

28TH ANNUAL REPORT

2008-09

**HIMACHAL FIBRES
LIMITED**

HIMACHAL FIBRES LIMITED

BOARD OF DIRECTORS:

Shri Sita Ram Singla, Chairman
Shri Rajesh Gupta, Director
Shri Sanjay Goel, Director
Shri Suraj Parkash Setia, Director
Shri Raj Mittal, Director
Shri Ajay Singh, Special Director- BIFR

BANKERS:

State Bank of India,
SCB, Miller Ganj,
Ludhiana- 141003

AUDITORS:

Sumat Gupta & Co.
Chartered Accountants,
G. T. Road, Miller Ganj,
Ludhiana – 141 003

REGISTRAR & SHARE TRANSFER AGENT

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

COMPANY SECRETARY

Roopesh Kumar

REGISTERED OFFICE & WORKS:

Plot No. 43-44, Industrial Area,
Barotiwala- 174103
Distt. Solan (H.P.)

CORPORATE OFFICE:

358-A, Dr. Hira Singh Road,
Civil Lines,
Ludhiana – 141 001

NOTICE

NOTICE is hereby given that the Twenty Eight Annual General Meeting of the members of HIMACHAL FIBRES LIMITED will be held at the Registered Office of the company at Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.) 174103, on Tuesday, the 29th December, 2009 at 11.00 A.M. to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Accounts of the Company for the 18 months period ended on 30th September, 2009 and the report of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Sita Ram Singla, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Suraj Parkash Setia, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit, to pass the following resolution, with or without modification, as a SPECIAL RESOLUTION:

“RESOLVED that pursuant to Section 224A of the Companies Act, 1956, M/S Sumat Gupta & Co., Chartered Accountants be and are hereby appointed Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors.”

SPECIAL BUSINESS

5. To consider and if thought fit, to pass the following resolution, with or without modification, as SPECIAL RESOLUTION:

“RESOLVED that pursuant to the provisions of Section 198, 269, 309 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, (including any statutory modification or re-enactment thereof, for the time being in force), the consent and approval of the members be and is hereby accorded for the appointment of Shri Rajesh Gupta, Director as Managing Director for a period of 5 years from 01.01.2010 to 31.12.2014 at a consolidated remuneration of Rs. 35000.00 (Rupees Thirty Five Thousand Only) per month.

“RESOLVED further that the Board of Directors be and are hereby authorized to alter or vary the terms and conditions of the said appointment at any time during the tenure so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may here-in-after be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board of Directors and Shri Rajesh Gupta, Managing Director.”

“RESOLVED FURTHER that the Board of Directors be and are hereby authorized to take such steps as may be necessary to give effect to this resolution.

By order of the Board

For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana
Dated: 30th November, 2009

Sd/-
Roopesh Kumar
Company Secretary

NOTES:

1. Please send your queries, if any, regarding annual accounts at least 10 days in advance prior to the date of Annual General Meeting so that information can be made available at the meeting.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY FORM IS ATTACHED.
3. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the Meeting.
4. The Register of Members and the Share Transfer Books will remain closed from 24th December, 2009 to 29th December, 2009 (both days inclusive).

EXPLANATORY STATEMENT (PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Shri Rajesh Gupta, Director is proposed to be appointed as Managing Director of the Company. He was appointed as Director w.e.f. 23rd September, 2006. He is M.B.A. and having enriched experience of more than 14 years in the line of Spinning and Textile Industry. Keeping in view the significant contribution made by him and devoting his full time to the company, the Board of Directors at their meeting held on 30th November, 2009 discussed and approved the proposal for his appointment as Managing Director and to pay remuneration for the services rendered by him.

The remuneration committee has approved the remuneration payable to Shri Rajesh Gupta.

Members are requested to pass the resolution as ordinary resolution to effect the said appointment.

None of the Director except Shri Rajesh Gupta, being the appointee and Shri Sanjay Goel, relative of Shri Rajesh Gupta, are concerned or interested in the resolution.

The above may also be treated as an abstract of the terms of the appointment of Shri Rajesh Gupta as Managing Director, pursuant to Section 302 of the Companies Act, 1956.

By order of the Board
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana
Dated: 30th November, 2009

Sd/-
Roopesh Kumar
Company Secretary

DIRECTOR'S REPORT

Dear Members,

Your Directors have pleasure in presenting the Twenty Eighth Annual Report of your company together with the Audited Accounts for the period ended 30th September, 2009 comprising of 18 months from 01.04.2008 to 30.09.2009.

1. MANAGEMENT DISCUSSION AND ANALYSIS

To avoid duplication and overlap between Directors Report and a separate Management Discussion and Analysis, this Report includes the Management Discussion and Analysis as appropriate.

1.1 FINANCIAL AND OPERATIONAL PERFORMANCE

	(Rs. In Lacs)	
	2008-09 (18 Months)	2007-08 (12 Months)
Sales	11758.44	3720.04
Other Income	196.25	38.23
Total Income	11954.69	3758.27
Profit for the year	651.36	349.22
-Less		
Interest & Finance Charges	480.03	214.60
Profit before tax	171.34	134.62
Deferred Tax	0.00	0.00
Fringe Benefit Tax	1.03	1.61
Profit after tax	170.31	133.01

During the period under review, the company has shown better performance inspite of continued global recession. The company has achieved a turnover of Rs. 11758.44 Lacs and Net Profit of Rs. 170.31 Lacs for the 18 months period ended 30th September, 2009.

During the year under review, the company has produced 2680.867 MT Cotton & Blended Yarn as against 2415.735 MT in the previous year.

1.2 INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is into Spinning and Dyeing of Cotton and blended yarn. The Indian Textile Industry has an overwhelming presence in the economic life of the country. Currently it contributes about 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country's export earnings. The quality of yarn manufactured by our company has wide acceptability in the market.

Yarn is used by various textile mills/ knitting & weaving industry in the country. The domestic yarn markets would continue to be functioning normally as large weaving capacities have come up in the country.

1.3 OPPORTUNITIES AND THREATS

There is improvement in the demand for various products manufactured by the company. Even though a bright future is envisaged for the industry but it is not immune from the normal business threats and challenges.

1.4 SEGMENT-WISE PERFORMANCE

The company operates only in one segment 'Cotton & Blended Yarn' and hence segment-wise reporting is not required.

1.5 FUTURE OUTLOOK

With the growing demand both in the domestic market and international market for the Indian products the company looks forward to expand its activities in near future.

1.6 RISKS AND CONCERNS

Prices of Raw cotton and Polyester Fibre may affect the performance of the industry. Being a seasonal crop, any natural calamities such as drought/flood etc. shall affect the prices of cotton which in turn may affect the financial performance of the industry. However, by following good policies for procurement, the company has always been able to procure good quality raw material at right prices.

1.7 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a system of internal controls in place to ensure that all the transactions are properly recorded and authorised.

