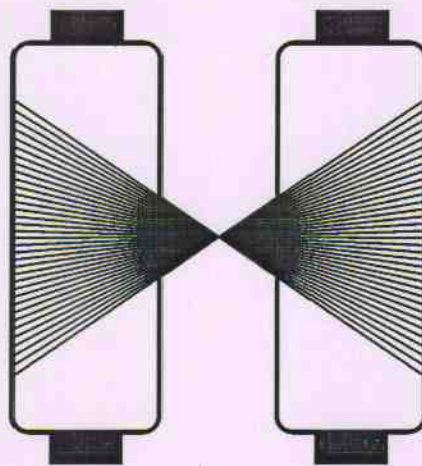




22nd

ANNUAL REPORT

2013-2014



HSML



HISAR SPINNING MILLS LIMITED



BOARD OF DIRECTORS

Sh. Gopal Krishan Gupta (M.D.)
Sh. T.N. Goel
Smt. Sapna Kansal
Sh. Anurag Gupta
Sh. Rajesh Gupta
Sh. Vikas Gupta

AUDITORS

Jain & Anil Sood
Chartered Accountants
SCO 12, Basement,
Feroze Gandhi Market,
Ludhiana - 141 001

BANKERS

Punjab National Bank
Main Branch, Hisar - 125 001

REGISTERED OFFICE & WORKS

9th KM Stone, Hisar Bhiwani Road,
V.P.O. Dabra (Hisar)
(Haryana) 125 005



NOTICE

Notice is hereby given that the 22nd **ANNUAL GENERAL MEETING** of the Shareholders of HISAR SPINNING MILLS LIMITED will be held on Monday the 29th September, 2014 at 11.00 A.M. at Regd. Office at 9th K.M. Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) to transact the following business:

ORDINARY BUSINESS

1. To review, consider and adopt the Balance Sheet as at 31st March, 2014 and Profit and Loss Account for the Year ended on that date along with the report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Vikas Gupta who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Ms. Sapna Kansal who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

Place : Chandigarh
Dated : 05.09.2014

For and on Behalf of the Board

(Gopal Krishan Gupta)
Managing Director



NOTES :

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy and vote instead of him/herself and such proxy need not be a member of the company. A Proxy form is attached herewith.
2. The proxy form(s) duly completed and signed should reach the company's registered office at 9th K.M. Stone, Hisar Bhiwani Road, V.P.O. Dabra (Hisar) at least 48 hours before the time fixed for the meeting.
3. The Register of members and share transfer book of the company will remain closed from Friday **the 03rd October, 2014 to Saturday the 04th October, 2014 (Both days inclusive)**
4. Members are requested to intimate to the company, change in their addresses, if any, at the registered office of the company.
5. Information as required under Clause 49 of the Listing Agreement with respect to the Directors seeking appointment/ re-appointment is as under :-
 - a) **Brief Particulars of Sh. Vikas Gupta proposed for re-appointment as Independent Director for 5 years w.e.f 29/09/2014 to 28/09/2019.**

Sh. Vikas Gupta retires by rotation at the Annual General Meeting & being eligible, offers himself for re-appointment. He has joined the Board of Directors as a Promoter director in the year 2006. He is a practicing Chartered Accountant having more than 17 years' experience in Finance and Accounts. The re-appointment of Sh. Vikas Gupta would be beneficial to the Company. He is a Director in one more Company. As on 31/03/2014 he does not hold any shares in the equity share capital of the company.

b) Brief Particulars of Mrs Sapna Kansal proposed for re-appointment as Director.

Mrs Sapna Kansal was appointed as director w.e.f. 20/06/2014 to fill the casual vacancy caused by the resignation of Mr. M.L. Kansal. She retires by rotation at the Annual General Meeting & being eligible, offers herself for re-appointment. She is an experienced businesswoman having good knowledge of accounts & management. The re-appointment of Mrs Sapna Kansal would be beneficial to the Company. She is not a Director in any Company. As on 31/03/2014 she holds 63180 Equity Shares in the Company.

Place : Chandigarh
Dated : 05.09.2014

For and on Behalf of the Board

(Gopal Krishan Gupta)
Managing Director



DIRECTOR'S REPORT

To the Members

Your Directors have great pleasure in presenting the 21st Annual Report together with the Audited Statement of Accounts of your Company for the year ended 31st March, 2014.

FINANCIAL RESULTS :

	(Rs. in Lacs)	
	Current Year (2013-2014)	Previous Year (2012-2013)
Sales & Other Income	2116.37	1756.52
Profit Before Interest & Depreciation	281.63	364.74
Less Interest & Financial Exp.	34.38	44.05
Less Depreciation	110.65	137.09
Profit Before Exceptional & Extra Ordinary Items	136.60	183.60
Exceptional Items	0.00	5.18
Extra Ordinary Items	0.00	(47.02)
Profit Before Tax	136.60	141.76
Provision for Tax	16.87	28.36
Profit After Tax	119.73	113.40

PAST PERFORMANCE

The Turnover and other income of the Company has increased by around 20.49%, during the year, as compared to previous year but profit before tax shows a decline of 25.60% over previous year, because of shrink in margins due to slowdown in economy. However, the company hopes to perform better in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS

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

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

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

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

PARTICULARS OF EMPLOYEES

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

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

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



FIXED DEPOSITS:

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

LISTING OF SECURITIES:

The Securities of the Company is listed on Stock Exchange at Mumbai. The Listing Fees have been paid up to 31.03.2015.

