



JK HDC

**Jammu And Kashmir
State Handloom Development Corporation Limited.**

**Registered office
5th Floor, JawaharLalUdyogBhawan, Rail Head Complex
Jammu-180015(J&K)**

**Draft
Annual Report
2016-17**

BOARD OF DIRECTORS

Sh. ChanderParkash, Hon'ble Minister for Industries & Commerce, J&K State	Chairman
Sh. Nizam-U- Din Bhat,	Vice Chairman
Sh. N. K. Choudhary, IAS, Commissioner/Secretary to Govt., Finance Department.	Director
Sh. RohitKansal, IAS, Commissioner/Secretary to Govt., Planning & Development Department.	Director
Sh. Shailendra Kumar, IAS, Commissioner/Secretary to Govt., Industries & Commerce Department,	Director
Sh. Anil Raj Kumar, Additional Dev. Commissioner (Handlooms), Ministry of Textile, Govt. of India, New Delhi.	Director
Sh. Rajesh Kumar Sharma, KAS, Director, Handloom Development Department J&K	Director
Sh. Rakesh Sharma Managing Director, J&K State Handloom Development Corporation Ltd.	Director

PRINCIPAL OFFICERS OF THE CORPORATION

- | | |
|--------------------|-----------------|
| 1. Sh. M.A. Gani | General Manager |
| 2. Sh. Peer Najeeb | Secretary |

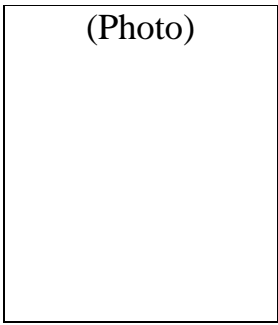
AUDITORS

M/S G.S & Associates
Chartered Accountants

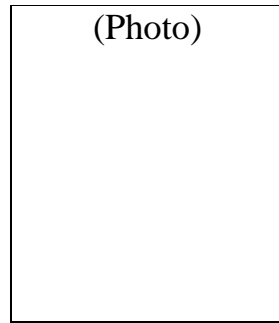
TAX CONSULTANT

M/S Ashutosh Associates
Chartered Accountants

Message From Hon'ble Chairman JKHDC

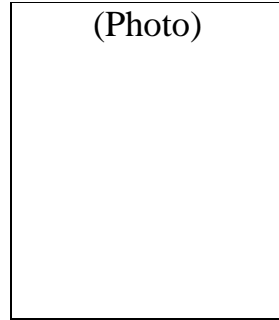


Message from Vice Chairman JKHDC



Preface From

Commissioner/Secretary Industries & Commerce Department



Background

Jammu and Kashmir, a state with a historically rich culture is spread across a versatile and breath-taking geography. With a multitude of people, different regions and their traditions, the state is the home to numerous commendable arts and crafts. The state's traditional handloom weaving has, since centuries, developed a name for itself across the world. Apart from designs found specifically in the area, the raw materials are also produced within the state be it pashmina, silk or wool. Traditional handloom weaving has been a major source of employment for a significant part of the state's workforce.

In this spirit, the J&K State Handloom Development Corporation Ltd was incorporated in 1981 exclusively to undertake the promotion of decentralized handloom sector of the state and to implement centrally sponsored handloom projects initiated by the Government of India. Even before the creation of JKHDC, the State Government had undertaken implementation of an intensive handloom development project (IHDP) with its headquarters at Pampore, an export oriented handloom project EOHPD headquartered at Samba and a Kani shawl weaving project headquartered at Kanihama. The three projects were part of centrally sponsored schemes of Gol. Their execution had been entrusted by the State Govt. to J&K SICOP and on its inception, JKHDC took over the charge of these three ongoing projects.

Wool and pashmina are the main raw materials produced within the state for traditional handloom weaving. With an objective to productively utilize the large quantity of raw material available within the state, the State Govt. took a keen interest and supported this sector by providing financial aid to the Corporation This resulted in the value addition of raw material and created a vast platform for local employment. Despite this, a very small portion of the potential of this raw material could be tapped locally even with the fact that unlimited demand for our handloom products made of wool, silk and pashmina exists within as well as outside the state. With this **context, JKHDC has a vast avenue for its growth.**

Vision

- To revive old traditional handloom glory of the state.

