



Katare
Spinning
Mills Ltd.

30th

Annual Report
2009-2010

**30th ANNUAL REPORT AND ACCOUNTS
2009 - 2010**

BOARD OF DIRECTORS

Shri. V. T. Katare	Chairman & Executive Director
Shri. K. T. Katare	Managing Director
Shri. S. T. Katare	Director
Shri. S. B. Inamdar	Director
Shri. Y. N. Konda	Director
Shri. U. M. Mahindrakar	Director

AUDITOR

G. M. PAWLE
Chartered Accountant
327, Sakhar Peth,
Solapur - 413 005

SPINNING MILL

Kamalanagar, Tamalwadi - 413 601
Tal : Tuljapur, Dist.Osmanabad.

HOTEL TRIPURSUNDARI

Civil Lines, Solapur - 413 001

REGISTERED OFFICE

"KAMALA"
259, Sakhar Peth,
Solapur - 413 005

BANKERS

Bank of India,
Main Branch, Solapur - 413 002

REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt. Ltd.,
Akshay Complex, Block No. 202, 2nd Floor,
off Dhole Patil Road, Pune - 411 001
E-mail : pune@intimespectrum.com

NOTICE

Notice is hereby given that 30th Annual General Meeting of the Shareholders of Katara Spinning Mills Ltd. will be held on Thursday, the 30th day of September 2010, at 11.00 a.m. (I.S.T.) at Katara Cotton Waste Spg. Mills, C-2, M.I.D.C. Akkalkot Road, Solapur - 413 006 to transact the following :

ORDINARY BUSINESS:

1. To adopt the audited Profit & Loss Account of the Company for the year ended on 31st March 2010 and the Balance Sheet as on that date and the reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Shri S. T. Katara who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri. U. M. Mahindrakar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

5. To Consider and if thought fit to pass with or without modifications the following Resolution as Ordinary Resolution.

"RESOLVED THAT consent of the company be and it is hereby given to increase the present Authorised Shares capital of Rs. 4,00,00,000 divided into 40,00,000 Equity Shares of Rs. 10/- each to Rs. 10,00,00,000 divided into 100,00,000 Equity Shares of Rs. 10/- each by creation of additional 40,00,000 equity shares of Rs. 10/- each.

FURTHER RESOLVED THAT the increased Equity Shares Capital shall rank pari-passu with the existing Equity Shares Capital of the company in all respects.

FURTHER RESOLVED THAT necessary intimation be given to the Registrar of Companies.

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

RESOLVED THAT pursuant to the provision of Section 31 of the Companies Act, 1956 the Articles of Association of the Company be amended by deleting the present Article No. 4 and substituting it by the following Articles :

To authorised Shares Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores) divided into 100,00,000 (Hundred lacs) Equity Shares of Rs. 10/- (Rupees Ten) each.

By order of the Board of Directors.

(V. T. KATARE)

Chairman & Executive Director

Solapur
August 31, 2010

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members and Transfers of the company shall remain closed from Tuesday 22nd September 2010 to Thursday 30th September 2010 (Both days inclusive)
3. Explanatory statement for special business is enclosed.
4. Company's shares are in compulsory dematerialised trading. To ensure better investors' service and minimize risk, the member may avail of the facility of dematerialisation of their physical shares certificates by opening D-mat account with any depository participant of National depository limited or Central depository services (India) Limited.
5. The shareholders are requested to intimate change, if any, in their addresses registered with the Company.
6. The shareholders are requested to intimate PAN number.

By order of the Board of Directors.

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

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

Item No. 5 & 6 of the Notice : Increase of authorised Capital.

The present authorised and paid up capital of the Company is Rs. 6 Crores and Rs. 2.85 Crores respectively. The proposed future plans when undertaken would be financed by borrowed funds and proportionate capital contribution. In order to raise the proportionate capital the company proposes to issue shares with the permission of members & statutory authorities. To accommodate further increase in the paid-up capital the authorised capital is requires to be increased to Rs. 10 Crores. The Capital clause in the Memorandum and also in the Articles of Association need to be altered accordingly. Hence the resolutions are proposed for your approval.

None of the directors is directly or indirectly concerned or interested in the proposed resolution.

The existing memorandum and articles of Association is open for inspection of the members during office hour on working days at he registered office of the company. After the approval of the members further actions in implementation of the decisions would be taken in due course.

By order of the Board of Directors.

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors are pleased to present the THIRTYTEN Annual Report of the Company together with Audited Statement of accounts for the year ended 31st March, 2010

Summarised Financial Results :

(Rs. in lacs)

	2009-10 (Rs.)	2008-09 (Rs.)
Turnover	3644.42	3058.13
Profit Before Interest & Depreciation	302.13	191.84
Less : Interest	98.43	82.84
Profit Before Depreciation	203.70	109.00
Less : Depreciation	156.75	165.05
Add : Transfer from Revaluation Reserve	124.87	124.87
Profit After Depreciation	171.82	68.82
Less : Bad debts written off	0.00	1.05
Profit Before Taxation	171.82	67.77
Less : Fringe Benefit Tax	0.00	0.45
Less : Income Tax of earlier year	0.33	4.38
Less : Provision for Taxation	6.52	0.0
Deferred Tax Liability : Debit / (Credit)	(-) 55.66	20.65
Net Profit	109.54	83.59
Add balance brought forward	119.54	35.94
Profit Carried to Balance Sheet	228.85	119.54

Opertation :

The Company achieved satisfactory performance during the year under review. It's turnover increased from Rs. 3058.13 lacs to Rs. 3644.42 lacs. The Gross Profit before Depreciation is Rs. 203.70 lacs from Rs. 109.00 lacs. Both the divisions of the Company, i.e. Textile and Hotel Division, contributed to the overall performance of the company.

Expansion & Modernisation :

a) Textile Division :

In order to improve the yarn production, reduce costs/wastages the company has already commenced technological upgradation programme of the plant at Unit No. 1. to maintain competitiveness and achieve better quality. Stringent cost control measures continue to be implemented in all possible areas.

b) Hotel Division :

Because of developments in tourism in & around Solapur as well as the industrial development the hotel occupancy has increased through out the year. The expansion & refurbishing work of hotel has been completed during the year, which will further improve the acceptability.

Capital :

For the purpose of financing up gradation of Spinning Division and expansion of capacity of total division the company with the approval of Members, the company had made issue of 21,50,000 convertible share warrants. However the committed amount payable on the warrants was not fully received in time from the allottees within the time to convert the same to issue equity shares before 29.11.2009. The Board then thought it fit to postpone the issue because of inability to comply the conditions of approval. Advances received against warrant price were partly refunded.

