000 | 13.33% | 20000 |
| UNITED INDIA INSURANCE CO LTD | 10.00% | 15000 | 10.00% | 15000 |
| TOTAL | 100.00% | 150000 | 100.00% | 150000 |

(iii) DETAIL OF SHAREHOLDING MORE THAN 5% 4% NON-CUMMULATIVE REDEEMABLE PREFERENCE SHARES

| | % | NO. OF SHARES | % | NO. OF SHARES |
|--------------------|----------------|----------------|----------------|----------------|
| SHIVA TEXTFABS LTD | 100.00% | 1200000 | 100.00% | 1200000 |
| TOTAL | 100.00% | 1200000 | 100.00% | 1200000 |



HIMACHAL FIBRES LIMITED

| | % | NO. OF SHARES | % | NO. OF SHARES |
|--|---------|------------------|---------|------------------|
| (B) RECONCILIATION OF NO. OF SHARES OUTSTANDING IS SET AS BELOW : | | | | |
| (I) EQUITY SHARE CAPITAL (EACH OF FACE VALUE 10/-) | | | | |
| EQUITY SHARES AT THE BEGINNING OF THE YEAR | 8625000 | | 4625000 | |
| ADD : EQUITY SHARES ISSUED DURING THE YEAR | 0 | | 4000000 | |
| EQUITY SHARES AT THE END OF THE YEAR | | 8625000 | | 8625000 |
| (II) 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARE CAPITAL (EACH OF FACE VALUE 100/-) | | | | |
| PREFERENCE SHARES AT THE BEGINNING OF THE YEAR | 150000 | | 150000 | |
| ADD : SHARES ISSUED DURING THE YEAR | 0 | | 0 | |
| | | 150000 | | 150000 |
| LESS: SHARES REDEEMED DURING THE YEAR | | | | |
| PREFERENCE SHARES AT THE END OF THE YEAR | | 150000 | | 150000 |
| (III) 4% NON - CUMMULATIVE REDEEMABLE PREFERENCE SHARE CAPITAL (EACH OF FACE VALUE 100/-) | | | | |
| PREFERENCE SHARES AT THE BEGINNING OF THE YEAR | 1200000 | | 1200000 | |
| ADD : SHARES ISSUED DURING THE YEAR | 0 | | 0 | |
| PREFERENCE SHARES AT THE END OF THE YEAR | | 1200000 | | 1200000 |

| PARTICULARS | AMOUNT (IN RS.) | | | |
|--------------------------------------|-----------------|---------------------|----------------|---------------------|
| | | AS AT 31.03.2014 | | AS AT 31.03.2013 |
| NOTE-II | | | | |
| RESERVE & SURPLUS | | | | |
| CAPITAL REDEMPTION RESERVE | | 16489070.00 | | 16489070.00 |
| CAPITAL RESERVE | | | | |
| OPENING BALANCE | 177493476.00 | | 177493476.00 | |
| ADDITIONS DURING THE YAER | 0.00 | 177493476.00 | 0.00 | 177493476.00 |
| PROFIT & LOSS ACCOUNT | | | | |
| OPENING BALANCE (PROFIT / (LOSS)) | (160470466.00) | | (166765427.69) | |
| ADD: PROFIT / (LOSS) DURING THE YEAR | (1281230.35) | | 6590600.69 | |
| | (161751696.35) | | (160174827.00) | |
| LESS : INCOME TAX FOR EARLIER YEARS | 0.00 | | 295639.00 | |
| CLOSING BALANCE (PROFIT / (LOSS)) | | (161751696.35) | | (160470466.00) |
| SHARE PREMIUM ACCOUNT | | | | |
| OPENING BALANCE | 52000000.00 | | 28000000.00 | |
| ADD: ADDITIONS DURING THE YEAR | 0.00 | | 24000000.00 | |
| CLOSING BALANCE | | 52000000.00 | | 52000000.00 |
| TOTAL | | 84230849.65 | | 85512080.00 |