INSURANCE:

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

AUDITORS REPORT

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

DIRECTORS

Mr. M.L. Kansal resigned from the directorship of the company w.e.f 31/03/2014. Your directors welcomed the contribution made by him during his tenure. Mrs Sapna Kansal was appointed as director to fill the casual vacancy caused by the resignation of Mr. M L Kansal. Your directors welcomed her appointment as director on the Board of the company. In accordance with the requirement of the Companies Act, 1956 and the Articles of Association of the Company Sh. Vikas Gupta & Mrs Sapna Kansal retires by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

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

AUDITORS

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

COST AUDITORS' APPOINTMENT

As per the requirement of the Central Government, and in pursuance of Section 233B of the Companies Act, 1956 your company carries out an audit of cost records, Subject to the approval of the Central Government, your Director have appointed M/s Satpaul Saini & Associates, to audit the cost accounts of the company for the financial year 2014

DIRECTORS RESPONSIBILITY STATEMENT

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed.
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Profit of the company for that year :
- (iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the directors had prepared the annual accounts on a going concern basis.

Acknowledgement :

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

Place : Chandigarh

Dated : 27.05.2014

For and On Behalf of the Board

(T.N. Goel)
Director

(Gopal Krishan Gupta)
Managing Director



ANNEXURE TO THE DIRECTORS REPORT

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

A. CONSERVATION OF ENERGY :

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

B. TECHNOLOGY ABSORPTION: NIL

C. FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange used	-
Foreign Exchange earned	--

FORM - A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Current Year (2013-2014)	Previous Year (2012-2013)
A) Power & Fuel Consumption :		
1. Power		
a. Purchased		
i) Units (KWH)	3991147	3530427
ii) Total Amount (Rs.)	29417825	21894994
iii) Rate/Unit Rs. KWH	7.37	6.20
b. Through Diesel Generator		
i) Units (KWH)	256309	292401
ii) Total Amount	3682161	3494556
iii) Cost/Unit	14.37	11.95
Steam Coal	NIL	NIL
Furnace Oil	NIL	NIL
Others/Internal Generators	NIL	NIL
2. Fuel	NIL	NIL
B) Consumption Per Unit of Production		
Cotton Yarn / M.T.	1655 Units	1563 Units



CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR 2013-2014

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

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

2. Board of Directors:

The Board of Hisar Spinning Mills Limited consists of Six Directors during the financial year 2013-14. Sh. Gopal Krishan Gupta is Executive Chairman of the Company. As per listing Agreement the Company should have at least one half independent Directors.

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

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

BOARD PROCEDURE:

The details of the meetings of the Board and Audit Committee held during the financial year 2013-14 are given in Table below:-

(i) Board of Directors Meeting :

Date of Meeting	Total Members	Attendance by No. of Members
30.05.2013	6	5
13.08.2013	6	5
11.11.2013	6	5
13.02.2014	6	5

(ii) Audit Committee Meetings :

Date of Meeting	Total Members	Attendance by No. of Members
28.05.2013	3	3
11.08.2013	3	3
10.11.2013	3	3
18.02.2014	3	3



The details of attendance of each Director at the Board and Audit Committee Meetings held during the Financial Year 2013-14 and details of number of outside directorship held by each of the Directors are given in Table below

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

3. AUDIT COMMITTEE

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

4. REMUNERATION COMMITTEE

The Remuneration Committee has three members viz. Sh. T.N. Goel, as Chairman, Sh. Rajesh Gupta, as Member & Sh. Vikas Gupta, as Member. Details of the remuneration paid to Executive Director during the financial year ending 31st March 2014 is given below:

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

The Company does not have any Stock Option Scheme.

5. Share Transfer & Shareholders/Investors Grievances Committee:

The Board of Directors has delegated the power of approving transfer of securities and other related formalities to the Registrar & Share Transfer Agent M/s Indus Portfolio Private Limited, G-65, Bali Nagar, New Delhi - 110015. The Committee under consideration comprises of Sh. Anurag Gupta as Chairman, Sh. Vikas Gupta as Member & Sh. Rajesh Gupta as Member. The committee looks into the grievances of the shareholders concerning transfer of shares and non receipt of annual report and recommend measure for expeditious and effective investor services. The total number of letters received and replied to the shareholders during the year 2013-2014 was Two and 2 complaints were received & settled during the year ended on 31st March, 2014.



6. GENERAL BODY MEETINGS:

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

Year	Date	Time	Details of Special Resolution
2010-11	Friday, 30/09/2011	11.00 am	Nil
2011-12	Saturday, 29/09/2012	11.00 am	1 Appointment of Sh. Gopal Krishan Gupta as Managing Director.
			2 Appointment of Sh. Anurag Gupta as Executive Director.
2012-2013	Monday 30/09/2013	11.00	NIL

7. DISCLOSURES:

(a) Disclosures regarding materially significant related party transactions

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

(b) Disclosures of non-compliance by the Company

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

8. MEANS OF COMMUNICATION:

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

9. GENERAL SHAREHOLDER INFORMATION:

a) Annual General Meeting

Date : Monday September 29, 2014
 Time : 11.00 A.M.
 Venue : 9th K.M. Stone, Hisar Bhiwani Road, VPO Dabra (Hisar) 125 005.

b) Financial Year:

The financial year of the company is 1st April, 2013 to 31st March, 2014.

c) Book Closure:

The Dates of Book Closure are from 03rd October, 2014 to 04th October, 2014 (Both days inclusive)

d) Listing on Stock Exchanges & Stock Code:

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

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



e) Share Transfer System:

The company's shares are traded in Stock Exchange compulsorily in demat mode. The Company has Transferred 3,600 shares in F.Y. 2013-2014 and no shares are pending for transfer.

f) Distribution of Shareholding :