The Board still wishes to complete the future plans with increase in capital for which resolutions have been proposed.

Dividend :

Your Directors are unable to recommend any dividend at this stage.

Dis-investment from The Rayalseema Mills Ltd. :

As per the decision taken earlier the phase wise disinvestment is still under negotiations.

Insurance :

All the properties of the Company have been adequately insured against fire and all other risks.

Conservation of Energy Etc :

Information pursuant to section 217 (1)(e) and (2A) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particular in the Report of Board of Directors) Rules, 1988 is annexed and forms parts of the Report.

Auditor's Report :

The qualifications / observations / adverse remarks in Auditors report read with related notes to accounts are self explanatory.

Auditors :

The retiring auditors, Mr. G. M. Pawle, Chartered Accountants, are eligible for re-appointment and have indicated their willingness to accept re-appointment. In terms of section 224A of the companies act 1956, their re-appointment needs to be approved by the members and their remuneration has to be fixed.

Cost Auditors :

Pursuant to the directives of the central Government under the provisions of section 233B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct cost audits relating to products manufactured by the company.

Directors :

Under Article 160 of the Articles of Association of the Company Shri. S. T. Katare & Shri. U. M. Mahindrakar, directors are retiring by rotation and being eligible offer themselves for re-appointment.

Directors Responsibility Statement :

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

1. In the preparation of Annual accounts the applicable accounting standard had been followed. There is no material departure from the standards and the remarks stated by Auditors in his report under point No. 4 read with related notes to accounts are self explanatory to the extent of deviations from standards.
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of this financial year and profit /Loss of the Company for that period ;
3. The Directors have taken proper and sufficient care to ensure the maintenance of adequate accounting records in accordance with the provision of the company Act for safeguarding the assets of the company and for preventing and detecting any fraud and other irregularities; if any;
4. The Directors have prepared the annual accounts on a going concern basis.

Corporate Governance :

Secretarial compliance certificate has been obtained by the company which is attached to this Report.

Particulars of Employees :

There is no employee drawing such remuneration requiring disclosure u/s 217 (2A) of the companies Act 1956 and rules made there under.

Cash Flow Statement :

In conformity with the provisions of clause 32 of the Listing Agreement, the cash flow statement for the year ended on 31st March, 2010 is annexed hereto.

Appreciation :

The company places on record its deep appreciation of the devoted services of the loyal workers, executive's and other staff of the Company who have contributed in no small measures to the performance and the companies inherent strength. Grateful thanks are also due to State Governments, the investors, the Banking circles, and district level authorities for their continued support extended to the Company from time to time. Shareholders appreciation of the managements efforts expressed at the General Meeting of the Company and otherwise, is a great fillip to strive for better performance year after year.

For and on Behalf of the Board of Directors

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

ANNEXURE 1

Information pursuant to Section 217(1) (e) of the Companies (Disclosure of particulars in the report of Board of Directors) Rule 1988 forming the part of Director's Report.

- A) a) Energy Conservation taken :
- i) Switching off unwanted lights.
 - ii) Use of natural lights as far as possible.
 - iii) Humidification plants not operated during favorable climatic conditions.
 - iv) Control over slippage.
 - v) The Company has replaced HDP Ring Tubes and introduced light weight ABS Tubes for Ring Frame. Because of this the Company is getting more Yarncontents and about 1.5% power saving in the power consumption.
- B) Additional investment and proposal, if any being implemented for reduction of consumption of energy. The management is actively considering different areas viz.
- a) Solar Power Panel.
 - b) Change in Humidification Plant (Cell Type Air Washer) with the help of ATIRA where power can be saved and.
 - c) Installation of appropriated energy saving devices.
 - d) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production.

The above measures will save energy and to that extent the cost of goods produced will be reduced.

e) FORM "A"

A) POWER & FUEL CONSUMPTION

Sr.No.	Particulars	Current Year	Previous Year
01	Electricity		
a)	Purchased Units	3497640	3986580
	Total Amount Rs.	15252323	15909114
	Rate Unit Rs.	4.36	3.99
b)	Own Generation		
	Through Diesel Generator Unit	22290	15720
	Rate per unit Rs.	9.65	9.33
02	Coal Quantity	Nil	Nil
a)	Consumption of Unit of Production	Nil	Nil
	Production of Yarn M.T.	Nil	Nil
	Electricity Units per M.T.	Nil	Nil
	Coal per M.T.of Production : Kgs		

FORM "B"

RESEARCH & DEVELOPMENT :

1. Specific Areas in which R & D Carried out by the Company.
 - i) R & D carried out to increase the strength of the yarn for better weaving results and to supply fault-free and improved quality of yarn for Auto Looms.
 - ii) Several Steps have been taken to reduce and product faults and breakage and waste percentage.

Reduction in cost output, improvement in Quality introduction of new varieties of Yarn, better marketability.

The above activities shall continue & more effects in this direction will be made appropriate testing machines & other suitable equipment are going to be added.

The separate division has been established to act above activities and the expenditure is merged with the various expenses.
2. Benefits derived as result R & D Carried out by the company.

The plants are based on Indigenous technology. Every effort is made to know the latest development in technology in India as well as abroad. Latest machines like Rotors are installed in place of Ring Frames as far as possible within permissible financial resources.

After adaptation of Modern machines with latest technology the Company reduced considerable improvement in market demand of our products.
3. Future Plan of action

No Technology has been imported during the last 5 years.
4. Expenditure on R & D

A) Capital Rs.	380878.00
B) Recurring Rs.	0.00
C) Total Rs.	380878.00
D) Total R & D. Expenditure	

Technology absorption
Adaptation & innovation

 1. Effort in brief towards technology Absorption, adaptation and innovation.
 2. Benefits derived as a results of Above efforts e.g. output, improvement cost reduction, production, development import substitution.
5. Details of imported Technology.

Nil
6. Foreign Exchange Earning and outgo.

Nil

On behalf of the Board of Directors.

Solapur
August 31, 2010

(V. T. KATARE)
Chairman & Executive Director

AUDITOR'S REPORT

To,
The Members,
Katare Spinning Mills Limited,
Solapur.