1.8 HUMAN RESOURCES

The company is of firm belief that the Human Resources are the driving force that propels a company towards the progress and success. The company has strength of 285 employees at present. The Industrial relations continued to remain cordial during the year under review.

2. DIVIDEND

Since the rehabilitation of the company is under process, your directors regret their inability to propose payment of dividend for the period under review.

3. PROSPECTS

The Hon'ble Board for Industrial & Financial Reconstruction (BIFR) has vide their order dated 21.07.2009 sanctioned the Rehabilitation Scheme for the revival of the company. As per the sanctioned scheme, the existing paid-up Equity Share Capital has been reduced by 50% by way of reduction of face value of each equity share from Rs. 10/- to Rs. 5/- each per share and thereafter consolidation of two equity shares of Rs. 5/- each into one equity share of Rs. 10/- each.

Further, as per the sanctioned scheme, the company has made preferential allotment in favour of the promoters/ associates to the tune of Rs. 1,50,25,000/- divided into 15,02,500 equity shares of Rs. 10/- each against their share application money towards their contribution in the equity share capital of the company. The same was utilized for the payment towards OTS dues of the secured creditors and is part of the sanctioned scheme of Hon'ble BIFR.

The company's shares are presently held in physical form. The company has issued new share certificates without surrender of old equity share certificates of the company and accordingly the old share certificates have been cancelled. The Record Date was fixed as Thursday, 24th September, 2009 for ascertaining the name of shareholders for the said purpose in consultation with BSE, where the shares of the company are listed.

During the period under review, the company has also issued 12,00,000 (Twelve Lacs only) 4% Non-Cumulative Redeemable Preference Shares of Rs. 100/- each to the strategic investors against the share application money received towards their contribution in the revival of the company.

4. EXTENSION OF FINANCIAL YEAR AND EXTENSION FOR HOLDING THE A.G.M.

The company has received approval from the concerned R.O.C. under section 210(4) of the Companies Act, 1956 for the extension of Financial Year of the company for a period of 6 months i.e. upto 30th September, 2009 with a view to present the latest position on the affairs of the company by way of implementation of the sanctioned scheme. Accordingly, the audited accounts have been prepared for a period of 18 months i.e. from 01.04.2008 to 30.09.2009.

The company has also received approval regarding extension for holding the Annual General Meeting of the company for the year 2009 upto 29th December, 2009 u/s 166(1) of the Companies Act, 1956.

5. DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts the applicable accounting standards have been followed and there are no material departures from the same.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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/loss of the Company for the year under review.
- iii) The Directors have 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, and
- iv) The Directors have prepared the annual accounts on a 'going concern' basis.

6. DIRECTORS

Shri Sita Ram Singla and Shri Suraj Parkash Setia, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

Shri Ajay Singh has been appointed as Special Director- BIFR vide Hon'ble BIFR letter dated 08th September, 2009. He is welcome on the Board.

Shri Atam Prakash Nijhawan and Shri Harish Gupta, Directors has resigned from the Directorship w.e.f. 18.12.2008 and 15.09.2009 respectively due to personal reasons. The Board places on record its appreciation for the services rendered during their tenure as Director of the company.

Your Directors propose to appoint Shri Rajesh Gupta, Director as Managing Director of the Company for a tenure of five years on the terms and conditions given in the Notice convening the Annual General Meeting for the consideration and approval of the members of the company.

None of the Directors of your company is disqualified under section 274(1)(g) of the Companies Act, 1956.

7. AUDIT COMMITTEE

Pursuant to Section 292A(1) of the Companies Act, 1956 and provisions of the Listing Agreement of the Stock Exchange, the company has already constituted Audit Committee consisting of Shri Raj Mittal, Shri Sita Ram Singla, Shri Suraj Parkash Setia and Shri Rajesh Gupta as members. The committee met seven times during the period under review.

8. REMUNERATION COMMITTEE

The remuneration committee comprises of three Directors viz. Shri Raj Mittal as Chairman, Shri Suraj Parkash Setia and Shri Sita Ram Singla as members. All are non-executive 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.

9. MANAGEMENT COMMITTEE

In accordance with para 17 (ii) of the rehabilitation scheme sanctioned by the Hon'ble BIFR, the company has constituted a Management Committee (MC) of the company comprising Shri Rajesh Gupta, Director, Shri K.L. Garg, DGM-IDBI Bank, Shri Ajay Singh, Special Director, BIFR and Shri S.K. Bajaj, General Manager of the company.

10. CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement with the Stock Exchange(s) during the year under review. A separate section on Corporate Governance alongwith certificate from the Auditors confirming the compliance, is annexed and forms part of the Annual Report.

11. REQUIREMENT U/S 217 OF THE COMPANIES ACT, 1956

Additional information regarding the Conservation of energy, Technology absorption and Foreign Exchange earnings and outgo as required U/S 217 (1) (e) of the Companies Act, 1956 is annexed and forms a part of this report.

There were no employees within the meaning of section 217(2A) of the Companies Act, 1956.

12. AUDITORS & AUDITOR'S REPORT

The retiring auditors M/S Sumat Gupta & Co., Chartered Accountants are eligible for re-appointment for the year 2009-10. They have furnished a certificate in terms of section 224(1B) of the Companies Act, 1956 certifying their eligibility to continue as auditors, if re-appointed.

The observations made in the Auditor's Report are self explanatory and therefore, do not call for any further comments.

13. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and co-operation extended by Central and State Governments, Financial Institutions and Banks, Customers and business associates of the Company, and confidence reposed by the Shareholders.

By order of the Board
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana
Dated: 30.11.2009

Sd/-
SANJAY GOEL
DIRECTOR

Sd/-
RAJESH GUPTA
DIRECTOR

ANNEXURE TO THE DIRECTOR'S REPORT

Additional information as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 and forming part of the Director's Report for the 18 months period ended on 30th September, 2009.