Mission

- To uplift the social-economic condition of weavers, artisans, handloom societies and textile industries by creating more job opportunities for local masses.

Objectives

- Aid, counsel, assist, & promote the handloom industry in the state.
- Provide the weavers with resources, technical & managerial assistance to enable them to develop & improve their methods of manufacture, management, production techniques & marketing of their products.
- Undertake procurement & distribution of various raw materials, for supply to bonafide users in the handloom industry.
- Aid, help, assist, wages and establish production/design dev. Centres, processing houses, manufacturing of handloom /textile items, raw material required by handloom industry. Providing assistance inprinting, dyeing, finishing etc. of handloom fabrics in the state & testing.
- Set up production common facility centres, workshops & service centres for providing pre & post weaving localized coverage to the handloom industry.
- To establish & maintain the showrooms, retail outlets and trade centres to serve as clearing houses for giving marketing cover to individual weavers, societies & Handloom/S.S.I. Textile Units.
- To organize and participate in exhibitions & trade fairs to display & exhibit the handloom/Textile products for dissemination of information regarding handloom industry.

Share Capital

Year of Incorporation	1981 – 82
Authorized Share Capital	= Rs. 500.00 lacs
Paid up Capital	= Rs. 499.50 lacs

Production Activity

JKHDC has two manufacturing units one at Solina Ram Bagh Srinagar and another at Samba where production activities are being carried out under one roof. However, major portion of the production activities are being carried out in de-centralized sector of the state. The main following items are being manufactured in these plants.

1. Tweed Fabric
2. Rafal Fabric
3. Woolen
4. Cotton Fabric

Project: Development of Wool and Woolen Design & Development Centre (WWDDC) Solina Ram Bagh Srinagar.

The Project WWDDP established in 1981 under GOI scheme which upgraded further under Raw Wool Processing, Woolen Spinning, Fabric Processing. Presently centre is working on handlooms and Tweed and woolen fabric of different type and design are main products. An estimated 2.10 Lakh mts of woolen fabric is assessed in the annual production plan as per Annexure "A" and shall also feed raw materials to other centres i.e UNDP Pulwama in Kashmir Division dealing with these items.

Project: Kani Shawl project Kanihama, Budgam.

Presently the project is carried out in decentralized sector by providing pashmina as raw material to waivers and then marketing the product i.e Kani Shawls by paying the wages to waivers. These shawls are high end products marked in exhibitions/Expo. It is proposed to

produce 150 shawls in a year and then marketing them in Handloom Exhibitions/Expos outside the state.

Project: Royal Pashmina Project Srinagar

Similar to Kani shawls, Royal pashmina project Srinagar is high end project and shall be marked in Exhibition/Expo outside the state. The assistance in this head required to produce 1100 No shawls of different design and pattern.

Project: Export Oriented Handloom Development Project, Samba

EOHDP Samba installed in 1981 to give boost the cotton products for which Samba is famous for its handloom products since long. To maximize the production an assistance is necessitated as per annexure "A" which shall also feed Raw Material assistance to IHDP Udhampur, Doda/Bhadarwah.

Project: Intensive Handloom Development Project Udhampur

It was established in 1982-83 to cover the backward area of Udhampur and Doda districts. Under the project three production center known as common facility center at Chenani, Panjar and Butla (Bhadarwah) were started. Four Showrooms are working under the Project such as Poshish showroom Katra, Poshish showroom Chinar complex Udhampur, Poshish showroom Kishtwar and Poshish showroom Badarwah. The Project is involved in the production of blue shade woolen blankets and medico textiles items like crewdusooti and crandy cloth.

Project: Pashmina Weaving Project Basholi/Kathua.