1. I have audited the attached Balance Sheet of Katare Spinning Mills Limited, Solapur as at 31st March 2010, the Profit and Loss Account and Cash Flow statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with the auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, I enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to my comments in the Annexure referred to above, I report that:
 - (i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - (ii) In my opinion proper books of accounts as required by law have been kept by the company so far as appears from my examination of those books;
 - (iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts;
 - (iv) On the basis of written representations received from the directors, as on 31st March 2010 and taken on record by the Board of Directors, I report that none of the directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (v) In my opinion, the balance sheet and profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable, subject to

- a) The Nil balance of loan from ICICI Bank, as referred to, in Note No. 5(a) and 5(b) in notes on Accounts, at the year end is subject to confirmation in respect of final dues including interest and therefore, the impact of reconciliation and adjustment in respect of the loan, the profit for the year and net assets position as at year end and also it's impact on concept of ongoing concern due to huge losses, is presently not ascertainable.
 - b) Receivables to the extent of Rs. 1,08,80,964/- are bad for which no provision was made in the accounts in the year ended 31st March, 2010 as referred to, in Note No. 7 in the notes on accounts and as such has resulted in overstatement of year end net Current Assets and Reserves & Surplus by Rs. 1,08,80,964/- each.
 - c) All the balances of Receivables and Payables are subject to confirmation and reconciliation and adjustments, if any, required on reconciliation. The consequential effect of such possible adjustments and the extent thereof on the profit of the year, the year end Net Current Assets and Reserve & Surplus cannot be ascertained at this stage.
 - d) No provision for gratuity payment on actuarial basis as on 31st March, 2010 was made hence it's effect on profit could not be ascertained as referred to in note no. 1(f) in the notes on accounts.
- (vi) Subject to my comments under paras (v) (a) to (d) above, in my opinion and to the best of my information and according to the explanations given to me, the said accounts 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 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, 2010
 - (b) in the case of the profit and loss account, of the Profit for the year ended on that date.
 - (c) in the case of the cash flow statement of the cash flows for the year ended on that date.

Solapur
August 31, 2010

G. M. Pawle
Chartered Accountant
M. No. 32561

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 3 of my report of even date)

To,
The Members,
Katare Spinning Mills Limited,

- (i)
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) During the year, the company has not carried out physical verification of assets. In my opinion, the frequency of verification is not reasonable, having regard to the size and nature of its business.
 - (c) The fixed assets disposed off during the year, in my opinion, do not constitute a substantial part of the fixed assets of the company and such disposal has, in my opinion, not affected the going concern status of the company.
- (ii)
 - (a) I am informed that the physical verification of inventories, except inventories lying with the third parties, was conducted by the management at reasonable intervals. In my opinion, the frequency of verification is reasonable.
 - (b) In my opinion, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) I find from the records that no material discrepancies were noticed on physical verification of stocks referred above as compared to the book records and the same have been properly dealt with in the books of accounts.
- (iii) The company has not taken unsecured loans from Firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. The rate of interest and the terms and conditions of these loans are prima facie not prejudicial to the interests of the company. No loans were taken from the Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956. The company has not given any loans to any companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In my opinion, and according to the information and explanations given to me, there is adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchase of inventory and assets for the sale of goods. During the course of my audit, I have not observed any continuing failure to correct major weakness in internal control.
- (v)
 - (a) According to the information and explanations given to me, I am of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.

- (b) In respect of the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding Rs. 50,000/- in respect of each party during the year I am unable to express my opinion whether the said transactions have been made at prices which are reasonable or not, having regard to the prevailing market price at the relevant time since there are no similar transactions entered into with the other parties and no such information about the relevant market price is available with the Company.
- (vi) The Company has not accepted any deposits from the public, hence provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company.
- (vii) The company has a procedure for an internal audit system, which is commensurate with the size and the nature of its business.
- (viii) I have broadly reviewed the records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and I am of the opinion that prima facie, the prescribed records have been made and maintained. I, however, have not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) The company is regular in depositing statutory dues including Provident Fund, Income Tax, Wealth Tax, Customs Duty and Value Added Tax.
- (x) a) As on 31st March, 2010 there were no accumulated losses.
b) The company has not incurred cash loss during the financial year covered by my audit and in the immediately preceding financial year.
- (xi) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In my opinion, the company is not a chit fund or a nidhi/mutual fund society, therefore, the provisions of the clause No. 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- (xiii) In my opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and, hence, the requirements of para 4(xiv) are not applicable to the company.
- (xiv) The company has not given any guarantee for the loans taken by others from banks or financial institutions.
- (xv) The company has not taken any term loan during the year.
- (xvi) On the basis of my overall examination of Balance Sheet, I report that the funds raised on short-term basis have not been used for long-term investments. The company has not raised

long-term funds during the year and, hence, the question of use of such funds for short-term investments does not arise.

- (xvii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- (xviii) The company has not issued debentures during the year.
- (xix) The company has not raised any monies by public issue during the year.
- (xx) On the basis of my examination and according to the information and explanations given to me, no fraud, on or by the company, has been noticed or reported during the course of my audit.

Solapur
August 31, 2010

G. M. Pawle
Chartered Accountant
M. No. 32561

BALANCE SHEET AS AT 31st March 2010

	SCHEDULE NO.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
I) SOURCES OF FUNDS :			
1. Shareholder's Funds :			
a) Share Capital	1	28500000	28500000
b) Reserves & Surplus	2	139764781	141320708
2. Loan Funds : Secured loans	3	85929896	77010627
3. Deferred Tax Liability		11501000	5935000
TOTAL RS :-		265695677	252766335
II) APPLICATION OF FUNDS :			
1. Fixed Capital Expenditure :			
a) Fixed Assets : Gross Block	4	435500203	432195553
Less : Depreciation		255111128	244027780
NET BLOCK :-		180389075	188167774
b) Constr. Work in Progress	5	856413	1237859
c) Advance for Capital work	6	649324	369211
2. INVESTMENTS :	7	10487604	10802604
3. CURRENT ASSETS, LOANS AND ADVANCES :			
a) Interest accrued		2007402	731292
b) Inventories	8	54510097	28180818
c) Sundry Debtors	9	9793344	9875988
d) Cash and Bank Balance	10	14644768	12028230
e) Loans and Advances	11	45715678	44084178
Sub Total :-		126671289	94900506
Less : Current Liabilities	12	53358028	42711620
NET CURRENT ASSETS		73313261	52188887
TOTAL RS :-		265695677	252766335

Notes as per Schedule 20 which is attached herewith are integral part of the Balance Sheet and Profit and Loss Account.

As per my Report of even date.