A. STATEMENT RELATING TO CONSERVATION OF ENERGY

	2008-09 (18 Months)	2007-08 (12 Months)
a. POWER AND FUEL CONSUMPTION		
1 Electricity		
(a) Purchased		
Unit (Lacs)	88.28	65.01
Total Amount (Rs./lacs)	338.64	214.08
Rate/unit (Rs.)	3.83	3.29
(b) Own Generation		
Through Diesel Generator		
Unit (Lacs)	1.18	5.82
Unit Per Litre of Diesel Oil	3.65	3.70
Cost/Unit (Rs.)	9.04	8.30
2 Coal		
Quantity (Kgs.)	1773722	204000
Total Cost (Rs.)	9945513	1011840
Average Rate (Rs.)	5.61	4.96
3 Furnace Oil	NIL	NIL
4 Other/ Internal Generation (Rice Husk consumption)	NIL	NIL
Qty. (Lacs/kgs)	0.00	0.00
Total Cost (Rs./Lacs)	0.00	0.00
Rate/Unit (Rs./Kg.)	0.00	0.00
b. Consumption per unit of production		
Product		
Cotton & Blended yarn		
Electricity unit/per kg.	3.34	2.98
Furnace Oil	0.00	0.00
Coal	0.00	0.00

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

	2008-09 (18 Months) (Rs./Lacs)	2007-08 (12 Months) (Rs./Lacs)
a) Earning (Export Sales- FOB Value)	142.07	NIL
b) Outgo:		
i) Imports-Raw Material & Spares	4.10	NIL
Capital Goods	NIL	167.07
ii) Expenditure	NIL	NIL
c) Net Foreign Exchange Earnings	137.97	NIL

By order of the Board
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana
Dated: 30.11.2009

Sd/-
SANJAY GOEL
DIRECTOR

Sd/-
RAJESH GUPTA
DIRECTOR

REPORT ON CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with Stock Exchange, the details of Corporate Governance and processes including compliances by the Company with the provisions of Clause 49 are as follows:

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is the set of policies, practices, procedure and processes by which a Company conducts its affairs in pursuit of its business goals. Your Company believes in adopting the best practices in the areas of Corporate Governance. The company recognizes that good Corporate Governance is essential to build and retain the confidence of its stakeholders. To this end, the company's philosophy on Corporate Governance is to ensure:

- That systems and procedures which monitor compliance with laws, rules and regulations are in place in each area of its business.
- That relevant information regarding the company and its operations is disclosed, disseminated and easily available to its stakeholders.

During the period under review, the company has its 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

(a) Composition of Board of Directors:

The Company has a Non-Executive Chairman and the number of Independent Directors is not less than half of the total number of Directors as required by Clause 49. The number of Non-Executive Directors is more than 50% of the total number of Directors.

The Current Policy is to have an appropriate mix of executive and independent directors to maintain the independence of the board and to separate the board functions of governance and management.

(b) The names and categories of the Directors on the Board, their attendance at Boards Meetings during the year and at the last Annual General Meeting is as follows:

Name of the Director	Category	No. of Board Meetings attended during 2008-2009	Whether attended AGM held on 29.09.2008
Shri Sita Ram Singla	Chairman (Independent/ Non Executive)	5	Yes
Shri Rajesh Gupta	Promoter/ Executive	11	Yes
Shri Harish Gupta*	Promoter/ Non Executive	10	Yes
Shri Sanjay Goel	Promoter/ Non Executive	10	Yes
Shri Suraj Parkash Setia	Independent, Non Executive	8	No
Shri Raj Mittal	Independent, Non Executive	8	Yes
Shri Atam Prakash	Executive Director	0	No

Nijhawan**			
Shri Ajay Singh***	Special Director-BIFR	0	N.A.

* Resigned on 15.09.2009

**Resigned on 18.12.2008

*** Appointed on 08.09.2009

(c) Board Procedure

Your Company's Board of Directors meets atleast once a quarter to review the quarterly results and other items on the Agenda and also on the occasion of the Annual Shareholder's Meeting. When necessary, additional meetings were held. Audit Committee of the Board usually meet the same day of the formal Board Meeting or as and when required.

Eleven (11) Board Meetings were held during the 18 months period under review and the gap between two meetings did not exceed three months. The dates on which the Board Meetings were held were as follows:

30th April, 2008, 30th July, 2008, 12th August, 2008, 31st October, 2008, 04th November, 2008, 27th January, 2009, 31st March, 2009, 30th April, 2009, 30th July, 2009, 22nd August, 2009 and 31st August, 2009.

Board Meetings are usually held at the Corporate Office of the Company at Ludhiana. Steps were taken by the Company to rectify instances of non-compliances, if any.

3. REMUNERATION TO DIRECTORS

No remuneration has been paid to any Director during the period under review except the sitting fees for the Board and Audit Committee meetings attended by them .The sitting fees has been paid @ Rs. 2000/- per meeting, together with Rs. 500/-- towards incidental charges for attending each Board Meeting/ Audit Committee Meeting as follows:

Name of the Director	Sitting Fees for Board Meetings	Sitting Fees for Audit Committee Meetings
Mr. Sita Ram Singla	Rs. 12,500/-	Rs. 7500/-
Mr. Rajesh Gupta	Rs. 27,500/-	Rs. 17,500/-
Mr. Harish Gupta	Rs. 20,000/-	N.A.
Mr. Sanjay Goel	Rs. 22,500/-	N.A.
Mr. Suraj Parkash Setia	Rs. 20,000/-	Rs. 15,000/-
Mr. Raj Mittal	Rs.20,000/-	Rs. 15,000/-

4. AUDIT COMMITTEE

(a) The following four directors are members of the audit committee:

1. Shri Raj Mittal, Chairman
2. Shri Sita Ram Singla, Member
3. Shri Rajesh Gupta, Member
4. Shri Suraj Parkash Setia, Member

(b) In terms of reference of this committee, cover matters specified under the listing agreement and the Companies Act, 1956. Further internal audit is being conducted for Stores and financial transactions of Banks along with sundry debtors. However the area & scope of internal audit is being considered to be enlarged to make the same more effective & meaningful.

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 Sita Ram Singla, Director, as the Chairman and Shri Rajesh Gupta and Shri Raj Mittal, 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.

6. REMUNERATION COMMITTEE

The remuneration committee comprises of three Directors viz. Shri Raj Mittal as Chairman, Shri Suraj Parkash Setia and Shri Sita Ram Singla as members. All are non-executive 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.

7. CEO/CFO CERTIFICATION

In terms of the requirement of the amended clause 49, the certificates from CEO/CFO had been obtained and placed before the Board of Directors.

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 Rajesh Gupta, 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 2008-09.

Date: 30.11.2009
Place:Ludhiana

Sd/-
Rajesh Gupta
Director

9. GENERAL BODY MEETINGS

Details of location of the Annual General Meetings (AGMs) / Extraordinary General Meetings (EGMs) held during the last three years and the details of the resolutions passed or to be passed by Postal Ballot.

Type of Meeting	Financial Year	Date	Location of Meeting	Time
AGM	2007-08	29.09.2008	Registered Office at New Delhi	11.00 A.M.
AGM	2006-07	29.09.2007	Registered office at New Delhi	12.30 P.M.

EGM	2006-07	30.03.2007	Green Hotel, New Delhi	11.00 A.M.
AGM	2005-06	21.09.2006	Registered office at New Delhi	4.00 P.M.