HIMACHAL FIBRES LIMITED

| PARTICULARS | AMOUNT (IN RS.) | |
|--|---------------------|---------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| LONG TERM BORROWING | | |
| NOTE-III | | |
| SECURED LOANS | | |
| TERM LOANS (FROM BANKS) (SEE NOTE BELOW) | | |
| STATE BANK OF INDIA (TERM LOAN - I) | 0.00 | 5625000.00 |
| STATE BANK OF INDIA (TERM LOAN - II) | 27874000.00 | 38842000.00 |
| TOTAL | 27874000.00 | 44467000.00 |
| LESS: INSTALLMENTS DUE WITHIN 12 MONTHS | 13710000.00 | 19335000.00 |
| | 14164000.00 | 25132000.00 |
| UNSECURED LOANS | | |
| BALMUKHI TEXTILE P LTD | 55000000.00 | 55000000.00 |
| BRIJESHWAR TEXTILE PVT LTD | 55000000.00 | 110000000.00 |
| TOTAL | 124164000.00 | 135132000.00 |
| (A) TERM LOANS (II) FROM STATE BANK OF INDIA ARE SECURED AGAINST 1ST CHARGE ON ENTIRE FIXED ASSETS OF THE COMPANY (INCL. EM OF LEASEHOLD RIGHTS OF FACTORY LAND MEASURING 81612 SQ. MTRS. ON PLOT NO. 43-44, INDUSTRIAL AREA, BAROTIWALA (H.P.).) | | |
| (B) THESE TERM LOANS ARE FURTHER COLLATERALLY SECURED BY 2ND CHARGE ON ENTIRE CURRENT ASSETS OF THE COMPANY. | | |
| (C) TERM LOAN - 1 IS REPAYABLE IN TOTAL 24 QUARTERLY INSTALLMENTS OF RS. 18.75 LACS EACH BEGINNING FROM DECEMBER, 2007. | | |
| (D) TERM LOAN - II IS REPAYABLE IN TOTAL 23 QUARTERLY INSTALLMENTS STARTING FROM DECEMBER 2010 OF RS.10.72 LACS AND BALANCE IN 17 QUARTERLY INSTALLMENTS OF RS.27.42 LACS. | | |
| OTHER LONG TERM PROVISIONS | | |
| NOTE-IV | | |
| GRATUITY PAYABLE | 957805.00 | 0.00 |
| TOTAL | 957805.00 | 0.00 |
| SHORT TERM BORROWINGS | | |
| NOTE-V | | |
| STATE BANK OF INDIA (WORKING CAPITAL LIMITS) | 227664450.99 | 225867157.47 |
| TOTAL | 227664450.99 | 225867157.47 |
| (A) WORKING CAPITAL LIMITS ARE SECURED AGAINST 1ST CHARGE ON ENTIRE CURRENT ASSETS OF THE COMPANY. | | |
| (B) THESE ARE FURTHER SECURED BY 2ND CHARGE ON ENTIRE FIXED ASSETS OF THE COMPANY AND PERSONAL GUARANTEE OF PROMOTER DIRECTORS OF THE COMPANY NAMELY SH. AKHIL MALHOTRA AND SH. RAJINDER KUMAR. | | |
| TRADE PAYABLES | | |
| NOTE-VI | | |
| ILC PAYABLE | 24994362.00 | 24962449.00 |
| SUNDRY CREDITORS | 22107929.34 | 19989661.88 |
| TOTAL | 47102291.34 | 44952110.88 |



HIMACHAL FIBRES LIMITED

| PARTICULARS | AMOUNT (IN RS.) | |
|--|---------------------------|---------------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| OTHER CURRENT LIABILITIES | | |
| NOTE-VII | | |
| ADVANCE FROM CUSTOMERS | 1323794.00 | 479748.00 |
| OTHER LIABILITIES | 13250069.90 | 14909488.41 |
| TERM LOANS INSTALLMENTS (REPAYABLE WITHIN 12 MONTHS) | 13710000.00 | 19335000.00 |
| TOTAL | <u>28283863.90</u> | <u>34724236.41</u> |
| SHORT TERM PROVISIONS | | |
| NOTE-VIII | | |
| PROVISION FOR INCOME TAX(FY 2012-2013) | 3,134,800.00 | 3300000.00 |
| PROVISION FOR INCOME TAX(FY 2013-2014) | 120,900.00 | 0.00 |
| PROVISION FOR FBT | 103040.00 | 103040.00 |
| TOTAL | <u>3358740.00</u> | <u>3403040.00</u> |