The Distribution of Shareholding as on 31st March, 2014 given in table below:-

No. of equity Shares held	Total Holders	% of Share Holder	No. of Shares	% of Share Holding
Up to 500	10171	97.43	1477530	39.56
501 to 1000	147	1.41	117000	3.13
1001 to 5000	66	0.63	133700	3.58
5001 to 10000	15	0.14	115600	3.10
10001 to 20000	12	0.11	197218	5.28
20001 to 30000	10	0.10	264430	7.08
30001 to 40000	4	0.04	145350	3.89
40001 to 50000	3	0.03	143000	3.83
50001 to 100000	7	0.07	556115	14.89
100001 and above	4	0.04	585057	15.66
TOTAL	10439	100	3735000	100

Categories of Shareholders as on 31st March, 2014 given in table below:-

Category	No. of share	% of Shareholdings
Indian Promoters	1843800	49.40
Private Corporate Bodies	86200	2.39
Indian Public	1805000	48.21
Others	---	---
TOTAL	3735000	100.00

g) Dematerialisation of Shares and Liquidity:

The company's shares are traded in Stock Exchange compulsorily in Demat mode. CDSL have allotted ISIN No. INE689E01014 for Dematerialization of Shares. Total 6,95,890 Shares are in Electronic Form and 30,39,110 Shares are in Physical Form as on 31.03.2014.

h) Plant Location:
Hisar Unit

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

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

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

Registrar and Transfer Agent :

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

j) Compliance Officer :

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

k) Compliance:

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



AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of Hisar Spinning Mills Limited

We have examined the compliance of conditions of corporate governance by Hisar Spinning Mills Limited (the Company) for the year ended 31st March, 2014 as stipulated in Clause 49 of the Listing Agreement of the company with the Stock Exchanges. The Compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer cum Investors Grievance Committee.

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

**FOR JAIN & ANIL SOOD
Chartered Accountants**

Place : Chandigarh
Date : 27.05.2014

**(RAJESH KUMAR JAIN)
Partner
Membership No. 088447**



INDEPENDENT AUDITOR'S REPORT

To
The Members,
Hisar Spinning Mills Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Hisar Spinning Mills Limited** ("the Company") which comprise the Balance Sheet as at **31st March 2014**, the Statement of Profit and Loss and the 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, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

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(2)

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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the 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") 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
 - (e) on the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

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

Place: Chandigarh
Date : 27.05.2014

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447



ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

(Annexure referred to in paragraph 1 under the heading Report on Other Legal and Regulatory Requirements of our Report of even date to the members of **Hisar Spinning Mills Limited** for the year ended **31st March 2014**)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a program for the physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its fixed assets. No significant discrepancies were noticed on such verification.
- (c) Based on our scrutiny of the records of the company and the information and explanations given to us, we report that there was no sale of fixed assets during the financial year ended 31st March 2014, substantial or otherwise. Hence, the question of reporting whether the sale of any substantial part of fixed assets has affected the going concern of the company does not arise.
2. (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, paragraphs 4(iii)(a) to 4(iii)(d) of the Order are not applicable to the Company.
- (b) The Company has taken unsecured loans from two parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year from these parties was ₹4236500/- but there was no year end balance of loans taken from such parties.
- (c) In our opinion, the rate of interest and other terms and conditions on which unsecured loans have been taken from parties covered in the register maintained under section 301 of the Act are not, prima facie, prejudicial to the interest of the Company.
- (d) The loans accepted by the Company from parties covered in the register maintained under section 301 of the Act are interest free loans. There is no amount outstanding as on the balance sheet date against such loans. Henceforth, paragraph 4(iii)(g) of the Order is not applicable to the Company in respect of regularity of payment of the principal amount and interest.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. The activities of the company do not involve the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

Contd./P/2



(2)

5. (a) In our opinion and according to the information and explanations given to us, the 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, there are no transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of five lakh rupees in respect of any party during the financial year under consideration.
6. The Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011, prescribed by the Central Government under Section 209 (1) (d) of the Act and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determining whether they are accurate or complete.
9. (a) The Company is generally regular in depositing the undisputed statutory dues including employees' state insurance, provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities, though there has been slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax/sales tax/wealth tax/service tax/custom duty/excise duty/cess which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company does not have any accumulated losses as at 31st March 2014 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank. According to records of the Company, the Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

Contd./P/3



(3)

13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of paragraph 4(xiv) of the Order are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. According to the records of the Company, the Company has not obtained any fresh term loan during the year under consideration. Hence, comments under para 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not called for.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Place: Chandigarh
Date : 27.05.2014

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

HISAR SPINNING MILLS LIMITED

Balance Sheet as at 31st March 2014

in ₹

Particulars	Note No.	As at 31.03.2014		As at 31.03.2013	
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	3	43850000		43850000	
(b) Reserves and surplus	4	<u>13345757</u>	57195757	<u>1373087</u>	45223087
Non-current liabilities					
(a) Long-term borrowings	5	23789834		39024869	
(b) Deferred tax liabilities (net)	6	<u>-</u>	23789834	<u>163976</u>	39188845
Current liabilities					
(a) Short-term borrowings	7	4422122		7504025	
(b) Trade payables	8	3660171		3687636	
(c) Other current liabilities	9	11580894		8974985	
(d) Short-term provisions	10	<u>-</u>	19663187	<u>298239</u>	20464885
Total			<u>100648778</u>		<u>104876817</u>
ASSETS					
Non-current assets					
(a) Fixed assets					
(i) Tangible assets	11	41976797		48860335	
(b) Deferred tax assets (net)	12	1045974		-	
(b) Long-term loans and advances	13	1671657		1700918	
(c) Other non-current assets	14	<u>2745609</u>	47440037	<u>2517463</u>	53078716
Current assets					
(a) Inventories	15	38520048		38287494	
(b) Trade receivables	16	7263899		5596878	
(c) Cash and cash equivalents	17	4223534		138383	
(d) Short-term loans and advances	18	1018694		1585225	
(e) Other current assets	19	<u>2182566</u>	53208741	<u>6190121</u>	51798101
Total			<u>100648778</u>		<u>104876817</u>