For and on behalf of the Board

Solapur
August 31, 2010

(G. M. Pawle)
Chartered Accountant

V. T. KATARE (Chairman & Executive Director)
K. T. KATARE (Managing Director)
S. T. KATARE (Director)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2010

	SCHEDULE NO.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
INCOME :			
Sales & Income From Operations	13	351396282	290348135
Other Income	14	13045520	10095844
Increase in Closing Stock	15	0	5368845
TOTAL (A) :-		364441802	305812824
EXPENDITURE :			
Purchase of yarn		168669560	123903351
Consumption of Raw Materials	16	91309906	98210042
Food and beverages consumed	17	7940723	6791719
Mfg. & other Operating Exps	18	60425649	57723931
Decrease in Closing Stock	15	5883032	0
TOTAL (B) :-		334228870	286629043
Profit Before Interest & Depreciation (A - B)		30212933	19183781
Interest	19	9842887	8283997
Profit Before Depreciation		20370046	10899784
Depreciation	4	15675384	16504673
Transfer From Revaluation Reserves		12487384	12487384
Profit After Depreciation		17182046	6882495
Less :- Bad Debts Written off		0	105361
Profit Before Taxation		17182046	6777134
Less :- Fringe Benefits Tax		0	45041
Less :- Income Tax of earlier years		32590	437770
Less :- Provision for Taxation		652000	0
Add/Less :- Deferred Tax Liability		5566000	2065000
Profit After Taxation		10931456	8359323
Add :- Profit B/F from Previous Year		11953777	3594454
Profit carried to Balance Sheet		22885232	11953777

Notes as per Schedule 20 which is attached herewith are integral part of the Balance Sheet and Profit and Loss Account.

As per my Report of even date.

For and on behalf of the Board

Solapur
August 31, 2010

(G. M. Pawle)
Chartered Accountant

V. T. KATARE (Chairman & Executive Director)
K. T. KATARE (Managing Director)
S. T. KATARE (Director)

SCHEDULES

Schedules Annexed to and forming Part of Balance Sheet as at 31st March, 2010
and Profit and Loss Account for the year ended on that date.

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE 1 :		
SHARE CAPITAL :		
AUTHORISED :		
60,00,000 Equity Shares of Rs. 10/- each	60000000	60000000
ISSUED, SUBSCRIBED & PAID UP CAPITAL:		
28,50,000 Equity Shares of Rs. 10/- each fully paid up	28500000	28500000
TOTAL RS :-	28500000	28500000

SCHEDULE 2 :

RESERVE AND SURPLUS :

Share Premium	---	49068	49068
Capital Reserve	---	15058423	15058423
Central Subsidy (as per last year)	---	1000000	1000000
State Govt Capital Incentive (As per last year)	---	5000000	5000000
Revaluation Reserves			
As per last year	108259441		
Less :- Transfer to profit & loss account	12487384	95772057	108259441
Profit & Loss A/c		22885232	11953777
TOTAL RS :-		139764781	141320708

SCHEDULES

		As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE 3 :			
SECURED LOANS :			
TERM LOANS :			
Kamala Co-op. Bank Ltd (Against F/D)	---	10373244	9772804
Loan from LIC (On Keyman Ins. Policies)	---	14658045	13581127
Bank Of India - Working Capital Term Loan	---	21529377	25558350
BANK FACILITIES :			
Cash Credit From Bank Of India	---	39369231	28098346
TOTAL RS :-		85929896	77010627

SCHEDULE 4 :
FIXED ASSETS

Name of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Gross Block as on 31.03.09	Additions During the year	Deduction During the year	Gross Block as on 31.03.2010	Depreciation up to 31.03.09	Depreciation for the Period	Depreciation written back	Total Depreciation 31.03.2010	Net Block As on 31.03.2010	Net Block As on 31.03.2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Land & Leasehold Land	19144835	0	0	19144835	0	0	0	0	19144835	19144835
2. Factory Buildings	85360742	2035367	0	87396109	29644402	2230910	0	31875312	55520797	55716340
3. Building-Hotel	46205637	1787421	0	47993058	7802134	630825	0	8432959	39560099	38403503
4. Plant & Machinery	258727924	2497730	4507041	256718613	191839930	12157710	4507041	199490599	57228014	66887994
5. Furniture fittings & Other Equipments	3318883	0	0	3318883	2480730	123301	0	2604031	714852	838153
6. Furniture and Fixtures - Hotel	13581335	1244778	20000	14806113	8580987	342685	0	8923672	5882440	5000347
7. Vehicles	1389348	464396	348259	1505485	1101303	31302	84994	1047611	457874	288045
8. Books	9671	0	0	9671	7390	285	0	7675	1996	2281
9. Other Assets	4076301	150258	0	4226559	2295070	140403	0	2435473	1791086	1781231
10. R & D equipments & Fittings	380878	0	0	380878	275833	17963	0	293796	87082	105045
Total Rs.	432195553	8179950	4875300	435500203	244027779	15675384	4592035	255111128	180389075	188167774

Note : Land & lease holdland, factory building, building Hotel, plant & machinery were revalued as on 31st March 2002. Resulting in increase in value of the assets by Rs. 1,53,81,222 Rs.5,09,59,442 Rs.44,44,694 and Rs. 12,48,85,771 respectively.

SCHEDULES

SCHEDULE 5 :

CONSTRUCTION WORK IN PROGRESS :

Building Under Construction

As at
31st March 2010
Rs.

As at
31st March 2009
Rs.

856413

1237859

TOTAL RS :-

856413

1237859

SCHEDULE 6 :

ADVANCES FOR CAPITAL WORK :

(Unsecured Considerd Good)

Against Building Mandir

649324

369211

TOTAL RS :-

649324

369211

SCHEDULE 7 :

INVESTMENT (AT COST) :

	No. of Shares	Face Value Per Share Rs.		
Fully Paid Eq. Shares (quoted)				
Bank of India	200	10	9000	324000
Rayalseema Mills Ltd.	119140	10	10476504	10476504
Laxmi Co-Op Bank -(unquoted)	1	100	100	100
Kamala Co-Op Bank Ltd -(unquoted)	2		2000	2000
			<u>10487604</u>	<u>10802604</u>

	As at 31st March, 2010		As at 31st March, 2009	
	Book Value Rs.	Market Value Rs	Book Value Rs	Market Value Rs
Quoted Investment				
- Rayalseema Mills Ltd.	10476504	N.A.	10476504	N.A.
- Bank of India	200	68150	324000	2303280
Unquoted Investment	2100	N.A.	2100	N.A.
	<u>10487604</u>	<u>68150</u>	<u>10802604</u>	<u>2303280</u>