DEPRECIATION CHART FOR THE PERIOD 01/04/2013 TO 31/03/2014

| PARTICULARS | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|---------------------------|---------------------|--------------------|--------------------|------------------------------|---------------------|--------------------|----------------------------------|----------------------------|----------------------------|----------------------------|
| | AS AT 01/04/2013 | ADDITION | SALE / TFD. | TOTAL AS ON 31/03/2014 | AS AT 01/04/2013 | ADJUSTMENT | PROVIDED DURING THE PERIOD | TOTALS ON 31/03/2014 | WDV.AS ON 31/03/2014 | WDV.AS ON 31/03/2013 |
| AT WORKS | | | | | | | | | | |
| FREE HOLD LAND | 82239.00 | 0.00 | 0.00 | 82239.00 | 0.00 | 0.00 | 0.00 | 0.00 | 82239.00 | 82239.00 |
| LEASEHOLD LAND | 1294222.00 | 0.00 | 0.00 | 1294222.00 | 2356659.00 | 0.00 | 0.00 | 2356659.00 | 1058563.00 | 1058563.00 |
| BUILDING | 130317317.83 | 157365.00 | 0.00 | 130474683.02 | 35534129.00 | 0.00 | 4355233.00 | 39889362.00 | 905885321.02 | 94783188.83 |
| PLANT & MACHINERY | 427672437.10 | 12086098.00 | 30520304.00 | 409238231.10 | 260601051.00 | 20879849.00 | 22149472.00 | 261870674.00 | 147367557.10 | 167071386.10 |
| FURNITURE & FIXTURE | 1811293.75 | 0.00 | 0.00 | 1811293.75 | 1327630.00 | 0.00 | 114655.00 | 1442285.00 | 369008.75 | 483663.75 |
| OFFICE EQUIPMENTS | | | | | | | | | | |
| — AT WORKS | 629322.00 | 0.00 | 0.00 | 629322.00 | 368418.00 | 0.00 | 29893.00 | 398311.00 | 231011.00 | 260904.00 |
| — COMPUTERS | 848711.00 | 11420.00 | 0.00 | 860131.00 | 534582.00 | 0.00 | 138314.00 | 672896.00 | 187235.00 | 314129.00 |
| —MOBILE PHONES | 34718.00 | 0.00 | 0.00 | 34718.00 | 7548.00 | 0.00 | 1649.00 | 9197.00 | 25521.00 | 27170.00 |
| ELECTRIC FITTINGS | 378168.00 | 203295.00 | 0.00 | 581453.00 | 378158.00 | 0.00 | 24795.00 | 402953.00 | 178500.00 | 0.00 |
| VEHICLE | 3247362.00 | 0.00 | 0.00 | 3247362.00 | 2721196.00 | 0.00 | 135590.00 | 2856786.00 | 390576.00 | 526166.00 |
| WEIGHING MACHINE | 24285.00 | 21130.00 | 0.00 | 45415.00 | 2272.00 | 0.00 | 1743.00 | 4015.00 | 41400.00 | 22013.00 |
| TUBE WELL | 324815.00 | 0.00 | 0.00 | 324815.00 | 101217.00 | 0.00 | 6495.00 | 107713.00 | 217102.00 | 223598.00 |
| AT LUDHIANA OFFICE | | | | | | | | | | |
| COMPUTER | 463585.00 | 0.00 | 0.00 | 463585.00 | 367402.00 | 0.00 | 75147.00 | 442549.00 | 21036.00 | 96183.00 |
| MOBILE PHONES | 39100.00 | 0.00 | 0.00 | 39100.00 | 7696.00 | 0.00 | 1857.00 | 9553.00 | 29547.00 | 31404.00 |
| OFFICE EQUIPMENT AT LDH | 42526.00 | 0.00 | 0.00 | 42526.00 | 5784.00 | 0.00 | 2020.00 | 7804.00 | 34722.00 | 36742.00 |
| AT DELHI OFFICE | | | | | | | | | | |
| MOBILE PHONE | 7599.00 | 0.00 | 0.00 | 7599.00 | 1808.00 | 0.00 | 361.00 | 2169.00 | 5430.00 | 5791.00 |
| TOTAL | 567217690.68 | 12479308.00 | 30520304.00 | 549176694.87 | 302194550.00 | 20879849.00 | 27037225.00 | 308351926.00 | 240824768.87 | 265023140.68 |
| PREVIOUS PERIOD | 553773418.60 | 19477472.08 | 6033200.00 | 567217690.68 | 279559768.00 | 4334903.00 | 26969685.00 | 302194550.00 | 265023140.68 | 274213650.60 |