Significant accounting policies 2

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

As per our attached report of even date
for JAIN & ANIL SOODChartered Accountants
Firm Registration No. 010505N

for and on behalf of the Board

Place: Chandigarh
Date : 27.05.2014(RAJESH KUMAR JAIN)
Partner
Membership No. 088447(GOPAL KRISHAN GUPTA)
Managing Director
DIN:00192985(T.N. GOEL)
Director
DIN: 00193103(ANURAG GUPTA)
Chief Executive Officer
DIN: 00192888

HISAR SPINNING MILLS LIMITED



Statement of Profit and Loss for the year ended 31st March 2014

in ₹

Particulars	Note No.	For the year ended 31.03.2014	For the year ended 31.03.2013
REVENUE			
Revenue from operations	20	210871370	175189136
Other income	21	765696	462400
Total revenue		211637066	175651536
EXPENSES			
Cost of materials consumed	22	129576332	120132404
(-) Increase/ decrease in inventories	23	6100418	-20951399
Employee benefits expense	24	2341031	2183632
Finance costs	25	3438385	4405744
Depreciation	26	11064609	13708566
Other expenses	27	45456598	37812159
Total expenses		197977373	157291106
Profit before exceptional and extraordinary items and tax		13659693	18360430
Exceptional items	28	-	517499
Profit before extraordinary items and tax		13659693	18877929
Extraordinary items	29	-	4701919
Profit before tax		13659693	14176010
Less: tax expense:			
(1) Current tax		2732997	2836301
Less: Mat credit entitlement		-163976	163976
Net current tax		2896973	2672325
(2) Deferred tax		-1209950	163976
Profit for the period		11972670	11339709
Earnings per equity share (EPS):	30		
(Nominal value of equity share - ₹ 10/-)			
Basic and diluted EPS excluding extraordinary items (net of tax expense)		3.21	4.04
Basic and diluted EPS after extraordinary items		3.21	3.04

Significant accounting policies

2

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

As per our attached report of even date

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

for and on behalf of the Board

Place: Chandigarh (RAJESH KUMAR JAIN)
Date: 27.05.2014 Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA)
Managing Director
DIN: 00192985

(T.N. GOEL)
Director
DIN: 00193103

(ANURAG GUPTA)
Chief Executive Officer
DIN: 00192888



Cash Flow Statement for the year ended 31st March 2014

Particulars	in ₹	
	For the year ended 31.03.2014	For the year ended 31.03.2013
A. Cash flow from operating activities		
Profit before extraordinary items and tax	13659693	18877929
Adjustments for:		
Depreciation	11064609	13708566
Profit on disposal of tangible fixed assets	-	-517499
Unrealised foreign exchange losses	22318	-
Interest income	-527342	-306492
Interest expense	3403966	4366757
Operating profit before extraordinary items and working capital changes	27623244	36129261
Movement in working capital:		
Decrease/ (-) increase in trade receivables	-1689339	-1481692
Decrease/ (-) increase in inventories	-232554	-19764220
Decrease/ (-) increase in loans and advances and other assets	4524673	-3090813
Increase/ (-) decrease in trade payables and other liabilities	1354620	-7396150
Cash generation from operation before extraordinary item	31580644	4396386
Direct taxes paid (net of refunds)	-3127948	-2589980
Cash flow before extraordinary item	28452696	1806406
Extraordinary item:		
Raw material and work-in-progress destroyed by fire (net of estimated realisable value of salvage material and insurance claim)	-	-4701919
Net cash flow from/ (-) used in operating activities	28452696	-2895513
B. Cash flow from investing activities		
(-) Purchase of tangible fixed assets (including capital work-in-progress)	-4181071	-2208971
Proceeds from disposal of tangible fixed assets	-	900000
(-) Increase in non-current term deposits with bank having more than 12 months maturity at the year end (term deposit receipts pledged with banks towards margin against bank guarantees)	-	-336000
Interest received	310606	139008
Net cash flow from/ (-) used in investing activities	-3870465	-1505963



C. Cash flow from financing activities

Proceeds from /(-) repayment of long-term borrowings	-13689449	-5099424
Proceeds from /(-) repayment of short-term borrowings	-3081903	7504025
Interest paid	-3725728	-4690760
Net cash flow from/ (-) used in financing activities	-20497080	-2286159
Net increase/ (-) decrease in cash and cash equivalents	4085151	-6687635
Cash and cash equivalents at the beginning of the year	138383	6826017
Cash and cash equivalents at the end of the year	4223534	138383
<u>Components of cash and cash equivalents</u>		
Balances with banks in current accounts	221796	21242
Balances with banks in term deposit accounts	3775000	0
Cash on hand	226738	117141
	4223534	138383

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

As per our attached report of even date

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

for and on behalf of the Board

Place: Chandigarh
Date : 27.05.2014

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA) (T.N. GOEL)
Managing Director Director
DIN: 00192985 DIN: 00193103

(ANURAG GUPTA)
Chief Executive Officer
DIN: 00192888



Notes to financial statements for the year ended 31st March 2014

1. Corporate identification number and nature of operations

Corporate identification number of the company is L17112HR1992PLC031621 and the company is engaged in the business of manufacturing and sale of cotton blended yarn.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention on accrual basis of accounting and in accordance with accounting principles generally accepted in India and comply with the accounting standards notified by the Central Government of India under the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable).