Details of the special resolution passed in the last year through postal ballot and details of voting pattern:

S.No.	Details of Resolution passed through postal ballot	Details of voting pattern	Person who conducted the postal ballot exercise
1.	<p>Special Resolution passed by the members of the Company on 14.05.2008 through notice of postal ballot dated 27.03.2008:</p> <p>To shift the Registered Office of the company from the state of NCT of Delhi to the State of Himachal Pradesh pursuant to the provisions of Section 17 read with Section 146(2) and Section 192A of the Companies Act, 1956 and to substitute Clause II of the Memorandum of Association of the Company as follows:</p> <p>II. The Registered Office of the Company is situated in the State of Himachal Pradesh.</p>	<p>No of votes cast in favour of the resolution (No. of shares) – 5,35,600</p> <p>No. of votes cast against the resolution (No. of shares) : NIL</p>	<p>Raj Kumar Gupta Partner Raj Gupta & Co. Chartered Accountants</p> <p>FCA No. 017039</p>

Details of special resolution which is proposed to be passed through postal ballot-

No special resolution is proposed to be passed through postal ballot.

10. OTHER DISCLOSURES

- 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 para 12 of Schedule 20 of the annual accounts of the company for the period ended 30th September, 2009.
- Details of 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. NIL.

11. MEANS OF COMMUNICATION

Newspapers where quarterly results are normally published	Business Standard (Hindi & English)
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 MD& A is a part of annual report or not	Yes
---	-----

12. GENERAL SHAREHOLDER INFORMATION

AGM : Date, time and venue	Tuesday, 29 th December, 2009 Time: 11.00 A.M. Venue: Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.) 174103
Financial Year	01 st April 2008 to 30 th September 2009 (18 months)
Book Closure Date	24 th December, 2009 to 29 th December, 2009

13. LISTING ON STOCK EXCHANGES

The Company's Securities are listed on the The Bombay Stock Exchange Limited, Mumbai.

The listing of the equity shares of the company is presently in physical form.

BSE Scrip Code: 514010

Listing Fees has been paid to Bombay Stock Exchange Limited.

14. 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.

The request for admission of equity shares towards dematerialization was earlier refused by CDSL/ NSDL on the ground of negative net worth of the company. However, it is proposed to make a fresh request in the current financial year on the basis of latest audited balance sheet of the company.

15. COMPLIANCE OFFICER

Shri Roopesh Kumar
Company Secretary
Himachal Fibres Limited
Corporate Office:
358-A, Dr. Hira Singh Road,
Civil Lines, Ludhiana – 141 001

16. MARKET PRICE DATAS

Since the company's shares are not frequently traded during the period under review, the information about market price data is available.

Registered Office & Works	Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.) -174103
Address for Correspondence	Himachal Fibres Limited, Corporate Office: 358-A, Dr. Hira Singh Road, Civil Lines, Ludhiana – 141 001 Phone: 0161-2401989 Fax: 0161-2403350 E.Mail. investorrelations@himachalfibre.com

CERTIFICATE

To,
The Members,
HIMACHAL FIBRES LIMITED

We have examined the compliance of conditions of Corporate Governance by the HIMACHAL FIBRES LIMITED, for the period ended on 30th September, 2009, as stipulated in Clause 49 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

PLACE: Ludhiana
DATE: 30.11.2009

AUDITOR'S REPORT

**The Shareholders,
Himachal Fibres Limited,**

We have audited the attached Balance Sheet of **Himachal Fibres Limited** as at **30.09.2009** and also Profit & Loss Account for year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.

2. Further to our comments in the annexure referred to in paragraph (1) above, we report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

(ii) In our opinion proper Books of Account as required by Law have been kept by the Company so far as appears from our examination of such books.

(iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account.

(iv) In our opinion and to the best of our information and according to the explanations give to us, the said account, read together with Significant Accounting Polices and Notes on Account thereon, comply with accounting standards referred to in section 211(3C) of Companies Act, 1956.

(v) On the basis of the written representation received from the directors and taken on record by the company, we report that none of the directors is disqualified, as on the balance sheet date, from being appointed as a director in terms of section 274 (I) (g) of the Companies Act, 1956.

(vi) We further report that in our opinion and to the best of our information and according to explanations given to us, the said account subject to non compliance of provisions of section 297 in respect of purchases made from contractee parties in excess of the approved limits and read together with notes on account (As per Schedule- XX) give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting generally accepted in India:-

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 30th September, 2009.
- ii) In the case of Profit & Loss Account , of the loss for the year ended on that date and
- iii) In the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

**FOR SUMAT GUPTA & CO.
CHARTERED ACCOUNTANTS**

**DATED: 30-11-2009
PLACE: LUDHIANA**

**Sd/-
SUMAT GUPTA
PARTNER
(M.NO. 86000)**

**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 neither granted nor taken any loan secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. However, there is loan of Rs.400 Lacs outstanding as on 30.09.2009 from a party covered in the register maintained u/s 301 of the Act.

(b) According to information and explanation given to us the terms and conditions of such loans taken are not prejudicial to the interest of the company. However the company is not paying any interest on the loans taken.

(c) On the basis of the examination of the books under review and explanations given to us, we are of the opinion that the company is making regular repayments of loans.

(d) On the basis of the examination of the books under review and explanations given to us, we are of the opinion that there is no overdue amount in respect of such loan.

1. 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 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 had accepted deposits from the public in earlier year and has complied the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptances of Deposit) Rules, 1975 except non filing of fixed deposit return and non maintenance of liquid assets as required by Rule 3A of the aforesaid Rules.

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 accounts 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.	Provident Fund Act	Employer's Contribution to EPF & FPF	259836/-

		Employee's Contribution to EPF & FPF	179404/-
2.	E.S.I.C Act	Employer's Contribution to E.S.I.	123011/-
		Employee's Contribution to E.S.I.	8342/-
3.	Himachal Pradesh Sales Tax Act	Works Contract Tax Payable	136008/-

(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. 2447.25 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 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 within the category of Chit fund/Nidhi/Mutual Benefit fund/Society, therefore clause (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 clause (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the year under audit.

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, we are of the opinion that the term loans taken during the period under review were applied for the purpose for which these were obtained.

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. As per the rehabilitation scheme sanctioned by Hon'ble BIFR, the company has made preferential allotment in favour of the promoters/ associates to the tune of Rs. 1,50,25,000/- divided into 15,02,500 equity shares of Rs. 10/- each.