NOTE : IX



HIMACHAL FIBRES LIMITED

| PARTICULARS | AMOUNT (IN RS.) | |
|---|---------------------|-----------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| LONG TERM LOANS & ADVANCES | | |
| NOTE-X | | |
| ADVANCE TO SUPPLIERS -CAPITAL GOODS | 1386904.44 | 17997981.48 |
| TOTAL | <u>1386904.44</u> | <u>17997981.48</u> |
| OTHER NON CURRENT ASSETS | | |
| NOTE- XI | | |
| SECURITIES | 2165000.00 | 2165000.00 |
| TOTAL | <u>2165000.00</u> | <u>2165000.00</u> |
| INVENTORY | | |
| NOTE-XII | | |
| RAW MATERIAL | 27860501.00 | 22593786.00 |
| WORK IN PROGRESS | 6016203.00 | 30466400.00 |
| STOCK IN TRADE | 157195496.00 | 103367156.00 |
| FINISHED GOODS | 39998038.00 | 133797059.00 |
| STORES & SPARES | 9108550.00 | 7073145.00 |
| TOTAL | <u>240178788.00</u> | <u>297297546.00</u> |
| TRADE RECEIVABLES | | |
| NOTE-XIII | | |
| (UNSECURED AND CONSIDERED GOOD UNLESS OTHERWISE STATED) | | |
| OUTSTANDING MORE THAN SIX MONTHS | 6273029.19 | 33550043.19 |
| OTHERS | 219788780.00 | 102147424.65 |
| TOTAL | <u>226061809.19</u> | <u>135697467.84 0</u> |
| CASH AND BANK BALANCES | | |
| NOTE-XIV | | |
| A) CASH IN HAND | 159256.20 | 1688411.04 |
| B) <u>BALANCES WITH NOTED BANKS IN</u> | | |
| —CURRENT ACCOUNTS | 121464.53 | 178554.41 |
| — FIXED DEPOSIT WITH BANKS | 4024828.00 | 2818981.00 |
| TOTAL | <u>4305548.73</u> | <u>4685946.45</u> |
| SHORT TERM LOAN & ADVANCES | | |
| NOTE-XV | | |
| ADVANCE RECOVERABLE IN CASH OR IN KIND | 3099152.00 | 8956257.10 |
| ADVANCES TO SUPPLIER | 4024870.90 | 2103866.45 |
| TOTAL | <u>7124022.90</u> | <u>11060123.55</u> |



HIMACHAL FIBRES LIMITED

| PARTICULARS | AMOUNT (IN RS.) | |
|--|----------------------|----------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| OTHER CURRENT ASSETS | | |
| NOTE-XVI | | |
| ASSETS AGAINST LEASE | 0.00 | 0.00 |
| FIXED DEPOSITS (BANK GUARANTEE) | 2680124.00 | 2837591.00 |
| TOTAL | 2680124.00 | 2837591.00 |
| REVENUES FROM OPERATION | | |
| NOTE-XVII | | |
| SALES | 1305730484.00 | 1209546722.70 |
| TOTAL | 1305730484.00 | 1209546722.70 |
| OTHER INCOME | | |
| NOTE-XVIII | | |
| INTEREST RECEIVED | 792186.00 | 444010.05 |
| MISC INCOME | 23492.96 | 0.00 |
| REBATE RECEIVED | 0.00 | 2784961.08 |
| PROFIT ON SALE OF ASSETS (MACHINERY) | 606943.00 | 1245581.00 |
| TOTAL | 1422621.96 | 4474552.13 |
| COST OF RAW MATERIAL CONSUMED | | |
| NOTE-XIX | | |
| OPENING STOCK | 22593786.00 | 27469676.00 |
| ADD: PURCHASES | 478315873.30 | 561501389.14 |
| TOTAL | 50909659.30 | 588971065.14 |
| CLOSING STOCK | 27860501.00 | 22593786.00 |
| RAW MATERIAL CONSUMED | 473049158.30 | 566377279.14 |
| INCREASE/ (DECREASE IN STOCKS | | |
| NOTE-XX | | |
| <u>CLOSING STOCK</u> | | |
| FINISHED GOODS | 37846280.00 | 131621376.00 |
| STOCK IN TRADE | 157195496.00 | 103367156.00 |
| WORK IN PROGRESS | 6016203.00 | 30466400.00 |
| WASTE | 2151758.00 | 2175683.00 |
| TOTAL (A) | 203209737.00 | 267630615.00 |
| OPENING STOCK | | |
| FINISHED GOODS | 131621376.00 | 144797498.00 |
| STOCK IN TRADE | 103367156.00 | 104353035.00 |
| WORK IN PROGRESS | 30466400.00 | 25149502.00 |
| WASTE | 2175683.00 | 770525.00 |
| TOTAL (B) | 267630615.00 | 275070560.00 |
| INCREASE/ (DECREASE IN STOCK) (A-B) | (64420878.00) | (7439945.00) |