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

(b) Use of estimates

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

(c) Revenue recognition

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

(d) Employee benefits

(i) Short-term employee benefits

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

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

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

(iii) Compensated absences

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



(iv) Defined benefit plan - gratuity

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

(e) Fixed assets

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

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

(f) Depreciation

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

(g) Impairment of assets

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

(h) Inventories

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

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

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

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

Saleable waste has been valued at estimated net realisable value.

**(i) Effects of change in foreign exchange rates**

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

(j) Government grants

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

(k) Borrowing costs

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

(l) Tax expense

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

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

(m) Segment reporting

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

(n) Provisions, contingent liabilities and contingent assets

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



in ₹

3. Share capital	As at 31.03.2014		As at 31.03.2013	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of ₹ 10/- each	8000000	80000000	8000000	80000000
Preference shares of ₹ 10/- each	2000000	20000000	2000000	20000000
Total		100000000		100000000
Issued				
Equity shares of ₹ 10/- each	3735000	37350000	3735000	37350000
5% Redeemable non cumulative preference shares of ₹ 10/- each	650000	6500000	650000	6500000
Total		43850000		43850000
Subscribed and fully paid				
Equity shares of ₹ 10/- each	3735000	37350000	3735000	37350000
5% Redeemable non cumulative preference shares of ₹ 10/- each	650000	6500000	650000	6500000
Total		43850000		43850000

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

Equity shares of ₹ 10/- each:

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

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

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



	As at 31.03.2014	As at 31.03.2013
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Rights, preferences and restrictions attaching to each class of shares:

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

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

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

Name of the shareholder	Number of shares	% held	Number of shares	% held
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Equity shares of ₹ 10/- each:

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

Gopal Krishan Gupta	110000	16.92	110000	16.92
M.L. Kansal	70000	10.77	70000	10.77
Saran Pal Singh	70000	10.77	70000	10.77
Kuldeep Kaur	40000	6.15	40000	6.15
Nikhil Goel	132000	20.31	132000	20.31
Bindu Goel	92000	14.15	92000	14.15



in ₹

	As at 31.03.2014		As at 31.03.2013	
4. Reserves and surplus				
Capital reserves				
As at the commencement of the year	3342000		3342000	
Add: receipt during the year	-	3342000	-	3342000
Surplus i.e. balance in statement of profit and loss				
As at the commencement of the year	-1968913		-13308622	
Add: Profit for the year as per the statement of profit and loss	11972670	10003757	11339709	-1968913
Total		13345757		1373087

5. Long-term borrowings

Secured (*)

Term loan from bank	388449		2198369	
Term loans from financial institution	21930000		26590000	
Other long-term borrowings from banks	1471385	23789834	-	28788369

Unsecured

Inter-corporate deposits	-		6000000	
Loans and advances from related parties	-		2885000	
Loans and advances from other promoters	-	-	1351500	10236500

Total		23789834		39024869
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(*) Nature of security and guarantee by directors or others:

Term loan from bank:

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

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

Term loans from financial institution:

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



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

Other long-term borrowings from banks:

Other long-term borrowings from banks are secured by hypothecation (marked with Registering Authority, Motor Vehicles) of vehicles acquired out of proceeds of the said borrowings from banks.

Hisar Spinning Mills Limited

Terms of repayment:

Term loan from bank:

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

	in ₹	
Yearwise repayment schedule	2014-2015	2015-2016
Term loans from bank	1672000	388449

Term loans from financial institution:

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

(ii) Term loan of ₹ 17000000/- is repayable in 66 monthly instalments commencing 18 months after the date of first disbursement i.e., 02.08.2011. The first 18 instalments of ₹ 15000/- each, next 18 instalments of ₹ 25000/- each, next 18 instalments of ₹ 30000/- each, next 11 instalments of ₹ 35000/- each and the last final instalment of ₹ 55000/-.

	in ₹				
Yearwise repayment schedule	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Term loans from financial institution	4660000	5330000	6480000	7440000	2680000

Other long-term borrowings from banks:

(i) Other long-term borrowing from ICICI Bank Limited amounting to ₹ 1500000/- is repayable in 36 equated monthly installments (EMIs) of ₹ 48585/- (including interest).

(ii) Other long-term borrowing from HDFC Bank Limited amounting to ₹ 800000/- is repayable in 36 equated monthly installments (EMIs) of ₹ 25600/- (including interest).

	in ₹			
Yearwise repayment schedule (principal)	2014-2015	2015-2016	2016-2017	2017-2018
Other long term borrowings from banks	665586	775724	647491	48170



	As at 31.03.2014	As at 31.03.2013
in ₹		
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Depreciation on fixed assets	-	163976
Deferred tax liabilities (net)	<u>-</u>	<u>163976</u>
7. Short-term borrowings		
Secured (**)		
Loan repayable on demand from bank (cash credit)	4422122	7504025
Total	<u>4422122</u>	<u>7504025</u>

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

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

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

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



	in ₹	
	As at 31.03.2014	As at 31.03.2013
8. Trade payables		
Micro, small and medium enterprises (***)	-	-
Others	3660171	3687636
Total	<u>3660171</u>	<u>3687636</u>

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

9. Other current liabilities

Current maturities of long-term borrowings	6997586	5452000
Interest accrued and due on borrowings	-	297336
Interest accrued but not due on borrowings	208966	233392
<u>Other payables</u>		
- Advances from customers	509226	488140
- Creditors against capital goods	967539	10406
- Accrued employee benefits expense	234258	176162
- Statutory dues	66325	147114
- Other liabilities	2596994	2170435
Total	<u>4374342</u>	<u>2992257</u>
	<u>11580894</u>	<u>8974985</u>

10. Short-term provisions

Provision for current income tax and interest thereon (net of prepaid taxes)	-	298239
Total	<u>-</u>	<u>298239</u>