Pashmina Basholi shawls are also world famous for its unique designs and innovative style. Presently the project is carried out in decentralized sector by providing pashmina as raw material to waivers and then marketing the product i.e Shawls by paying the wages to waivers. These shawls are high end products marked in exhibitions/Expo. It is proposed to produce 925 shawls/stoles in a year and then marketing them in Handloom Exhibitions/Expos outside the state.

Corporation has implemented the following different schemes successfully with the help of State Plan.

S.No	Name of Project	Activity
1	IHDP Bandipora	Manufacturing of woollen Shawls, Dussa, Stole etc.
2	Kani Shawl project Kanihama, Budgam	Weaving of famous Kani Shawls.
3	Royal Pashmina Project Srinagar	Weaving of Royal Pashmina Shawls & embroidery there on to recreate the Royal Pashmina designs
4	IHDP Inder/Pulwama	Weaving of Blankets and Tweed etc.
5	EOHDP Samba	Weaving of Linen cloth, fine cotton cloth with dying/finishing & printing facility. Textile testing laboratory for the testing of textile items.
6	IHDP Udampur	Weaving of Dasooti Cloth & Woollen Cloth
7	Doda/Bhaderwah	Weaving of Woollen Blankets.
8.	Pashmina Weaving Project Basholi.	Weaving/Finishing of 100% Pure Pashmina Hand spun/Hand-woven Shawls

Apart from above JKHDC is also looking after the affairs of Himalayan Wool Combers Ltd which has been closed down by Govt. vide cabinet decision No 129/12 dt 18-08-2000 and was ordered to be wound up by Hon'ble High Court of J&K with effect from 26-12-2003.

Present Projects

A) New Projects under Centrally Sponsored Schemes(CSS)

i) Integrated project for the development of wool and woollen design development Centre (WWDDC) Phase -II

The Project WWDDC phase II is to set up spinning facility at Solina Rambagh Srinagar funded by (100 %) Ministry of Textile Govt. of India amounting to Rs 901.00 Lakh shall be

implemented by J&K State Handloom Development Corporation. The project is in active consideration of Ministry of Textile Govt. of India and likely to be sanctioned shortly and subsequently implemented/executed. This project shall be a land mark for woollen industry in Kashmir as the scouring of wool, spinning, weaving and finishing i.e chain of activities from virgin to finished products shall be carried out locally at different centers of Srinagar. Wool which is abundantly locally available in the state shall get a great boost by value additionally locally, encourage masses to startup their enterprises, open new avenues for employment and subsequently improving the socio economic condition of common masses.

ii) Setting up of Kani Shawl Project cum Showroom at Kanihama, Budgam

The Project of Kani Shawl with showroom amounting to Rs 325.00 lakh is also in active consideration and likely to be sanctioned shortly by Ministry of Textile under Handloom Sector. The Corporation has hired an area of 2000 sft first floor of a building on the National High way Srinagar Gulmarg Road. With the release of funds from Government Of India, the project shall be implemented with all its features i.e Workshop in centralized sector, showroom, food court/stalls etc. The Corporation is expecting a game changer by this project and expecting good sale from the Centre being on way to world famous tourist place i.eGulmarg. This centre shall be carved as a museum of Kani shawl attracting a multitude of tourists.

iii) Tameer

The re-construction project “Tameer” has been sanctioned in the favour of JKHDC with the following features:

S.No	Station	Solina	Samba
1	Civil Works	206.51	65.48
2	Machinery	239.70	42.22
3	CAD	3.68	
4	Additional Civil Works		214.00
	Total	449.89	321.70

Grand Total Rs 771.59 Lacs.

This infrastructural up-gradation has transformed the outlook of the Centre.