HIMACHAL FIBRES LIMITED

| PARTICULARS | AMOUNT (IN RS.) | |
|--------------------------------------|---------------------------|---------------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| EMPLOYEE BENEFIT EXPENSES | | |
| NOTE-XXI | | |
| WAGE/STIPEND/SALARIES AND ALLOWANCES | 37930650.00 | 51069968.00 |
| STAFF WELFARE | 1103491.25 | 1726956.00 |
| BOUNDS | 1326064.00 | 1630858.00 |
| CONTRIBUTION TO EPF & FPF | 1023925.00 | 2159213.00 |
| CONTRIBUTION TO ESI | 804657.00 | 1035967.00 |
| LEAVE WITH WAGES | 473247.00 | 571085.00 |
| GRATUITY | 909464.00 | 76811.00 |
| RECRUITMENT EXPENSES | 38691.00 | 78991.00 |
| TOTAL | <u>43610189.25</u> | <u>58349849.00</u> |
| FINANCIAL EXPENSES | | |
| NOTE-XXII | | |
| BANK INTEREST | 38304008.00 | 40324543.00 |
| OTHER INTEREST | 3960696.09 | 2424552.00 |
| BANK CHARGES | 1087342.17 | 4774271.02 |
| | <u>43352046.26</u> | <u>47523366.02</u> |
| OTHER EXPENSES | | |
| NOTE-XXIII | | |
| MANUFACTURING EXPENSES | | |
| POWER & ELECTRICITY | 30506736.00 | 36339239.00 |
| FUEL CONSUMED | 5846563.72 | 9160894.00 |
| OIL & LUBRICANT | 1248245.00 | 1648372.10 |
| STORE & SPARES CONSUMED | 2949695.95 | 3095473.82 |
| FREIGHT & CARTAGE INWARD | 2596818.00 | 3512437.61 |
| LEASE RENT MACHINERY | 0.00 | 999773.00 |
| TOTAL | <u>43148058.67</u> | <u>54756189.53</u> |



HIMACHAL FIBRES LIMITED

| PARTICULARS | AMOUNT (IN RS.) | |
|--------------------------------|---------------------|---------------------|
| | AS AT 31.03.2014 | AS AT 31.03.2013 |
| ADMINISTRATIVE EXPENSES | | |
| REMUNERATION OF AUDITORS | 224720.00 | 224720.00 |
| BOARD MEETING EXP | 60000.00 | 70000.00 |
| COMPUTER EXPENSES | 41051.00 | 57348.00 |
| CONVEYENCE EXPENSES | 40.00 | 1030.00 |
| DIRECTOR REMUNERATION | 652000.00 | 1225000.00 |
| FEES, SUBSCRIPTION AND TAXES | 151096.00 | 141455.00 |
| FESTIVAL/WORSHIP EXPENSES | 201414.00 | 244343.00 |
| FINE & PENALTY | 120890.00 | 0.00 |
| GENERAL EXPENSES | 7270.04 | 10023.00 |
| INSURANCE CHARGES | 576424.06 | 523679.94 |
| LEGAL & PROFESSIONAL CHARGES | 397200.00 | 1953851.00 |
| PRINTING & STATIONARY | 190669.89 | 137945.85 |
| RENT | 265300.00 | 283000.00 |
| REPAIR AND MAINTENANCE | 175206.01 | 254799.75 |
| TELEPHONE, TELEX AND POSTAGE | 412380.44 | 399791.11 |
| TRAVELLING EXPENSES | 381601.00 | 511741.00 |
| VEHICLE RUNNING & MAINTENANCE | 627034.82 | 405761.35 |
| | 4484297.26 | 6444489.00 |
| SELLING EXPENSES | | |
| ADDITIONAL GOODS TAX PAID | 494305.00 | 703580.00 |
| ENTRY TAX (H.P 1/3) | 225102.00 | 497666.00 |
| VAT/CST PAID | 101532.00 | 0.00 |
| ADVERTISEMENT EXP. | 135930.00 | 133940.00 |
| COMMISSION | 8504.00 | 19635.00 |
| FREIGHT & CARTAGE OUTWARD | 5083881.07 | 6313090.55 |
| PACKING & HANDLING EXPENSES | 3635039.50 | 3866033.90 |
| | 9684293.57 | 11533945.45 |
| GRAND TOTAL | 57316649.50 | 72734623.98 |



NOTE - XXIV

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1. Significant Accounting Policies

a) Accounting Convention

The accounts are prepared on accrual basis under the Historical Cost Convention in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 and other relevant presentational requirements of the Companies Act, 1956.

b) Revenue Recognition

The revenue in respect of sales is recognized as and when the risk and reward in the goods is transferred to the buyer.

c) Borrowing Costs

Borrowing costs that are attributable to acquisition or construction of qualifying asset are capitalized as part of cost of such assets. Qualifying assets is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expenses in the period in which they are incurred.

d) Accounting for Taxes on Income

Provision for taxation for the year is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent period, In respect of carry forward of losses, deferred tax assets are recognized based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

e) Retirement Benefits

-Gratuity

The company has made provision for gratuity on the basis of actuarial valuation carried out in accordance with Accounting Standard 15 on 'Employee Benefit'.