Description of assets	Gross carrying amount			Depreciation			Net carrying amount			
	As at 01.04.2013	Additions during the year	Disposal	As at 31.03.2014	Opening accumulated depreciation	Depreciation for the year	Eliminated on disposal of assets	Closing accumulated depreciation	As at 31.03.2014	As at 31.03.2013
11. Tangible assets										
Freehold land and site development	1387964	-	-	1387964	-	-	-	-	1387964	1387964
Buildings	18284344	-	-	18284344	10647631	604585	-	11252216	7032128	7636713
Plant and equipment	97046832	565412	-	97612244	57647736	10168672	-	67816408	29795836	39399096
Furniture and fixtures	481093	-	-	481093	406938	9931	-	416869	64224	74155
Vehicles	134654	3615659	-	3750313	72343	235064	-	307407	3442906	62311
Office equipment	883127	-	-	883127	583031	46357	-	629388	253739	300096
Total	118218014	4181071	-	122399085	69357679	11064609	-	80422288	41976797	48860335
Previous Year	108468397	11581992	1832375	118218014	57374463	13708566	1725350	69357679	48860335	51093934



	As at 31.03.2014	As at 31.03.2013
in ₹		
12. Deferred tax assets (net)		
Deferred tax assets		
Depreciation on fixed assets	1045974	-
Deferred tax assets (net)	1045974	-
13. Long-term loans and advances (unsecured, considered good)		
Security deposits	1590748	1593408
Prepaid expenses	80909	107510
Total	1671657	1700918
14. Other non-current assets (unsecured, considered good)		
Non-current bank balances - term deposits having more than 12 months maturity at the year end (term deposit receipts pledged with banks towards margin against bank)	1857500	1857500
Interest accrued on term deposits with bank	585368	402230
Advance to gratuity trust	302741	257733
Total	2745609	2517463
15. Inventories (Refer note no. 2 (h) for mode of valuation)		
Raw material	17761617	12277263
Work-in-progress	1337689	6730632
Finished goods	15312876	16442754
Stores and spares, diesel and packing material	3516188	2528820
Saleable waste	591678	169275
Salvage material	-	138750
Total	38520048	38287494
16. Trade receivables (unsecured, considered good)		
Outstanding for a period exceeding six months from the date they became due for payment	-	-
Outstanding for a period not exceeding six months from the date they became due for payment	7263899	5596878
Total	7263899	5596878



	in ₹	
	As at 31.03.2014	As at 31.03.2013
17. Cash and cash equivalents		
Balances with banks		
- in current accounts	221796	21242
- in term deposits accounts	5632500	1857500
Cash on hand	226738	117141
	<hr/>	<hr/>
Less: Term deposit accounts having more than 12 months maturity at the year end (disclosed under note no. 14)	6081034	1995883
	1857500	1857500
Total	<hr/> 4223534 <hr/>	<hr/> 138383 <hr/>
Of the above, the balances that meet the definition of cash and cash equivalents as per Accounting Standard (AS) - 3 'Cash Flow Statement' is:	4223534	138383
 18. Short-term loans and advances (unsecured, considered good)		
Advance income tax (net of provision for income tax)	244336	147624
Advances to suppliers of goods and services	77029	46745
Taxes and duties recoverable/refundable	546416	1152809
Other loans and advances	3120	3120
Prepaid expenses	147793	70951
Mat credit entitlement	-	163976
Total	<hr/> 1018694 <hr/>	<hr/> 1585225 <hr/>
 19. Other current assets (unsecured, considered good)		
Interest subsidy receivable	1870320	1504973
Interest accrued on security deposits	114233	80635
Insurance claim receivable	193500	4600000
Tangible fixed assets held for sale	4513	4513
Total	<hr/> 2182566 <hr/>	<hr/> 6190121 <hr/>



	in ₹	
	For the year ended 31.03.2014	For the year ended 31.03.2013
20. Revenue from operations		
Sale of products		
Manufactured goods	209328874	173250369
	<u>209328874</u>	<u>173250369</u>
Other operating revenues		
Sale of waste	1460409	1543879
Sale of scrap	82087	73286
Transfer of hank yarn obligation	-	321602
	<u>1542496</u>	<u>1938767</u>
Total	<u>210871370</u>	<u>175189136</u>
Details of sale of manufactured goods under broad heads		
Cotton yarn and cotton blended yarn	209328874	173250369
21. Other income		
Interest income	527342	306492
Net gain on foreign currency transactions and translation	-	155908
Insurance claim received	193500	-
Miscellaneous income	44854	-
Total	<u>765696</u>	<u>462400</u>
22. Cost of materials consumed		
<u>Cost of raw materials consumed</u>		
Opening stock of raw materials	12277263	11237664
Add: purchase of raw materials	135172406	128885957
	147449669	140123621
Less :		
Sale of raw materials	111720	233290
Raw material destroyed by fire	-	7480664
Closing stock of raw materials	17761617	12277263
Cost of materials consumed - Total	<u>129576332</u>	<u>120132404</u>
Details of raw material consumed under broad heads		
Textile waste/ Cotton waste	85059593	93783234
Polyester staple fiber	44516739	26349170