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**

**DATED:30.11.2009
PLACE: LUDHIANA**

**Sd/-
SUMAT GUPTA
PARTNER
(M.NO. 86000)**

HIMACHAL FIBRES LIMITED

BALANCE SHEET AS ON 30.09.2009

PARTICULARS	SCHEDULE	AMOUNT (IN RS.)	
		AS AT 30.09.2009	AS AT 31.03.2008
<u>SOURCES OF FUNDS</u>			
<u>SHAREHOLDERS FUNDS</u>			
Share Capital	I	166550000.00	46550000.00
Reserve & Surplus	II	192782546.00	173253046.00
Total Share Holder's Fund		359332546.00	219803046.00
<u>LOAN FUNDS</u>			
Secured Loans	III	315065320.90	133304135.39
Unsecured Loans	IV	81168387.92	86310822.98
Total Loan Funds		396233708.82	219614958.37
TOTAL		755566254.82	439418004.37
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>			
Gross Block	V	395236092.57	358212637.19
Less Depreciation		232870968.00	204461476.00
Net Block		162365124.57	153751161.19
CAPITAL WORK IN PROGRESS	VI	112573421.41	40228989.73
<u>CURRENT ASSETS, LOAN AND ADVANCES</u>			
Inventory	VII	242636699.00	112381548.75
Sundry Debtors	VIII	81834817.46	41883671.00
Cash & Bank balances	IX	2875405.77	8291726.06
Loan & Advances	X	14538676.25	17667526.33
Total Current Assets		341885598.48	180224472.14
less Current Liabilities and Provisions	XI	105982555.59	227256832.50
Net Current Assets		235903042.89	(47032360.36)
PROFIT AND LOSS ACCOUNT		244724665.95	292470213.81
TOTAL		755566254.82	439418004.37

**ACCOUNTING POLICIES AND NOTES TO
ACCOUNTS**

XX

As per report of even date attached
For SUMAT GUPTA & CO.
Chartered Accountants

Sd/-
Sumat Gupta

Sd/-
Roopesh Kumar

Sd/-
Rajesh Gupta

Sd/-
Sanjay Goel

Partner
M.No.086000

CompanySecretary

Director

Director

Place: Ludhiana
Dated:30.11.2009

HIMACHAL FIBRES LIMITED

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 30.09.2009

PARTICULARS	SCHEDULE	AMOUNT (IN RS.)	
		AS AT 30.09.2009	AS AT 31.03.2008
<u>INCOME</u>			
Sales within India		1161636256.19	372004241.22
Sales Export		14207364.00	0.00
Other Income	XII	19624538.86	3823196.36
Increase/(decrease) in stocks	XIII	97892233.10	40338345.90
TOTAL		1293360392.15	416165783.48
<u>EXPENDITURE</u>			
Raw Material Consumed	XIV	1075520922.72	302545790.70
Manufacturing Expenses	XV	72264209.47	34256309.09
Personnel Expenses	XVI	28632071.25	13312226.00
Administrative Expenses	XVII	8283131.56	4917032.47
Financial Expenses	XVIII	48002802.42	21459831.36
Selling Expenses	XIX	15114203.43	10739958.22
Depreciation		28409492.00	15472231.00
TOTAL		1276226832.85	402703378.84
Profit(Loss) during the year		17133559.30	13462404.64
<u>Less: Provision for Taxation</u>			
--Current Tax		0.00	0.00
--Deferred Tax		0.00	0.00
--Fringe Benefit Tax		103040.00	161000.00
--Income Tax Earlier Years		(240.00)	0.00
Profit after tax		17030759.30	13301404.64
Add: Balances Written Back		30714788.56	0.00
Add Balance Brought Forward		(292470213.81)	(305771618.45)
Balance available for appropriation		(244724665.95)	(292470213.81)
Appropriations			
Proposed Dividend			
--On Preference Shares		0.00	0.00
--On Equity Shares		0.00	0.00
Transfer to Capital Redemption Reserve		0.00	0.00
Balance surplus carried to Balance Sheet		(244724665.95)	(292470213.81)

XX

**ACCOUNTING POLICIES AND NOTES TO
ACCOUNTS**

As per report of even date attached

For SUMAT GUPTA & CO.

Chartered Accountants

Sd/-
Sumat Gupta

Partner
M.No.086000

Place: Ludhiana
Dated:30.11.2009

Sd/-
Roopesh Kumar
Company
Secretary

Sd/-
Rajesh Gupta
Director

Sd/-
Sanjay Goel
Director

HIMACHAL FIBRES LIMITED
SCHEDULES TO THE BALANCE SHEET AS ON 30.09.2009

SCHEDULE - I

PARTICULARS	AMOUNT (Rs.)	
	AS AT 30.09.2009	AS AT 31.03.2008
<u>SHARE CAPITAL</u>		
<u>Authorised Share Capital</u>		
60,00,000 Equity Shares of Rs. 10/- each	60000000.00	60000000.00
1,65,000 16.5% Cumulative Redeemable Preference Shares of Rs. 100/- each	16500000.00	16500000.00
14,35,000 4% Non-Cumulative Redeemable Preference Shares of Rs.100/- each	143500000.00	143500000.00
TOTAL	220000000.00	220000000.00
<u>Issued, Subscribed & Paid Up Share Capital</u>		
30,05,000 Equity Shares of Rs. 10/- each	30050000.00	30050000.00
1,65,000 16.5% Cumulative Redeemable Preference Shares of Rs.100/- each	16500000.00	16500000.00
12,00,000 4% Non-Cumulative Redeemable Preference Shares of Rs.100/- each	120000000.00	0.00
TOTAL	166550000.00	46550000.00

SCHEDULE - II

<u>RESERVE & SURPLUS</u>		
Capital Redemption Reserve	1464070.00	1464070.00
Capital Reserve	171788976.00	
Add: amount transferred by way of capital reduction	15025000.00	
Add: amount transferred during the year	4504500.00	171788976.00
TOTAL	192782546.00	173253046.00

SCHEDULE - III

<u>SECURED LOANS</u>		
<u>(A) TERM LOANS</u>		
<u>From State Bank of India</u>		
Term Loan-I	32229496.00	43573983.00
Term Loan-II	53464294.00	0.00
SUB TOTAL (A)	85693790.00	43573983.00
<u>(B) WORKING CAPITAL FACILITIES</u>		
<u>From State Bank India</u>		
Cash Credit against Stock & book Debts		
Rupee Loan	229371530.90	10058448.39
FCNRB Loan	0.00	61652101.00
SLC Loan	0.00	18019603.00
SUB TOTAL (B)	229371530.90	89730152.39
TOTAL (A+B)	315065320.90	133304135.39

SCHEDULE - IV

<u>UNSECURED LOANS</u>		
Fixed Deposits	0.00	4155000.00
Deferred Payment Liability for Land	13318.00	13318.00
Loan Against Vehicles	654569.92	1292504.98
From Others	80500500.00	80850000.00
TOTAL	81168387.92	86310822.98

SCHEDULE - VI

PARTICULARS	AMOUNT (Rs.)	
	AS AT 30.09.2009	AS AT 31.03.2008
<u>CAPITAL WORK IN PROGRESS</u>		
Building under Construction	51677902.00	10170862.00
Machinery under Installation	36149381.00	8068873.00
Pre-operative Exp	5188658.00	1365234.00
Advances for Capital Assets	19557480.41	20624020.73
TOTAL	112573421.41	40228989.73

SCHEDULE - VII

<u>INVENTORY</u>		
Raw Material	92524338.00	56940605.00
Work in progress	16319680.00	20460201.90
Finished Goods	130574683.00	28541928.00
Store & Spares	3217998.00	6313147.85
Stock in Transit	0.00	125666.00
TOTAL	242636699.00	112381548.75