-Provident Fund

Contribution to provident fund is made in accordance with the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and is treated as revenue expenditure.

f) Fixed Assets

Fixed assets are stated at cost (net of Cenvat) less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses and interest on loan for the acquisition of assets up to the date of commissioning of assets, Loss or gain on transition of foreign currency liabilities for acquisition of fixed assets from a country outside India are added to or deducted from the cost of assets.

g) Depreciation

Depreciation on fixed assets is provided on straight line method in accordance with Schedule XIV to the Companies Act, 1956 except vehicles on which depreciation has been provided on written down value method. Depreciation has been calculated on prorata basis on all the assets purchased/sold during the year and also considering Company's plant as a continuous process plant.



h) Inventories

- i) Inventories of Raw Material, Stores & Spares, Loose Tools, Finished Goods and Goods in Trade are valued at lower of cost or net realizable value. Work in Process is valued at estimated cost and waste at net realizable value.
- ii) The inventories are taken as certified and valued by the management.

i) Impairment of Assets.

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

j) Accounting for Lease Transactions

In respect of assets taken on lease upto 31.03.2001, the aggregate of the following is charged to Profit & Loss Account.

- i) Interest element of the lease rent paid/payable for the relevant period, and
- ii) Periodic lease charge spread over the life of the asset determined on the basis of depreciation rates specified in Schedule XIV of the Companies Act, 1956, the excess of the lease rent paid/payable over the aggregate amount charged as aforesaid is treated as prepaid lease and vice versa.

2. Contingent liability not provided for

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|--|---------------------|---------------------|
| Contingent liability not provided for | | |
| —Entry Tax with H.P.Excise and Taxation Deptt. | 26.80 | 28.38 |
| —Processing Fees of Dy.Director of Industries, Solan | 149.77 | 149.16 |
| —Overdrawal Demand and IDC Charges of HPSEB | 12.24 | 12.24 |
| —Demand against ED on Electricity Charges of HPSEB | 4.81 | 44.81 |
| —Damages under ESI | 15.00 | 59.40 |
| —Debtors under Protest | 62.70 | 50.90 |
| Total | 271.32 | 304.89 |

- 3. The Company has furnished Rs.26.80 lacs (PY Rs.28.38 Lacs) as Bank Guarantee with H.P. Excise and Taxation Department under protest for Entry Tax. The matter is still pending with Hon'ble High Court of H.P. Shimla.
- 4. Managerial Remuneration of Rs. 6.52 Lacs has been paid to Sh. P.P.Thakhural, Director and Sh.Pawan Nagpaul, Director of the Company during the period under review (Previous Year Rs. 12.25 Lacs) which is as per provisions of section 198 and 309 of the Companies Act 1956.
- 5. The Company has no information about the parties who has registered themselves under Micro, Small and Medium Enterprises Development Act, 2006.



6. The earnings per share (EPS) disclosed in the profit and loss account have been calculated as under:-

Basic earning per share

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|---|---------------------|---------------------|
| Profit/(Loss) attributable to equity shareholders (Rs. In Lacs) (A) | (12.81) | 65.91 |
| Less: Preference Dividend for the year | — | 48.00* |
| Earnings Attributable to Equity shareholders | (12.81) | 17.91 |
| Weighted average number of equity shares (Nos) (B) | 862500 | 7958333 |
| Earning per shares (Rs per shars) (face value of Rs. 10 each (A/(B) | -ve | 0.23 |
| Diluted earning per share | -ve | 0.23 |

*As per the rehabilitation scheme sanctioned by the Hon'ble BIFR, the company have to redeem 1,65,000 16.5% Redeemable Preference Shares of Rs. 100 each at 20% of its face value and without payment of dividend. Therefore No Dividend has been assumed on said redeemable preference shares while calculating EPS.