in ₹

	For the year ended 31.03.2014	For the year ended 31.03.2013
23. (-) Increase/ decrease in inventories		
Closing inventories		
Finished goods	15312876	16442754
Saleable waste	591678	169275
Work-in-progress	1337689	6730632
	<u>17242243</u>	<u>23342661</u>
Opening inventories		
Finished goods	16442754	2505607
Saleable waste	169275	117045
Work-in-progress	6730632	1658615
	<u>23342661</u>	<u>4281267</u>
Less: work-in-progress destroyed by fire	-	1890005
	<u>23342661</u>	<u>2391262</u>
(-) Increase/ decrease in inventories - Total	6100418	-20951399
Details of inventories of finished goods under broad heads		
Closing inventories		
Cotton blended yarn	15312876	16442754
Opening inventories		
Cotton yarn and cotton blended yarn	16442754	2505607
Details of inventories of work-in-progress under broad heads		
Closing inventories		
Cotton blended yarn work-in-progress	1337689	6730632
Opening inventories		
Cotton yarn and cotton blended yarn work-in-progress	6730632	1658615
24. Employee benefits expense		
Salaries, wages and bonus	2151884	2016812
Contribution to provident fund and other funds	181374	159154
Staff welfare expenses	7773	7666
Total	<u>2341031</u>	<u>2183632</u>
25. Finance costs		
Interest expense	3403966	4314839
Interest paid on shortfall in payment of advance income tax	-	51918
Other borrowing costs	34419	38987
Total	<u>3438385</u>	<u>4405744</u>



	in ₹	
	For the year ended 31.03.2014	For the year ended 31.03.2013
26. Depreciation		
Depreciation on tangible assets (refer note no. 11)	11064609	13708566
Total	11064609	13708566
27. Other expenses		
Consumption of stores and spare parts	6689841	6725457
Packing material consumed	1900224	1708865
Diesel consumed	3682161	3494556
Power and fuel	29417825	21894994
Contract labour charges and expenses	1074709	996222
Job work charges and expenses	-	183110
Repair and maintenance		
- Machinery	746246	477114
- Building	180011	564905
Insurance charges	292218	177970
Fees and subscription	146199	163720
<u>Auditors remuneration</u>		
- Audit fees	87079	70225
- Tax audit fees	14045	14045
- Certification fees	28090	28090
Legal and professional charges	95296	91243
Net loss on foreign currency transactions and translation	12684	-
Freight and cartage outward	332697	140450
Rebate and discount	1130	76702
Miscellaneous expenses	756143	1004491
Total	45456598	37812159



	in ₹	
	For the year ended 31.03.2014	For the year ended 31.03.2013
28. Exceptional items		
Profit on disposal of tangible fixed assets	-	517499
Total	<u>-</u>	<u>517499</u>
29. Extraordinary items		
Raw material destroyed by fire	-	7480664
Work-in-progress destroyed by fire	-	1890005
	<u>-</u>	<u>9370669</u>
<u>Less:</u>		
Estimated realisable value of salvage material	-	138750
Insurance claim	-	4530000
	<u>-</u>	<u>4701919</u>
Total	<u>-</u>	<u>4701919</u>



in ₹

	For the year ended 31.03.2014	For the year ended 31.03.2013
30. Earnings per equity share (EPS)		
The calculation of EPS as disclosed in the statement of profit and loss has been made in accordance with Accounting Standard (AS)-20 'Earning Per Share' notified under the Companies (Accounting Standards) Rules, 2006.		
Statement on calculation of EPS is as under:		
EPS excluding extraordinary items (net of tax expense):		
Profit for the period attributable to equity shareholders	11972670	11339709
<u>Add: Extraordinary items</u>		
Raw material and work-in-progress destroyed by fire (net of estimated realisable value of salvage material and insurance claim) [net of tax expense]	-	3761171
Total (a)	<u>11972670</u>	<u>15100880</u>
Number of equity shares outstanding during the year (nos.) (Nominal value of equity share - ₹ 10/-)	3735000	3735000
Total (b)	<u>3735000</u>	<u>3735000</u>
Basic and diluted EPS excluding extraordinary items (net of tax expense) [(a) / (b)]	3.21	4.04
EPS after extraordinary items:		
Profit for the period attributable to equity shareholders	11972670	11339709
Total (c)	<u>11972670</u>	<u>11339709</u>
Number of equity shares outstanding during the year (nos.) (Nominal value of equity share - ₹ 10/-)	3735000	3735000
Total (d)	<u>3735000</u>	<u>3735000</u>
Basic and diluted EPS after extraordinary items [(c) / (d)]	3.21	3.04
Note: There are no potential equity shares		
31. Contingent liabilities and commitments (to the extent not provided for)		
(i) Contingent liabilities:		
Counter guarantees issued to Punjab National Bank in respect of the guarantees issued by the said bank in favour of various government authorities.	1857500	1857500
(ii) Commitments:		
Performance bonds executed in favour of The President of India against exports obligations for purchase of capital goods under Export Promotion Capital Goods (EPCG) scheme	27673306	27673306



32. Employee benefits

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

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

in ₹

Particulars	2013-2014.	2012-2013
(c) Reconciliation of opening and closing balance of defined benefit obligation:		
1. Present value of obligation as at the beginning of the period	423164	372070
2. Current service cost	63881	59819
3. Interest cost	38085	29684
4. Net actuarial (-) gain/ loss on obligations	-87241	-38409
5. Benefits paid	-	-
6. Present value of obligation as at the end of the period	437889	423164

(d) Fair value of plan assets:

1. Fair value of plan assets at the beginning of the period	680897	624676
2. Expected return on plan assets	59579	56212
3. Contributions	154	-
4. Benefits paid	-	-
5. Actuarial gain/ (-) loss on plan assets	-	9
6. Fair value of plan assets at the end of the period	740630	680897

(e) Amount recognised in the balance sheet:

1. Present value of obligation as at the end of the period	437889	423164
2. Fair value of plan assets at the end of the period	740630	680897
3. Amount recognised in the balance sheet - asset	302741	257733

(f) Expenses recognised during the period:

1. Current service cost	63881	59819
2. Interest cost	38085	29684
3. Expected return on plan assets	-59579	-56212
4. Net actuarial (-) gain/ loss recognised in the period	-87241	-38419
5. Expenses recognised in the statement of profit and loss	-44854	-5128