SCHEDULE - VIII

<u>SUNDRY DEBTORS</u> (Unsecured and considered good unless otherwise stated)		
Outstanding more than six months	7761884.46	216569.00
Others	74072933.00	41667102.00
TOTAL	81834817.46	41883671.00

SCHEDULE - IX

<u>CASH AND BANK BALANCES</u>		
a) Cash in Hand	1923575.36	3329972.86
b) Balances with scheduled banks in		
--Current Accounts	336830.41	596753.20
--Fixed Deposit Accounts	615000.00	4365000.00
TOTAL	2875405.77	8291726.06

SCHEDULE - X

<u>LOAN & ADVANCES</u>		
Advances Recoverable in cash or in kind or for value to be Received	7583758.29	9170075.63
Assets against Lease	3499198.00	4998853.00
Advances to Suppliers	1299719.96	142597.70
<u>SECURTIES</u>		
Electricity Security	2050000.00	3250000.00
Security with Others	106000.00	106000.00
TOTAL	14538676.25	17667526.33

SCHEDULE - XI

<u>CURRENT LIABILITIES & PROVISIONS</u>		
<u>(A) CURRENT LIABILITIES</u>		
Sundry Creditors	70600501.40	55992468.12
Advance from Customers	791530.00	20003.00
Share Application Money	18300000.00	120000000.00
Other Liabilities	16187484.19	51083361.38
<u>(B) PROVISIONS</u>		
Provision for FBT	103040.00	161000.00
TOTAL	105982555.59	227256832.50

SCHEDULE - XII

PARTICULARS	AMOUNT (Rs.)	
	AS AT 30.09.2009	AS AT 31.03.2008
<u>OTHER INCOME</u>		
Interest Received	723494.00	352020.00
Miscellaneous Receipts	1422.86	759.36
Insurance Claim Received	61902.00	116956.00
Profit on Sale of Machinery	0.00	3353461.00
Profit on Sale of Cotton	17736250.00	0.00
Exchange Rate Difference	167819.00	0.00
Export Incentives received	933651.00	0.00
TOTAL	19624538.86	3823196.36

SCHEDULE - XIII

<u>INCREASE/ (DECREASE IN STOCKS</u>		
<u>CLOSING STOCK</u>		
Finished Goods	129913589.00	25276312.00
Work in Progress	16319680.00	20460201.90
Waste	661094.00	3265616.00
TOTAL (A)	146894363.00	49002129.90
<u>OPENING STOCK</u>		
Finished Goods	25276312.00	5999709.00
Work in Progress	20460201.90	2083361.00
Waste	3265616.00	580714.00
TOTAL (B)	49002129.90	8663784.00
INCREASE/ (DECREASE IN STOCK) (A-B)	97892233.10	40338345.90

RAW MATERIAL CONSUMED

SCHEDULE - XIV

Raw Material Consumed	1075520922.72	302545790.70
Raw material consumed	1075520922.72	302545790.70

SCHEDULE - XV

<u>MANUFACTURING EXPENSES</u>		
Power and Electricity	33864041.00	21407520.00
Fuel Consumed	11012995.00	5844428.00
Dyes & Chemical	14711896.30	1367301.00
Oil & Lubricants	1538351.00	213572.00
Store and Spares Consumed	8436856.19	2385634.89
Freight & Carriage Inward	524357.16	995601.00
Lease Rent Machinery	1499655.00	999770.00
Job Work Expenses	116239.00	0.00
Machinery Repair	559818.82	1042482.20
TOTAL	72264209.47	34256309.09

SCHEDULE - XVI

PERSONNEL EXPENSES		
Salaries and Wages	23272369.00	10087908.00
Staff Welfare	960018.25	260412.00
Bonus	448413.00	280476.00
Contribution to EPF & FPF	1065110.00	914458.00
Contribution to ESI	480226.00	385076.00
Conveyance Allowance	448992.00	137035.00
House Rent Allowance	1071348.00	954683.00
Leave Travel Allowance	86216.00	74609.00
Leave With Wages	89795.00	20363.00
Medical Allowance	164795.00	193259.00
Security Expenses	268954.00	0.00
Recruitment Expenses	275835.00	3947.00
TOTAL	28632071.25	13312226.00

SCHEDULE - XVII

PARTICULARS	AMOUNT (Rs.)	
	AS AT	AS AT 31.03.2008
	30.09.2009	
<u>ADMINISTRATIVE EXPENSES</u>		
Remuneration of Auditors --Audit Fee	165450.00	56180.00
--Income Tax Matters	150000.00	50000.00
Board Meeting Fees	177500.00	100000.00
Meeting Expenses	7668.00	25750.00
Membership and Subscription	18000.00	18591.00
Festival /worship Expenses	141029.00	238126.00
Computer Expenses	36664.00	28350.00
Newspapers,Books and Periodicals	4222.00	15269.00
Telephone,Telex and Postage	814586.00	380340.88
Travelling Expenses	506795.00	462855.14
Conveyance Reimbursement	144314.00	363126.00
Rent	884000.00	331923.00
Repair & Maintenance	676574.00	220776.05
Vehclie Repair & Maintenance	539778.18	391592.40
Charity and Donation	0.00	133113.00
Fees and Taxes	256774.74	260948.00
Insurance Charges	1630720.00	881727.00
Legal and Professional Charges	1176820.84	398939.00
General Expenses	239575.00	363843.00
Printing and Stationery	350462.80	188654.00
Fine & Penalty	281200.00	6929.00
Water and Electricity	80998.00	0.00
	8283131.56	4917032.47

SCHEDULE - XVIII

<u>FINANCIAL EXPENSES</u>		
Bank Interest	41988581.88	17502331.47
Interest to Others	1953652.00	900188.00
Bank Charges	3864591.60	2960173.87
Hire Charges	195976.94	97138.02
	48002802.42	21459831.36

SCHEDULE - XIX

<u>SELLING EXPENSES</u>		
Freight and Cartage Outward	4957995.00	3289243.72
Advertisement Exp.	162740.00	67118.00
Export Expenses	412309.00	0.00
Packing and Handling Expenses	7269865.88	3436221.50
Cash Discount	431829.00	386232.00
Rebate & Discount	227441.55	2554879.00
Commission	553942.00	268238.00
Additional Goods Tax Paid	1098081.00	738026.00
	15114203.43	10739958.22

SCHEDULE-XX**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****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.No Provision for MAT u/s 115JB has been provided in the books of account since the company is sick u/s 17(1) of the sick industrial companies (Special Provisions) Act,1985.

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

No employee is eligible for gratuity.