7. Deferred Taxation

The disclosure requirements as per the Accounting Standards (AS-22) on 'Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India is as under:-

Net Deferred Tax Liability as on 31st March, 2014 has been recognized by applying the tax rate applicable for the current financial year as under:-

| Sr. No. | Particulars | Deferred Tax (Rs.) | |
|---------|--|--------------------|-----------|
| | | Debit | Credit |
| 1. | Deferred Tax Assets as on 01.04.2013 | 14075828/- | — |
| 2. | Deferred Tax Liability recognized during the year due to timing difference between depreciation as per Income Tax Act, 1961 & as per books of account for the year 2013-14 | — | 1790794/- |
| 3. | Net Deferred Tax assets as on 31.03.2014 | 12285034/- | — |

10. (i) The related party disclosures as per Accounting Standard-18 issued by The Institute of Chartered Accountants of India are as under:-

I. Enterprises under the common control as the company

- M/s Shiva Texfab Limited
- M/s Shiva Specialty Yarns Ltd
- M/s Yogindera Worsted Limited
- M/s Shiva Spin-N-Knit Ltd
- M/s K.K.Fibres Ltd.
- M/s Balmukhi Textiles Pvt Ltd.
- M/s Brijeshwari Textiles Pvt Ltd



II. Key Management Persons

- Sh. Akhil Malhotra
- Sh. Rajinder Kumar (Resigned on 16.08.2013)
- Sh. Daljeet Singh Rana
- Sh. Prem Parkash Thukral(Resigned on 31.07.2013)
- Sh. Mayank Malhotra(Appointed on 12.04.2013)
- Sh. Pawan Nagpaul (Appointed on 01.08.2013)

(ii) Disclosure of transactions between the company and related parties during the year and outstanding balances as on March 31, 2014.

(Rs. in Lacs)

| Particulars | Enterprises that are under common control as the company | | Key management personnel | |
|----------------------------------|--|------------------|--------------------------|------------------|
| | As At 31.03.2014 | As At 31.03.2013 | As At 31.03.2014 | As At 31.03.2013 |
| Commission on Consignment Sale | Nil | Nil | Nil | Nil |
| Purchases | 7896.77 | 5654.64 | Nil | Nil |
| Sales (Including Jobwork Income) | 3952.41 | 2909.123 | Nil | Nil |
| Unsecured Loans Taken/(repaid) | Nil | (450.00) | Nil | Nil |
| Director Sitting fees | Nil | Nil | 0.60 | 0.70 |
| Rent Paid | Nil | Nil | 1.57 | 1.43 |
| Remuneration | Nil | Nil | 6.52 | 19.81 |

11. In the opinion of the management, all current assets, loan and advances their value if realized in the ordinary course of business, at least to the amount at which they are stated except expressly stated otherwise.
10. Balance of Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation and reconciliation.
- 11. Payment to Auditors:-**

(Rs. in Lacs)

| Particulars | As At 31.03.2014 | As At 31.03.2013 |
|----------------|------------------|------------------|
| Audit Fees | 1.12 | 1.12 |
| Tax Audit Fees | 1.12 | 1.12 |
| Total | 2.24 | 2.24 |

12. As per the rehabilitation scheme sanctioned by the Hon'ble BIFR, the company shall redeem 1,65,000 16.5% Redeemable Preference Shares of Rs.100 each at 20% of its face value within period of two years starting from Financial Year 2010-11 towards full and final settlement and accumulated dividend of past years shall not be paid. Out of it 1,50,000 16.5% Redeemable Preference Shareholders has not approached the company for redemption of the same.
13. The company has only one segment "Cotton and Blended Yarn", so the disclosure requirements in accordance with guiding principles enunciated in Accounting Standard-17 "Segment Reporting", are not applicable.



14. The summarized position of Post-Employment benefits and long term employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard (AS15) are as under:

a. Gratuity

The principal assumptions used in actuarial valuation of gratuity are as below:

i) Economic Assumptions

| | | 31/03/2014 |
|------|--|-------------------|
| i) | Discounting Rate | 8.75 |
| ii) | Future salary Increase | 5.00 |
| iii) | Expected Rate of return on plan assets | 0.00 |

ii) Demographic Assumption

| | | |
|------|------------------------|----------------------------|
| i) | Discounting Rate | |
| i) | Retirement Age (Years) | 58 |
| ii) | Mortality Table | IALM (2006 - 08) |
| iii) | Ages | Withdrawal Rate (%) |
| | Up to 30 Years | 5.00 |
| | From 31 to 44 years | 5.00 |
| | Above 44 years | 5.00 |

iii) Actuarial Value

| | Assets / Liability | 31/03/2014 |
|---|---|-------------------|
| A | Present value of obligation | 9,86,275 |
| B | Fair value of plan assets | — |
| C | Net assets / (liability) recognized in balance sheet as provision | (9,86,275) |

iv) Bifurcation of PBO at the end of year as per revised schedule VI to the companies Act.

| | | 31/03/2014 |
|----|--|-------------------|
| a) | Current liability (Amount due within one year) | 28,470 |
| b) | Non-Current liability (Amount due over one year) | 9,57,805 |
| c) | Total PBO at the end of year | 9,86,275 |

* During the previous year the company has provided provision of gratuity of Rs.76814/- which is not as per actuarial valuation.