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

1. Actual return on plan assets	59579	56221
2. Expected return on plan assets	59579	56212
3. Actuarial (-) gain/ loss on planned assets	0	-9

(h) Actuarial (-) gain/ loss recognised

1. Net actuarial (-) gain/ loss on obligations	-87241	-38409
2. Actuarial (-) gain/ loss on planned assets	0	-9
3. Total actuarial (-) gain/ loss	-87241	-38419
4. Actuarial (-) gain/ loss recognised	-87241	-38419

(i) Actuarial assumptions:

1. Discount rate (per annum)	9.00%	8.00%
2. Salary growth rate (per annum)	7.00%	7.00%
3. Mortality	IALM 2006-08 Ultimate	LIC 94-96 Ultimate
4. Expected rate of return (per annum)	8.75%	8.50%
5. Withdrawal rate (per annum)	2.00%	2.00%
6. Normal retirement age	58 years	58 years

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



33. Related parties disclosures

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

Key management personnel:

Mr. Gopal Krishan Gupta
Mr. Anurag Gupta

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

Usha Yarns Limited

(b) Related party transactions:

in ₹

Sr. No.	Description of the nature of transactions	2013-2014		2012-2013	
		Key management personnel	Enterprises over which there is significant influence	Key management personnel	Enterprises over which there is significant influence
1.	Remuneration	360000	-	360000	-
2.	Repayment of loans	2885000	-	-	-
3.	Credit balance outstanding at the year end in respect of loans	-	-	2885000	-
4.	Purchase of raw material (including duties and taxes)	-	21429	-	88901
5.	Sale of rawmaterial (including duties and taxes)	-	111720	-	192750

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

in ₹

Sr. No.	Description of the nature of transactions	2013-2014		2012-2013	
		Key management personnel	Enterprises over which there is significant influence	Key management personnel	Enterprises over which there is significant influence
1.	Remuneration				
	Mr. Anurag Gupta	360000	-	360000	-
2.	Repayment of loans				
	Mr. Gopal Krishan Gupta	2885000	-	-	-
3.	Credit balance outstanding at the year end in respect of loans				
	Mr. Gopal Krishan Gupta	-	-	2885000	-
4.	Purchase of raw material (including duties and taxes)				
	Usha Yarns Limited	-	21429	-	88901
5.	Sale of rawmaterial (including duties and taxes)				
	Usha Yarns Limited	-	111720	-	192750



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

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

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

	in ₹	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Stores and spare parts	-	583420
Total	-	583420

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

	in ₹			
	For the year ended 31.03.2014		For the year ended 31.03.2013	
	Amount	%	Amount	%
(i) Raw materials				
- Imported	-	-	-	-
- Indigenous	129576332	100%	120132404	100%
Total	129576332	100%	120132404	100%
(ii) Stores and spares				
- Imported	32063	0.48%	1568054	23.32%
- Indigenous	6657778	99.52%	5157403	76.68%
Total	6689841	100%	6725457	100%

38. Earnings in foreign exchange:

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

	in ₹	
	For the year ended 31.03.2014	For the year ended 31.03.2013
Manufactured goods	1966034	-
Total	1966034	-

39. The previous period figures have been regrouped/ reclassified, wherever necessary to conform to the current period presentation.

As per our attached report of even date

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

for and on behalf of the Board

Place: Chandigarh
Date: 27.05.2014

(RAJESH KUMAR JAIN)
Partner
Membership No. 088447

(GOPAL KRISHAN GUPTA)
Managing Director
DIN: 00192985

(T.N. GOEL)
Director
DIN: 193103

(ANURAG GUPTA)
Chief Executive Officer
DIN: 00192888

HISAR SPINNING MILLS LIMITED

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

PROXY FORM

I/We Regd. Folio No.....
Address.....
being member of Hisar Spinning Mills Ltd. appoint.....
of.....my/our proxy in my/our absence to at-
tend and vote for me/us for my/or our behalf, at the 22nd Annual General Meeting of the Company to
be held on Monday, 29th September, 2014 at 11.00 a.m. or at any adjournment thereof.
In witness thereof I/We have set my/our hand(s) this.....day of.....2014

Please affix
Rs. 1
Revenue
Stamp

Signature of the member

In the presence of of.....Witness

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

HISAR SPINNING MILLS LIMITED

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

22ND ANNUAL GENERAL MEETING

ATTENDANCE SLIP

I/Mr./Mrs./Miss.....

Reg. Folio No.....hereby record my presence at the 22nd Annual General Meeting of the Company on Monday, 29th September 2014 at 11.00 a.m.

Signature of the member/proxy

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

BOOK-POST

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



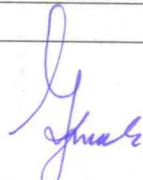

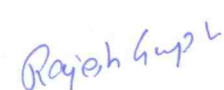
HISAR SPINNING MILLS LIMITED

REGD. OFF. & WORKS : 9th K.M. STONE, HISAR-BHIWANI ROAD, V.P.O. DABRA (HISAR)-125005

TEL. : 01662-260379, TEL/FAX : 91-1662-260397

FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges:

1	Name of the Company	HISAR SPINNING MILLS LIMITED
2	Annual financial statements for the year ended	31 st March 2014
3.	Type of Audit observation	Un-qualified
4	Frequency of observation	Not Applicable
5	To Be signed by	
	<ul style="list-style-type: none">• CEO/Managing Director	 (GOPAL KRISHAN GUPTA)
	<ul style="list-style-type: none">• CFO	
	<ul style="list-style-type: none">• Auditor of the company	 (RAJESH JAIN)
	<ul style="list-style-type: none">• Audit Committee Chairman	 (RAJESH GUPTA)