SCHEDULES

SCHEDULE 8 :

INVENTORIES :

(As taken, valued & certified by the Managing Director)

		As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
Finished Goods	---	9238859	12835388
Work-in-process	---	578523	3438205
Raw Materials	---	40610984	8591243
Stores and Utilities	---	3037046	2859000
Food and Beverages	---	165863	148484
Wastage & Scrap	---	872104	298925
Diesel (fuel)	---	6718	9573

TOTAL RS :-	---	<u>54510097</u>	<u>28180818</u>
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SCHEDULE 9 :

SUNDRY DEBTORS :

(Unsecured and considered good)

Over Six Months:	---	2519735	2509473
Less Than Six Months:	---	7273609	7366515

(Debts due from concerns in which Directors are interested
Rs.Nil) (previous year Rs.Nil), Maximum Amount
due during the year Rs. Nil (previous year Rs. Nil)

TOTAL RS :-	---	<u>9793344</u>	<u>9875988</u>
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SCHEDULE 10 :

CASH AND BANK BALANCES :

Cash in Hand	---	197790	77885
Balances with Schedule Bank			
-In FD with Bank of India	---	12499	24327
Balances with Non Schedule Bank			
-In FD with Kamala Co-op. Bank	---	224479	201018
-In FD with Kamala Co-op. Bank	---	13500000	11000000
-In RD Account with Kamala Bank		710000	725000

(Mr. K T Katare, M. D. of the Company
is interested as Director of the Bank)

TOTAL RS :-	---	<u>14644768</u>	<u>12028230</u>
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SCHEDULES

SCHEDULE 11 :

	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
LOANS AND ADVANCES :		
(Unsecurerd considered good and for value to be received)		
- Advances recoverable in cash or kind or for value to be received. ---	19341575	19168112
(Including dues from concerns in which Directors are interested Rs.159860/- (previous year Rs.159860/-), maximum amount outstanding during the year Rs.159860/- (previous year Rs. 1,59,860/-)		
- Deposits with Post & Telegraph departments & M.S.E.B. etc. ---	2261688	2261688
- Income Tax TDS ---	112286	154378
- Income Tax TCS ---	129	0
- Bonus Accrued on Key Man Insurance ---	2400000	22500000
TOTAL RS :-	<u>45715678</u>	<u>44084178</u>

SCHEDULE 12 :

CURRENT LIABILITIES & PROVISIONS :

A) CURRENT LIABILITIES :

Trade Creditors ---	36404465	20044588
Provisions ---	3592867	2521397
Other Creditors ---	10678334	17950253
Advance payments for which value is still to be given ---	986102	1154425
Interest accrued but not due ---	235557	214726
TOTAL (A) :-	<u>51897325</u>	<u>41885389</u>

B) PROVISIONS :

For Provident Fund ---	110040	94557
For Bonus ---	698663	731674
Provision for Taxation ---	652000	0
TOTAL (B) :-	<u>1460703</u>	<u>826231</u>
TOTAL (A+B) :-	<u>53358028</u>	<u>42711620</u>

SCHEDULES**SCHEDULE 13 :**

		As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SALES AND INCOME FROM OPERATIONS :			
Sale of Yarn	---	314674140	259035675
Income From Hotel Operations	---	36722142	31312460
	TOTAL RS :-	<u>351396282</u>	<u>290348135</u>

SCHEDULE 14 :**OTHER INCOME & RECEIPTS :**

Interest received	---	1468797	1330144
Sale of Scrap & Waste	---	2167089	1620271
Cotton Processing Charges	---	516160	998940
Accrued Bonus on Keyman Insurance	---	1500000	1500000
Dividend Received	---	57900	28800
Rent Received	---	25000	25000
Food Recovery	---	363939	304284
Misc. Receipts	---	112907	12510
Insurance Claim Received	---	611882	60841
Service charges (Hotel)	---	2169508	1509969
Hank Yarn Obligation Receipts	---	420396	303974
Profit on Sale of Assets	---	745368	2401111
Profit on Sale of Investment	---	2886575	0
	TOTAL RS :-	<u>13045520</u>	<u>10095844</u>

SCHEDULE 15 :**INCREASE (+)/ DECREASE (-) IN STOCK**

Finished Goods	---	9238859	12835388
Work-in-Progress	---	578523	3438205
Stock of Waste & Scrap	---	872104	298925
	TOTAL RS :-	<u>10689486</u>	<u>16572518</u>
Previous Year Increase/Decrease in Stock		-5883032	5368845

SCHEDULES

		As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE 16 :			
RAW MATERIAL CONSUMED :			
Opening Stock	---	8591243	1729537
Add : Raw Cotton Purchased	---	126350641	105071748
Sub-total	---	134941884	106801285
Less : Sale of Raw Cotton	---	3020994	0
Less : Closing Stock	---	40610984	8591243
TOTAL RS :-	---	91309906	98210042

SCHEDULE 17 :

FOOD AND BEVERAGES CONSUMED :

Opening Stock	---	148484	60005
Add : Purchases	---	7958102	6880198
Sub-total	---	8106586	6940203
Less : Closing Stock	---	165863	148484
TOTAL RS :-	---	7940723	6791719

SCHEDULE 18 :

MANUFACTURING & OTHER OPERATING EXPENSES :

Salaries and Wages	---	16501471	16159642
Provident Fund and State Insurance	---	1609261	1722545
Employes Welfare	---	158425	101777
Power and Fuel	---	20911578	19530084
Stores and Utilities Consumption	---	6009957	6676249
Carriage, Cartage and Octroi	---	4955336	4888782
Balance C/F		50146028	49079079

SCHEDULES

SCHEDULE 18 :

	Balance B/F	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
Repairs & Maintenance :		50146028	49079079
- Building	529190		107073
- Machinery	1152729		588720
- Other Assets	<u>266271</u>	1948190	322094
Insurance	---	467661	459829
Keyman Insurance	---	1112000	1112000
Rent, Rates and Taxes	---	1343595	1483689
Travelling and Conveyance	---	910618	839688
Telephones, Telex and Postage	---	349271	281537
Printing and Stationary	---	307717	145734
Legal and Professional Fees	---	610754	551513
Auditors' Remuneration :			
- Audit Fees	71093		50665
- Tax Audit Fees	<u>10000</u>	81093	10000
Brokerage and Commission	---	321366	244985
Bank Charges	---	176633	305953
Directors Sitting Fees	---	28000	24000
Advertisement	---	82591	39041
Miscellaneous Expenses	---	352972	355106
Sales Tax	---	590496	881221
M Vat	---	1246243	0
Loan Processing Expenses	---	117650	380590
Laundry Expenses	---	177046	196745
News Papers & Periodicals	---	55726	50491
Fire Fighting Expenses	---	0	7673
Excise Duty	---	0	206505
TOTAL RS :-	---	<u>60425649</u>	<u>57723931</u>