B) New Project Under State Govt.

i) CAPEX

An amount of Rs.362.50 lacs has been earmarked in favour of JK HDC for the year 2017-18 for implementation of different schemes of the Corporation. The approved outlay for the year 2016-17 and approved outlay for 2017-18 is indicated component wise as under:-

(Rupees in lacs)

S. No	Component	Approved CAPEX 2016-17	Approved CAPEX 2017-18
1	Raw Material/Yarn	140.00	260.00
2	Market intervention & Buyer Seller Meet	5.50	5.50
3	Renovation/Up-gradation of show rooms	15.00	0.00
4	Recreation of Antique Pashmina Shawls	45.00	40.00
5	Revival of Silk Sarees/Dress material	5.00	10.00
6	Revival of Basohli/Ladakhi Pashmina Shawls	15.00	16.00
7	Revival of Kani Shawl Project, Kanihama	29.00	26.00
8	Purchase/Repair of Loom accessories	5.00	3.00
9	Office Automation	3.00	2.00
	Total	262.50	362.50

Marketing Activity

Corporation has opened Poshish showroom at following places to market the end products manufactured by Artisans, weavers, Handloom societies, small scale units of textile, and products of corporation made under different centres/projects :-

- Poshish Showroom Silk factory, Solina-Rambagh, Srinagar.
- Poshish Showroom Baramulla. (Sgr)
- Poshish Showroom Bandipora.(Sgr)
- Poshish Showroom Channapora Srinagar
- Poshish Showroom Kishtwar.
- Poshish Showroom Bhaderwah , (Doda).
- Poshish Showroom Gandhi Nagar Jammu
- Poshish Showroom Residency Road Jammu
- Poshish Showroom ChinarUdhampur
- Poshish Showroom, Leh.
- Poshish Showroom, Jaipur.
- Poshish showroom, Kolkata.
- Poshish showroom, BiccajiCama palace New Delhi
- Poshish Showroom, Janpath, New Delhi

Following are the main products being marketed in these outlets:-

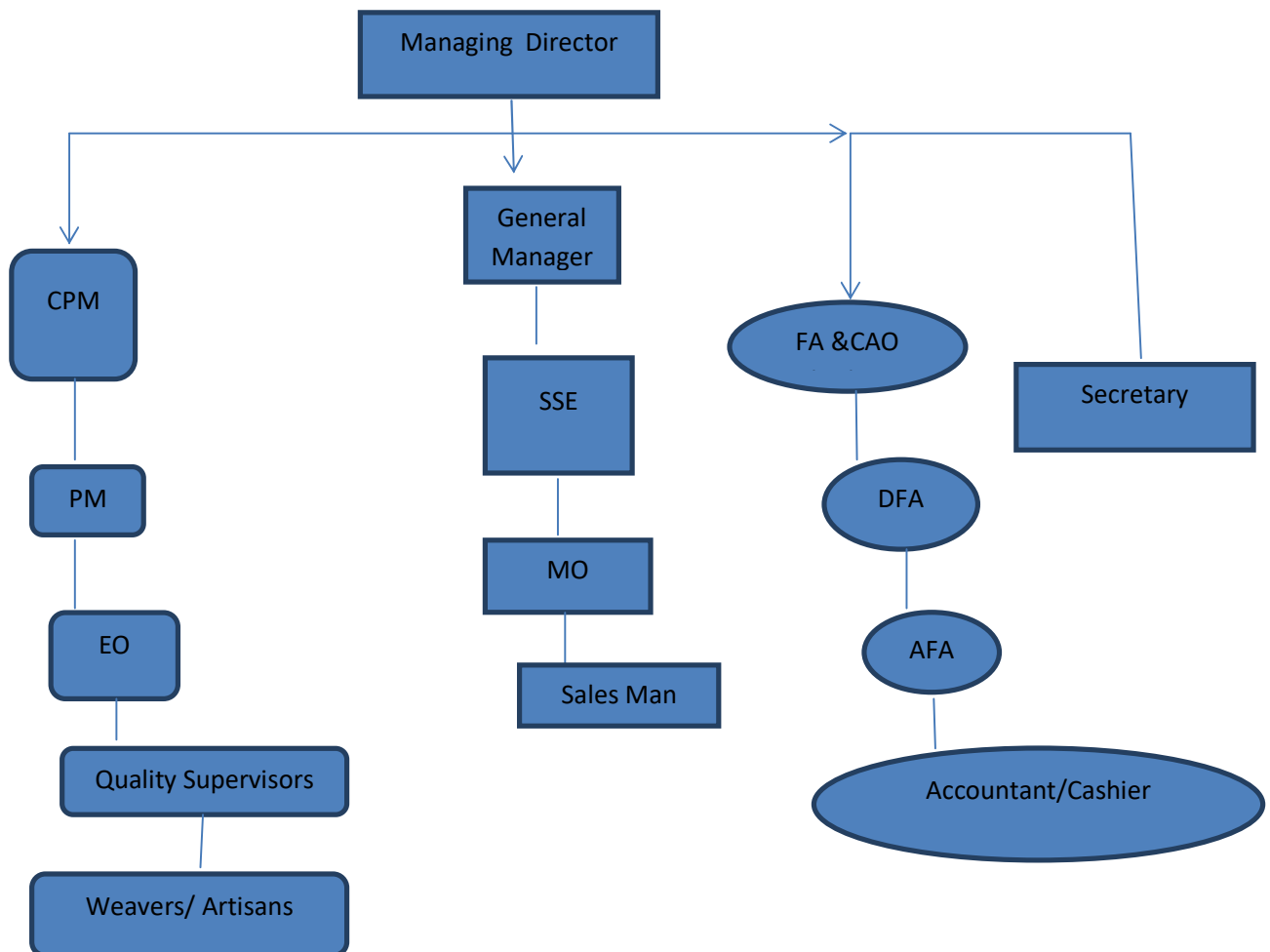
- Tweed Coat
- Waist Coat
- Pherans
- Shawls
- Bed sheets
- Lien Shirts
- Cotton Shirts
- Readymade products