-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 and Finished Goods 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	As At
	30.09.2009	31.03.2008
Claims* (excluding claims by employees where amount are not ascertainable) not acknowledged as debt:		
-Letter of Credit Unutilized (Net of Margin)	--	32.50
-Estimated amount of contracts remaining to be executed on capital account (Net of advances)	250.00	250.00

3. There are no disputed dues of custom duty, wealth tax, Sales Tax, Service Tax, Central Excise and cess matters which have not been deposited by the Company.

4. No. employee was in receipt of remuneration aggregating to Rs.2400000/- per annum throughout the year or Rs.200000/- per month for a part of the year.

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	As At
	30.09.2009	31.03.2008
Profit/(Loss) attributable to equity shareholders (Rs. in Lacs) (A)	170.31	133.01
Less: Preference Dividend for the year	75.23	27.23
Earnings Attributable to Equity shareholders	95.08	105.78
Weighted average number of equity shares (Nos) (B)	3005000	3005000
Earning per shares (Rs per shares) (face value of Rs.10 each) (A/(B))	3.16	3.52
Diluted earning per share	3.16	3.52

7. Borrowing cost capitalized (including capital work in progress) during the period amounts to Rs.51.88 Lacs (Previous Year Rs.25.78 Lacs)

8. **Deferred Taxation**

In view of carried forward losses of earlier years, no provision for deferred tax liability/assets has been provided.

9. 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

- Garg Corporation Limited
- Garg International Pvt Ltd.
- Punjab Coal Enterprises Pvt Ltd.
- Garg Infrastructures Pvt Ltd.
- Roland Impex Pvt Ltd.
- Roland Exports
- Liberty Cements Private Limited

II. Key Management Persons

- Sh. Harish Gupta*
- Sh. Rajesh Gupta
- Sh. Sanjay Goel
- Sh. Raj Mittal
- Sh. Sita Ram Singla
- Sh. Suraj Parkash Setia
- Sh. A.P. Nijhawan**
- Sh. Ajay Singh***

*Resigned on 15.09.2009

**Resigned on 18.12.2008

*** Appointed as special director-BIFR on 08.09.2009

10. Disclosure of transactions between the company and related parties during the year and outstanding balances as on September 30, 2009.

(Rs. in Lacs)

Particulars	Enterprises that are under common control as the company		Key management personnel	
	As At 30.09.2009	As At 31.03.2008	As At 30.09.2009	As At 31.03.2008
Commission on Consignment Sale	Nil	0.74	Nil	Nil

Purchases	1674.34	1089.38	Nil	Nil
Sales	6022.51	688.08	Nil	Nil
Unsecured Loans Taken	Nil	400.00	Nil	Nil
Director Sitting fees	1.78	1.00	Nil	Nil

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.

12. No remuneration has been paid to any managerial personnel during the year under review.

13. Balance of Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation and reconciliation.

14. **Payment to Auditors:-**

(Rs. in Lacs)

Particulars	As At 30.09.2009	As At 31.03.2008
Audit Fees	1.65	0.56
Tax Audit Fees	1.50	0.50
Total	3.15	1.06

15. Cash Credit and Term Loan Facilities raised from State Bank of India, SCB, Miller Ganj, Ludhiana are secured primarily by way of 1st charge on all the current and fixed assets of the company including equitable mortgage of leasehold rights of factory land and building. Both the facilities are further secured by the personal guarantee of the directors.

16. Vehicle loan taken from ICICI Bank Ltd., Kotak Mahindra Bank Ltd, Magma Sharachi Finance Limited and TML Financial Services Ltd. are secured by way of hypothecation of the vehicle against which the loan has been taken.

17. (a) Due to erosion of net worth of the company, the Board of Directors had made a reference to the Hon'ble Board for Industrial & Financial Reconstruction under section 15(1) of the Sick Industrial Companies (Special Provisions) Act 1985 for measures to be adopted with respect to the company, and the reference was registered as case no. 219/2001 on 07/06/2001. Hon'ble BIFR in its hearing held on September 18, 2007 declared the company as sick u/s 3 (1) (o) of SICA and appointed IDBI Bank Limited (IDBI) as the Operating Agency(OA) u/s 17(3) of the Act. The bench directed the OA to formulate a rehabilitation scheme for the sick company keeping in view the provisions of Section 18 of the Act.

(b) The Hon'ble Board for Industrial & Financial Reconstruction (BIFR) has vide their order dated 21.07.2009 sanctioned the Rehabilitation Scheme for the revival of the company. As per the sanctioned scheme, the existing paid-up Equity Share Capital has been reduced by 50% by way of reduction of face value of each equity share from Rs. 10/- each per share to Rs. 5/- each per share

and thereafter consolidation of two equity shares of Rs. 5/- each into one equity share of Rs. 10/- each. Therefore amount of Rs. Rs.15025000/- resulted from capital reduction has been transferred to Capital Reserve.

(c) As per the rehabilitation sanctioned scheme, the company has made preferential allotment in favour of the promoters/ associates to the tune of Rs. 1,50,25,000/- divided into 15,02,500 equity shares of Rs. 10/- each against their share application money.

(d) As per the rehabilitation scheme sanctioned by Hon'ble BIFR, the company has accepted 10% of principal outstanding amount of all old unsecured creditors/loans as liability and balance 90% amount has been waived off. Therefore amount of Rs. 307.15 lacs pertaining to old sundry creditors of the company has been adjusted to the profits of the company as income and amount of Rs. 45.04 lacs pertaining old unsecured loans has been transferred to the reserves of the company as capital receipt.

(e) 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.

18. 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.

19. The company has drawn accounts for the current year for a period of 18 months period ended on 30.09.2009 as against 12 months for the immediately preceding year. Therefore the figures are not comparable.

20. Additional Information

a) Licensed and installed capacity: Annual capacity

Particulars	Unit	Licensed capacity		Installed capacity	
		As at 30.09.2009	As at 31.03.2008	As at 30.09.2009	As at 31.03.2008
Cotton and Blended Yarn	Spindles	100000	100000	20344	20344
	Rotors	NA	NA	504	504

b) Actual production

Particulars	Unit	As at 30.09.2009	As at 31.03.2008
Cotton and Blended Yarns	MT	2680.867	2415.735
Waste	MT	342.835	619.249
Total		3023.702	3034.984

c) Closing stock of finished goods

(Rs. in Lacs)

Particulars	Unit	As at 30.09.2009		As at 31.03.2008	
		Qty.	Value	Qty.	Value
Cotton and Blended Yarns	MT/Rs.	358.059	355.04	279.035	252.76
Waste	MT/Rs.	31.719	7.14	114.583	32.66
Polyester Fibre	MT/Rs.	47.124	17.58	--	--
Knitted Cloth	MT/Rs.	189.194	570.81	--	--
Cotton	MT/Rs.	26.04	20.06	--	--
Yarn	MT/Rs.	325.67	335.11	--	--
Total		977.806	1305.74	393.618	285.42

d) Turnover

(Rs. in Lacs)