SCHEDULE 19 :

INTEREST :

On Term Loan (BOI)	---	2799558	4302165
Bank Interest	---	5964515	2904554
Other Interest (LIC Loan)	---	1078814	1077278
TOTAL RS :-	---	<u>9842887</u>	<u>8283997</u>

Schedule 20

ACCOUNTING POLICIES, CONTINGENT LIABILITIES & NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES:

- a) The accounts are prepared, based on historical cost and on the basis of a going concern with revenues considered and expenses accounted wherever possible on their accrual, as modified by revaluation of certain assets, viz Land and Leasehold land, Factory Building, Hotel Building and Plant & Machinery.
- b) Fixed Assets:
Land & Leasehold Land, Factory Building, Hotel Building and Plant and Machinery have been shown as revalued by the approved valuer on 31.03.2002 thereby increase in such assets in gross block is by Rs. 19,56,71,129. Other Fixed Assets are recorded at cost of acquisition, net of modvat credit or cost of construction including directly attributable cost as reduced by accumulated depreciation. Land on Lease basis is included in the schedule of Fixed Assets.
- c) Depreciation:
- i) Depreciation has been charged on the Straight Line Method in accordance with the rates specified under Schedule XIV to the Companies Act, 1956.
 - ii) Depreciation on assets added during the year has been provided on pro-rata basis.
 - iii) Depreciation on revaluation amount of fixed assets is adjusted by transferring the equivalent amount from Revaluation Reserve Account.
- d) Inventory Valuation:
- i) Raw Material, Work in Process
Stores & Spares : At Cost
 - ii) Food & Beverages : At Cost
 - iii) Finished Goods &
Consignment Goods : At Cost or Realisable
Value whichever is Lower
 - iv) Wastage & Scrap : At Market Realisable Value
- e) Sales:
Sales are accounted net of returns and discounts and is accounted at the point of despatch of material to customers. In the Hotel Division Receipts from Room Rent are net of discount but inclusive of luxury tax and service charge. In case of Food and Beverage sales are accounted net of complimentary and discount but inclusive of service charge and VAT.
- f) Retirement Benefits:
Gratuity is accounted for on actual payment basis. No provision for gratuity on actuarial basis is made and hence it's effect on profit or loss cannot be ascertained. Retirement Benefit in the form of Provident Fund and Pension Schemes are accounted for on accrual basis and charged to Profit & Loss Account of the year. Leave Encashable on retirement is being accounted for as and when it is due for payment.
- g) Investment:
Investments are stated at cost

h) Taxes On Income

Deferred Tax:

Deferred tax calculated at the rates and laws that have been enacted or substantially enacted as of the balance sheet date is recognized on timing differences that originate in one period and are capable of reversal in one or more subsequent period. Deferred Tax assets, subject to consideration of prudence are recognized and carried forward only to the extent that they can be realized.

Minimum Alternate Tax (MAT)

Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which give rise to the future economic benefits in the form of adjustment of future income tax liability, is considered as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

2. CONTINGENT LIABILITIES:

- a) Estimated amount of contracts remaining to be executed on Capital Account and not provided for amount worth of Rs. NIL (Previous Year Rs. NIL)
- b) Provision of gratuity is not made on actuarial basis hence its liability till the end of the year under audit could not be ascertained.
- c) No provision for dues comprising of principle amount of Term Loan payable to ICICI and interest thereon, which ICICI Bank Limited has assigned in favour of Kotak Mahindra Bank Limited, and Debts Recovery Tribunal, Pune passed an order for Recovery Certificate in favour of it for recovery of Rs. 8.67 millieme together with interest At 10% p.a. from 8th April 2004 till the realization of amount.

The company has preferred an appeal before the Debt Recovery Appellate Tribunal, Mumbai against the said order. Therefore total dues payable are not ascertained.

NOTES ON ACCOUNTS:

- 3) Balances of receivables & payables are subject to confirmation and reconciliation, if any. However the Company has dispatched the confirmation letters and in a very few cases confirmations are responded.
- 4)
 - a) The Term Loan from the ICICI Ltd. is secured by a first mortgage and charge on all the Company's immovable and movable properties, both present and future, save and except book debts, subject to the charges created/to be created in favour of the company's bankers on current assets for securing borrowings for Working Capital requirements, and shall rank pari-passu with the mortgages and charges created and/or to be created in favour of banks and institution, pledge of the shares of the nominal value of Rs. 171.04 lakhs held by promoters and their associates in Katare Spinning Mills Ltd. and the personal guarantee of Mr. K.T. Katare, Managing Director of the company.
 - b) The Cash Credit Loan, Working Capital Term Loan and FITL from Bank of India are secured by hypothecation of all stock of raw materials, stores, work in process, finished goods, book debts, equitable mortgage of Hotel Property and second charge on the immovable properties of the Company situated at Village - Tamalwadi, District -

Osmanabad together with all buildings and structures thereon and all Plant and Machinery and joint and several guarantee of the Directors Shri V. T. Katare, Shri K. T. Katare and Shri S. T. Katare.

- c) Overdraft from Kamala Co-op Bank Ltd. is secured against Fixed Deposit with the said Bank.
 - d) Loan from Life Insurance Corporation of India is secured by an assignment of Director's key-man life insurance policies in their favour.
- 5) a) ICICI in principal had agreed to accept the Company's proposal of one time settlement of it's dues at Rs. 35 millions which was to be paid by 31st March, 2003 and accordingly interest payable till 31.03.2002 was written off and the balance amount of principal loan was transferred to Capital Reserve and moreover no provision of interest for the financial year ending on 31.03.2002 to 31.03.2010 was made. The company has paid a sum of Rs. 350 lacs (including Rs. Nil paid during the year under audit) till financial year ending on 31.03.2010. As per judgment of Hon. High Court, Mumbai, company was to deposit Rs. 26 lacs per month till the amount of deposit aggregates to Rs. 35 millions before December 2007 and the company has paid all the stipulated installments in full.
- 6) In accordance with the Memorandum of Understanding, the equity shares having the face value of Rs. 11,91,400/- comprising of 119140 equity shares of Rs. 10/- each of The Rayalseema Mills Ltd. are agreed to sale to M/s. L.V. Krishna Reddy Group and received a sum of Rs. 76,00,000/- as an advance. However, these shares are not still transferred to the said group due to non-payment of the agreed consideration in full. Pending transfer in the name of the said group, those shares are given for pledge to Bank of India against security for financial assistance already granted to The Rayalseema Mills Ltd.
- 7) No provision for bad and doubtful debts of Rs. 1,08,80,964/- is made in the accounts against receivables, as the management is still pursuing its recovery.
- 8) Amount paid as provided by way of remuneration to the Managing Director and Executive Director is as under