HIMACHAL FIBRES LIMITED

b. Provident Fund

During the year the company has recognized an expense of Rs. 10,23,925/- (Previous Year Rs. 21,59,213/-) towards provident fund scheme.

c. Leave Encashment

During the year the company has recognized an expense of Rs. 4,73,247/- (Previous Year Rs. 5,71,085/-)

15. The figures of the previous year have been rearranged/ regrouped, wherever necessary to facilitate comparison.

**FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS
FIRM REG.NO.010288N**

ON OR BEHALF OF THE BOARD

**Sd/-
SUMAT GUPTA
PARTNER
M.NO.086000**

**Sd/-
AKHIL MALHOTRA
MANAGING DIRECTOR**

**Sd/-
MAYANK MALHOTRA
DIRECTOR**

**Place : Ludhiana
Dated : 28-05-2014**

**Sd/-
MUKESH VERMA
COMPANY SECRETARY**

**Sd/-
ASHWANI KUMAR
GM-F&A**



HIMACHAL FIBRES LIMITED

Registered Office: Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103
CIN: L17119HP1980PLC031020 **Phone:** 0161-4684000 **Fax:** 0161-4684010
Email: hflinvestors@gmail.com, **Website:** www.himachalfibre.com

ATTENDANCE SLIP

| | | |
|--------------------|--|--|
| Regd. Folio No. | | Name and Address of the registered Shareholder |
| No. of Shares Held | | |

I being the registered Shareholder/ proxy for the registered Shareholder of the Company hereby record my presence at the 33RD ANNUAL GENERAL MEETING of the Company held on Tuesday, September 30, 2014 at 03:00 P.M. at Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103 and at any adjournment(s) thereof.

Signature of Shareholder / proxy



HIMACHAL FIBRES LIMITED

Registered Office: Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103
CIN: L17119HP1980PLC031020 **Phone:** 0161-4684000 **Fax:** 0161-4684010
Email: hflinvestors@gmail.com, **Website:** www.himachalfibre.com

PROXY FORM

Form MGT - 11

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | |
|-----------------------|--|
| CIN | L17119HP1980PLC031020 |
| Name of the Company | Himachal Fibres Limited |
| Regd. Office | Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103 |
| Name of the Member(s) | |
| Regd. Address | |
| Email | |
| Folio No. | |

I/We, being the member(s) of _____ shares of Himachal Fibres Limited, hereby appoint:

- Name : _____ Address _____
Email: _____ Signature _____ or failing him
- Name : _____ Address _____
Email: _____ Signature _____ or failing him
- Name : _____ Address _____
Email: _____ Signature _____ or failing him

below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 33RD ANNUAL GENERAL MEETING of the Company held on Tuesday, September 30, 2014 at 03:00 P.M. at Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103 and at any adjournment(s) thereof, in respect of such resolutions as are indicated below:

| |
|--|
| Ordinary Business: |
| 1. Adoption of Audited Financial Statement of the Company for the Financial year ended March 31, 2014, and the reports of the Board of Directors and Auditors thereon. |
| 2. Appoint a Director in place of Mr. Mayank Malhotra who retires by rotation and being eligible, offers himself for re-appointment. |
| 3. Appointment of M/S Sumat Gupta & co. as Statutory Auditors and fixing their remuneration |
| SPECIAL BUSINESS: |
| 4. Appointment of Mr. Sushil Kumar Singla (DIN 00126157) as an Independent Director. |
| 5. Appointment of Mr. Rajan Dhawan as an Independent Director. |
| 6. Approval of entering into contracts with Related Parties. |

Signed this _____ day of _____ 2014

Signature of the Member: _____

Signature of the Proxy holder(s): _____

Affix
revenue
stamp of
Rs. 1

Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting

BOOK POST



If undelivered, please return to:

Himachal Fibres Limited

SCO 1, Ground Floor, City Tower
Model Town, Ludhiana - 141 002