During the year 2016-17, JKHDC participated in five exhibitions in the as well as outside the state. Prominent among them is Royal Pashmina Shawl Exhibition at New Delhi and the Annual IITF at New Delhi.

Human Resources

The Corporation continued to function with limited staff strength which, in addition to the Managing Director, consisted of one General Manager, one Secretary and 185 other officers & officials. The Staff strength as on 31st March 2017 stood at 187.

The corporation is governed by the Board of Directors with the Hon'ble Minister of Industries and Commerce as its Chairman. The Corporation is administratively controlled by Commissioner/Secretary Industries & Commerce Department, J&K State. The structure with in the Corporation is as below:



Nodal Agency

As regards its Nodal Agency Role, Corp. has been providing marketing coverage to the Registered Handloom Societies by organizing special Expos, events etc. within and outside the state. Besides, Corporation has been supplying the material of Societies to Railways through Acash. As a nodal agency corp. is boosting the social activities in the State as well as generating revenue to meet up the Corp. administrative expenses. In the Year 2016-17 Corp. has earned an amount of Rs. 12Lacs on account of service charges to act as a Nodal Agency.

Directors Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations furnished to them, your Directors make the following statement as per the Companies Act, 1956:-

That in the preparation of annual accounts for the financial year ended 31st March, 2017, the applicable Accounting Standards have been followed along with proper explanations relating to material departures, if any;

That appropriate accounting policies have been selected and applied consistently and judgments and estimates that are responsible and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period;

That proper sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing fraud and other irregularities;

That the annual accounts for the period ended 31st March, 2017 have been prepared on a going concern basis; and

Those proper systems to ensure compliance with the provisions of all applicable laws have been devised and such systems are adequate and are operating effectively.

Number of meetings of the Board

One meeting of the Board of Directors was held during the year 2016-17. The Board Meeting was held 29th November 2016.

Statement about particulars of Employees

None of the employees of the Corporation was in receipt of remunerations of Rupees sixty lacs or more employed throughout the year or Rupees five lacs or more per month if employed for a part of the year during the period under review. As such the information regarding employees covered under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 is Nil.

STATUS OF PENDING LEGAL CASES OF JKHDC

There are four seniority dispute cases pending in the Hon'ble High Court Jammu and two seniority dispute cases are also pending in the High Court Srinagar. These cases are being perused vigorously.