	Year Ended <u>31.03.2010</u> Rs.	Year Ended <u>31.03.2009</u> Rs.
Gross Salary	8,40,000	8,40,000
House Rent Allowances	---	---
Contribution towards PF & Family Pension Fund	1,00,800	1,00,800
	<u>9,40,800</u>	<u>9,40,800</u>

- 9) There were no earlier year's expenses written off for the year under review as well as in previous year.

10) Deferred Taxation:

(Rs. In Lacs)

Particulars	Balance as on 31.03.2009	Arising during the year	Balance as on 31.03.2010
A. Deferred Tax Liabilities:			
- on account of timing difference in depreciation	185.99	10.77	196.76
- Others	80.99	5.10	86.09
Sub Total A:	266.98	15.87	282.85
B. Deferred Tax Assets			
- Unabsorbed depreciation and losses	173.16	-56.52	116.64
- Disallowances	13.08	0.00	13.08
- Provision for Bad & Doubtful Debts	21.39	16.73	38.12
Sub Total B:	207.63	-39.79	167.84
C. Deferred Tax Assets / Liab (B-A)	59.35	55.66	115.01

Company has made provision for deferred tax liability as above.

11) DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES:

The names of related parties are,

- A. Key Management Personnel
Mr. Kishor T. Katara - Managing Director
Mr. Vijay T. Katara - Executive Director
- B. Relatives of Key Management Personnel :
Mr. Sachin S Katara
Mr. Rakesh V Katara
- C. Associate Enterprises:
Kamal Marketing Private Limited
M/s Katara Cotton Waste Spinning Mills

D. Transactions with related parties

(Amount in Rs.)

Particulars	Key Management Personnel	Relatives of Key Management Personnel	Associate Enterprises
i. Rent of Office Premises Paid	12,000	---	---
ii. Directors Remuneration	9,40,800	---	---
iii. Remuneration to relatives	---	2,79,688	---
iv. Purchase of goods	---	---	16,17,14,050
v. Purchase of electricity	---	---	29,37,222
vi. Sale of services	---	---	17,46,23,640
vii. Rent Received	---	---	25,000
viii. Sale of services	---	---	11,00,228

12) Earning Per Share (EPS) :-

Particulars	31.03.2010	31.03.2009
a. Net Profit / (Loss) as per profit and loss a/c available for equity share holders	1,09,31,456	83,59,323
b. Weighted average No. of equity shares	2850000	2850000
c. Earning per share	3.84	2.93

Note : There are no diluted equity shares, therefore, no working is given for diluted earnings per share.

- 13) In the absence of particulars about listing and quoted price of shares of The Rayalseema Mills Limited, the market value of these shares could not be stated.
- 14) There are no dues payable to the suppliers who constitute small-scale undertakings exceeding Rs. 1 lacs, which is outstanding for more than 30 days. The information in respect of the dues to small scale industries have been determined to the extent such parties has been identified on the basis of information available with the company.

15) SEGMENT REPORTING:

(Amount Rs. In Lacs)

SEGMENT REVENUE	Spinning Division		Hotel Division		Total	
	2010	2009	2010	2009	2010	2009
Sales Revenue	3147	2590	367	313	3514	2903
Segment Result	49	31	106	109	155	140
Unallocated Corporate Expenses	(19)	(19)	(0)	(0)	(19)	(19)
Unallocated Corporate Income	15	15	0	0	15	15
Operating Profit	45	27	106	109	151	136
Interest Expenses	(89)	(71)	(10)	(11)	(99)	(82)
Interest Income	2	2	13	11	15	13
Profit/loss from ordinary activities	23	-42	149	109	172	67
Extra - Ordinary items	0	0	0	0	0	0
Net Profit/loss	23	-42	149	109	172	67
OTHER INFORMATION						
Segment Assets	2472	2130	905	825	3377	2955
Segment Liabilities	2509	2222	868	733	3377	2955
Depreciation (net)	138	137	19	28	157	165

16. Figures for the previous year have been re-casted and regrouped wherever necessary.

17. Information in respect of capacity, production, consumption etc. is enclosed herewith separately.

Signatures to Schedule from 1 to 20

As per my Report of even date.

For and on behalf of the Board

Solapur
August 31, 2010

(G. M. Pawle)
Chartered Accountant

V. T. KATARE (Chairman & Executive Director)
K. T. KATARE (Managing Director)
S. T. KATARE (Director)

**PART IV OF SCHEDULE VI OF THE COMPANIES ACT 1956 (AS AMENDED)
BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE**

I) REGISTRATION DETAILS :

Registration No.	22962	State Code	11
Balance Sheet Date	31.03.2010		

II) CAPITAL RAISED DURING THE YEAR

(Amount Rs. in Thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III) POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS

(Amount Rs. in Thousand)

Total Liabilities	265696	Total Assets	265696
Sources of Funds :			
Paid up Capital	28500	Reserves & Surplus	139765
Secured Loans	85930	Unsecured Loans	NIL
Application of Funds		Deffered Tax Liability	11501
Net Fixed Assets -	181895		
Investments	10488		
Net Current Assets	73313		
Miscellaneous Expenditure	0		
Accumulated Losses	0		

IV PERFORMANCE OF COMPANY :

(Amount Rs. in Thousand)

Turnover	364442	Total Expenditure	3497259
Profit before Tax	17182	Profit after Tax	10931
Earning per Share in Rs.	6.03	Dividend Rate (%)	NIL

V GENERIC NAMES OF THREE PRINCIPLE PRODUCT/SERVISES OF COMPANY

(As per Monetary terms)

Item code No.	52300
Product Description	Cotton Yarn

As per my Report of even date.

For and on behalf of the Board

Solapur
August 31, 2010

(G. M. Pawle)
Chartered Accountant

V. T. KATARE (Chairman & Executive Director)
K. T. KATARE (Managing Director)
S. T. KATARE (Director)

DETAILS OF PRODUCT MANUFACTURED, TURNOVER, OPENING STOCK, CLOSING STOCK, RAW MATERIALS CONSUMED, ETC.