Particulars	Unit	As at 30.09.2009		As at 31.03.2008	
		Qty.	Value	Qty.	Value
Cotton and Blended Yarns	MT/Rs.	2601.843	2600.33	2281.341	1889.42
Waste	MT/Rs.	163.444	23.18	229.677	11.66
Cotton	MT/Rs.	8721.365	5575.28	3156.74	1818.96
Polyester Fibre	MT/Rs.	2419.402	1611.00	--	--
Knitted Cloth	MT/Rs.	553.672	1656.84	--	--
Yarn	MT/Rs.	164.55	277.70	--	--
Other	--/Rs.	--	14.11	--	--
Total		14624.276	11758.44	5667.758	3720.04

e) CIF value of imports

(Rs. in Lacs)

Particulars	As at 30.09.2009	As at 31.03.2008
Capital Goods	--	167.07
Store & Spares	4.10	--

f) Expenditure in Foreign Currency: Rs. 4.10 Lacs

g) Value of raw materials stores and spares consumed

(Rs. in Lacs)

Particulars	As at 30.09.2009		As at 31.03.2008	
	Import	Indigenous	Import	Indigenous

Raw materials	--	10755.21	--	3025.46
Percentage	--	100%	--	100%
Components, store and spares	4.10	315.47	--	74.02
Percentage	1.28%	98.72%	--	100%

h) Earning in foreign exchange

(Rs. in Lacs)

Particulars	As at 30.09.2009	As at 31.03.2008
Export goods calculated on FOB value	142.07	Nil

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

22. Schedules I to XX form an integral part of the accounts.

23. Balance Sheet Abstract and Company's General Business Profile as per Part IV to Schedule VI to the Companies Act, 1956:-

(Rs. In Thousands)

I.	REGISTRATION DETAILS	REGISTRATION NO. BALANCE SHEET DATE	L17119HP1980PLC031020 30.09.2009
II.	CAPITAL RAISED DURING THE YEAR (RUPEES IN THOUSANDS)	PUBLIC ISSUE RIGHTS ISSUE BONUS ISSUE PRIVATE PLACEMENT	NIL NIL NIL 120000
III.	POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (RUPEES IN THOUSANDS) <u>SOURCES OF FUNDS</u>	TOTAL LIABILITIES TOTAL ASSETS PAID-UP CAPITAL RESERVES AND SURPLUSES SECURED LOANS UNSECURED LOANS DEFERRED TAX LIABILITY	616824 616824 166550 192783 315065 81168 0
	<u>APPLICATION OF FUNDS</u>	NET FIXED ASSETS INVESTMENTS NET CURRENT ASSETS PROFIT & LOSS ACCOUNT	274939 0 235903 244724
IV.	PERFORMANCE OF COMPANY (RUPEES IN	TURNOVER(INCLUDING	1195468

	THOUSANDS)	OTHER INCOME)	
		TOTAL EXPENDITURE	1178334
		PROFIT/(LOSS) BEFORE TAX	17134
		PROFIT/(LOSS) AFTER TAX	17031
		EARNING PER SHARE IN RUPEES	3.16
		DIVIDEND RATE	NIL
V.	GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPNAY (AS PER MONETARY TERMS)	PRODUCT DESCRIPTION MANUFACTURING OF YARNS	ITEM CODE NO. (ITC CODE) N.A.

As per report of even date attached
For SUMAT GUPTA & CO.
Chartered Accountants

Sd/-
Sumat Gupta
Partner
M.No.086000

Sd/-
Roopesh Kumar
Company Secretary

Sd/-
Rajesh Gupta
Director

Sd/-
Sanjay Goel
Director

Place: Ludhiana
Dated: 30.11.2009

HIMACHAL FIBRES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30.09.2009

	PARTICULARS	A M O U N T (Rs.)	
		AS AT 30.09.2009	AS AT 31.03.2008
A	<u>CASH FLOW FROM/USED IN OPERATING ACTIVITIES</u>		
	Net profit before tax	17133559.30	13462404.64
	<u>Adjustments for:</u>		
	Depreciation	28409492.00	15472231.00
	Miscellaneous expenses written off	0.00	0.00
	Interest Expenses	48002802.42	21459831.36
	Interest income	(723494.00)	(352020.00)
	Doubtful debts	0.00	0.00
	Long term (trade) investments in subsidiary written off	0.00	0.00
	Provision for diminution in value of non-trade current investmnets	0.00	0.00
	Liabilities no longer required written back	35219288.56	0.00
	Profit on sale of current invesments (non-trade)	0.00	0.00
	Loss on sale of non-trade current investments	0.00	0.00
	Dividend from non-trade unquoted current investments	0.00	0.00
	Loss on sale of fixed assets	0.00	0.00
	Profit on sale of fixed assets	0.00	(3353461.00)
	Operating profit before working capital changes	128041648.28	46688986.00
	Adjustments for:		
	(Increase)/decrease in trade and other receivables	(36822296.38)	(47124866.50)
	(Increase)/decrease in inventories	(130255150.25)	21826543.25
	Increase/(decrease) in trade payables and other liabilities	(121274276.91)	(11919038.26)
	Cash generated from operations	(160310075.26)	9471624.49
	Income tax paid	102800.00	161000.00
	Net cash from/used in operating activities	(160412875.26)	9310624.49
B	<u>CASH FLOW FROM/USED IN INVESTING ACTIVITIES</u>		
	Purchase of fixed assets	(109367887.06)	(95758895.49)
	Sale of fixed assets	0.00	3395000.00
	Purchase of investments	0.00	0.00
	Sale of investments	0.00	0.00
	Interest Received	723494.00	352020.00
	Net cash from/used in investing activities	(108644393.06)	(92011875.49)
C	<u>CASH FLOW FROM/USED IN FINANCING ACTIVITIES</u>		
	Proceeds from issue of Equity Warrants	15025000.00	0.00
	Proceeds from issue of Pref. shares warrants	120000000.00	0.00
	Proceeds from long term borrowings	52427371.94	117345499.02

Repayment of long term borrowings	(15450000.00)	0.00
Changes in working capital loans/short term borrowings	139641378.51	(9942395.17)
Dividend paid	0.00	0.00
Interest Paid	(48002802.42)	(21459831.36)
Net cash from/used in financing activities	263640948.03	85943272.49
Net increase/(decrease) in cash and cash equivalents	(5416320.29)	3242021.49
Opening cash and cash equivalents	8291726.06	5049704.57
Closing cash and cash equivalents	2875405.77	8291726.06

**ACCOUNTING POLICIES AND NOTES TO
ACCOUNTS**

XX

As per report of even date attached

For SUMAT GUPTA & CO.

Chartered Accountants

Sd/-

Sumat Gupta

Partner

M.No.086000

Sd/-

Roopesh Kumar
**Company
Secretary**

Sd/-

Rajesh Gupta

Director

Sd/-

Sanjay Goel

Director

Place: Ludhiana

Dated: 30.11.2009