There are two cases of unreleased Payment of COLA. In one case, namely R.L.Tickoo and others, the Administrative Deptt. of I&C Civil Secretariat Srinagar has been requested for release of COLA Payment for the year 1999 & 2000 (34 points) in the favour of the erstwhile employees of (HWCL) Himalayan Wool Combers Ltd. Bari-Brahmana, Jammu for an amount of Rs. 9.78 lacs. In the 2nd case, the petitioner M/S ShahnazIqbal and others are seeking payment of unreleased payment of COLA for 17 (Seventeen) points which was released by the Govt. on 30-08-2010 after they were superannuated on VRS i.e., 31-08-2009. The cases are pending in J&K High Court Jammu.

There are two Labour dispute cases. In one case, with case title, MadanGopal V/S MD JKHDC the petitioner MadanGopal has filed a case against the corporation for implementation of the court order for his permanent employment. This case is in the High Court Jammu. The 2nd case with title M/S Om Parkash V/S Project Manager IHDP Udhampur, an award of Rs. 8.90 lacs has been passed in favour of the petitioner. The case is pending in the Learned Court of Principal Distt. and Session Judge Udhampur.

One case of payment of retirement benefits has been filed by Sh. BalKrishanBhat in the Learned Court of Assistant Labour Commissioner, Jammu for release of payment of retirement benefits including interest on late payment made on un-deposited C.P Fund, COLA arrears, recalculation of salary & gratuity claims etc., as per the 6th Pay commission. The case is being perused vigorously.

There are two cases for release of terminal benefits as per 6th Pay Commission which superannuated on VRS. These cases are pending in J&K High Court Jammu.

There is one case of rent dispute with Landlord of Corporation Showroom located at Residency Road, Jammu. The case is under the active process of settlement with the Landlord. The case is pending in Distt. Court Jammu.

One case of cancellation of Promotion order as "Administrative Officer" in the Corporation (of Sh. Gh. NaviWani, the petitioner) is pending in the Hon'ble High Court Srinagar.

There is also one case wherein the Petitioner, Sh. Jagmohan Singh (Ex. AGM) who got superannuated on VRS, has requested to consider his Adhoc period service for the purpose of calculation of terminal benefits. The case is pending in J&K High Court Jammu.

A case of rescinding of appointment order of one Sh. Sanjay Sharma who was disengaged in compliance to Govt. order no. 384 GAD of 2015 Dt. 17-03-2015 is pending in the Hon'ble High Court Jammu.

There is also one case of for release of Actual grade (by Sh. Tahir Majid Raina SSE JKHDC, Srinagar) attached to the post of purchase officer (i.e., 7300-11800) from the date the petitioner was promoted to the post of purchase officer on dated 26-10-1996, but was given the grade of Rs. 6700-10760 instead of actual grade pay scale of purchase officer i.e., 7300-11800. The case is pending in the Hon'ble High Court Srinagar.

And there is also one case where in Hon'ble Court Jammu has given directions to Handloom Development Corporation to consider the reinstatement of Sh. SubashRathore, the petitioner who was terminated from the service on 1-09-1990 as he has embezzled on amount of Rs.22,235.70 out of sales proceeds. The case is pending in the High court Jammu.

Performance of the Corporation

Corporation has implemented different schemes under State Plan successfully and with the help of State Plan, Corporation has reactivated production in almost all defunct units like Bandipore, Kannihama, Budgam, Inder(Pulwama), Samba, Chenani-Udhampur, Basholi and Kathua. Corporation has also covered new areas like Pehroo and Wagoora for weaving of Kani shawls. Corporation has engaged artisans in Ganderbal, Beeru and other parts of the Valley for embroidery of Shawls.

The Corporation is providing employment to more than 2500 weavers/artisans beside 190 regular employees.

Presently, the direct market intervention by J&K HDC goes a long way in providing stability in the wage structure of weavers besides creating meaningful marketing outlet to the end product of these weavers.

The Corporation has distributed 60 modern looms (costing Rs. 60,000/- per loom) free of cost among the weavers in the last three years.