(In respect of Spinning Division only)		As on 31.03.2010	As on 31.03.2009		
A	1. Licenced Capacity	Spinning	36728 Spindles	36728 Spindles	
		Hotel	54 Rooms	54 Rooms	
	2. Installed Capacity (As certified by the Management & accepted by Auditors)	Spinning	33600 Spindles	33600 Spindles	
		Hotel	168 Rotors 54 Rooms	168 Rotors 52 Rooms	
	3) Actual Production during the year	Cotton Yarn	Qty (Kg)	1278510	1345133
	4) Opening Stock of goods produced	i) Cotton Yarn	Qty (Kg)	126568	84832
			Value Rs.	12806138	7657253
		ii) Work in Progress	Qty (Kg)	39820	42790
			Value Rs.	3438205	3462401
		iii) Trading Goods	Qty (Kg)	50	50
Value Rs.			4000	4000	
5) Closing Stock of goods produced	i) Cotton Yarn	Qty (Kg)	71487	126568	
		Value Rs.	8010038	12806138	
	ii) Work in Progress	Qty (Kg)	6586	39820	
		Value Rs.	578523	3438205	
6) Closing Stock of trading goods	i) Cotton Yarn	Qty (Kg)	0	50	
		Value Rs.	0	4000	
7) Sales of Goods produced	i) Cotton Yarn	Qty (Kg)	1333591	1303397	
		Value Rs.	146966160	134910745	
8) Sales of Trading Goods	i) Cotton Yarn	Qty (Kg)	1450600	1166285	
		Value Rs.	167707980	124207090	
B) Raw Material Consumed	i) Cotton	Qty (Kg)	1564870	1635006	
		Value Rs.	91309906	98210042	
	ii) Value of imported raw materials	Value Rs.	Nil	Nil	
		% of total consumption	Nil	Nil	
	iii) Value of indigenous materials	Value Rs.	3623116	3426727	
		% of total consumption	100%	100%	
C) Stores & Spares Consumed	i) Imported	Value Rs.	Nil	Nil	
		% of total consumption	Nil	Nil	
	ii) Indigenous	Value Rs.	3623116	3426727	
		% of total consumption	100%	100%	
D) CIF Value of Imports	i) Raw Material		Nil	Nil	
	ii) Stores & Spares		Nil	Nil	
	iii) Capital Goods		Nil	Nil	
E) Expenditure in foreign currency			Nil	Nil	

In respect of Hotel Division, due to numerous items of eatables consumed, the figures of quantity & value of each item cannot practically be determinable, hence the same are not given.

Notes as per Schedule 20 which is attached herewith are integral part of Balance Sheet and Profit and Loss Account

As per my Report of even date.

For and on behalf of the Board

Solapur
31st August, 2010

(G. M. Pawle)
Chartered Accountant

V. T. KATARE (Chairman & Executive Director)
K. T. KATARE (Managing Director)
S. T. KATARE (Director)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

		(Rs. '000 omitted)	
		31st March	31st March
		2010	2009
		Rs	Rs
A) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/Loss (-) before tax and extraordinary items		17149	6294
Add:			
a) Depreciation	15675		16505
b) Interest, Finance & Admn. Charges (Net)	10020		8590
c) Loss on Sale of Machinery	<u>0</u>		<u>0</u>
		<u>25695</u>	<u>25095</u>
Less:		<u>42844</u>	<u>31389</u>
a) Investment Income	1469		1330
b) Rent Received	25		25
c) Insurance claim received	612		61
d) profit on sale of assets	745		2401
e) profit on sale of investments	<u>2887</u>		<u>0</u>
		<u>5738</u>	<u>3817</u>
Operating profit before working capital changes		37106	27572
Adjustments for :			
Add/Less:			
a) Decrease/(Increase) in inventories	-26329		-12159
b) Decrease/(Increase) in advance recoverable	-603		-2003
c) Decrease/(Increase) in trade receivables	83		-782
d) Increase in Current Liabilities	<u>9973</u>		<u>4944</u>
		<u>-16876</u>	<u>-10000</u>
Cash Generated from Operations		20230	17572
Less: Interest and finance charges paid	9999		8605
Add: Direct Taxes refunded / Paid (-)	<u>-491</u>		<u>323</u>
		<u>9508</u>	<u>8928</u>
Cash Inflow before Extra-Ordinary Items		10722	8644
Add(+) Less(-) Prior period items/ revaluation reserve		-12520	-12592
Net Cash Inflow from Operating activities		<u>-1798</u>	<u>-3948</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

	Rs	31st March 2010	31st March 2009
B) CASH FLOW FROM INVESTING ACTIVITIES			
Outflow:			
a) Purchase/Acquisition of Fixed Assets (inclusive of revaluation of assets during the year)	-4859		-4861
b) Purchase/Acquisition of Investments/Deposits	1185		1338
		-3674	-3523
Inflow:			
a) Investment Income (Int.)	193		1193
b) Insurance claim received	612		61
c) Rent received	25		25
			0
		830	1279
Net cash used in Investing Activities		-4504	-4802
C) CASH FLOW FROM FINANCING ACTIVITIES			
Inflow:			
a) Proceeds from borrowings/loans		12948	19466
Outflow:			
a) Repayment of borrowings/loans	4029		9650
b) Dividends paid	0		0
		4029	9650
Net Cash Inflow / Outflow from Financing Activities		8919	9816
Net Increase/Decrease (-) in Cash and Cash equivalents		2617	1066
Cash and cash equivalents at the commencement of the year		12028	10962
Cash and cash equivalents at the end of the year		14645	12028
Net Increase/Decrease(-) as disclosed above		2617	1066

AUDITOR'S CERTIFICATE

I have audited the above cash flow statement of Katare Spinning Mills Limited from the audited financial statements for the year ended March 31, 2009 and March 31, 2010 and found the same to be drawn in accordance therewith and also with requirements of clause 32 of the listing arrangements with the stock exchange.

Solapur
August 31, 2010

G. M. Pawle
Chartered Accountant



Tripursundari

A DIV. OF KATARE SPG. MILLS LTD.

Civil Lines, Solapur -413 001.

Phone : (0217) 2312291, 2312875, 3292291

Fax : (0217) 2312717, 2624981

From -

KATARE SPINNING MILLS LTD.

"KAMALA", 259, Sakhar Peth,

Solapur - 413 005.