The Corporation has improved production /manufacturing of tweed, linen, quality tweed, Pashmina shawls, Basholi shawls, linen, silk, fine cotton, cotton Raffal shawls etc.

Achievement of the Corporation in production and sales for the last five years is as under:-

S.NO.	YEAR	Production in lacsmtrs./shawls(Nos.)	Sales in lacs(Rs.)
1.	2013-14	3.25 + 1310 Nos	919.61
2.	2014-15	3.35 + 700 Nos	1080.00
3.	2015-16	2.75 +1800 Nos	978.00
4.	2016-17	3.00 + 1400 Nos	1500.00
5.	2017-18(Ending may-17)	0.80 +200 Nos	100.00

Notable achievements during 2016-17 (quarter wise)

S. NO	ACTIVITY	UNIT	TARGET	Achievements 2016-17				Total
			2016-17	Q1	Q2	Q3	Q4	
1	Production	In lacsmt rs+ numbers	4.40 +2365	0.40 +200	0.30+ 100	0.80 +400	1.50 +600	3.00 lacs +1400
2	Sales	In Rs. lacs	1500	175	225	400	700	1500
3	Employment to weavers/others	In nos.	2500	200	150	750	900	2000

Highlights of the Year 2016-17

- Manufacturing of the fine quality tweed as per the demand of the market.
- Improvement in the stitching of made ups like gents/ladies coats and jackets.
- Introduction of latest designs of long coats for ladies and gents.
- Survey of new places for opening of showrooms in Mussorie, Dehradun, Shimla, Manali&Dargeeling
- Identification of new weavers in cluster form in the decentralized areas of the State.
- Increase of sales turn over by way of approaching various State and Central Govt. agencies.
- Approaching various export agencies for export of woolen, cotton and linen fabric manufactured by the Corporation.
- Revival of block and screen printing in EOHDP/Samba.
- The Corporation conducted 5 Exhibitions out of which 3 outside the state including Royale Pashmina exhibition at New Delhi.

Working Results

The detail of working results of the Corp. for the year 2016-17 as per Provisional Balance Sheet is as under:-

S.No	Particulars	Year 2016-17
A.	Income	(Rs. In lacs)
1	Sales	1500.00
2	Commission earned	15.00
3	Marketing incentives	25.00
4	Reimbursement of Exhibitions	8.00
5	CAPEX grant	262.50
6	Other receipt	7.00
7	Total	1817.50
B.	Expanses	(Rs. In lacs)
1	Material consumed	1200.00
2	Expenses	1034.19
3	Depreciation	1.00
4	Interest on Govt. loan	796.85
5	Total	3032.04
6	Loss for the year (B-A)	1214.54
7	Loss before interest	417.69
8	Less Budgetary support	230.00
9	Deficit	187.69

Auditors' Report

The Statutory accounts for the year 2000-01, 2001-02 & 2002-03 duly audited by the Auditor M/S G.S. & Associates Chartered Accountants were approved in the BOD meeting held on 10th JULY 2017 which are now placed with AG office for their Comments to adopt in the fourth coming AGM of the Corporation. Regarding arrears of accounts, it was apprised to the above said Board meeting that the accounts allotted with M/S G.S. & Associates up to 2010-11 shall be cleared by the end of November 2017.

The Auditors report for the year 2002-03 along with audited balance sheet is placed here with.

AUDITOR'S REPORT

To,
The Members,

J&K STATE HANDLOOM DEVELOPMENT CORPORATION LIMITED

We have audited the attached Balance **Sheet of J&K State Handloom Development Corporation Limited** as at 31st of March, 2003 & the annexed Profit & Loss Account for the year ended in that together with the notes there on & have to report that:

As required by the Manufacturing & Other Companies (Auditor's Report) order, 1988, issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure 1, a statement on the matters specified in paragraph 4 & 5 of the said order.

Further to our comments in the Annexure 1 referred to in the above paragraph & as per Annexure 2, we report that:

We have obtained all the information & the explanations which to the best of our knowledge & belief were necessary for the purpose of Audit.

In our opinion, proper books of accounts as required by law have been kept by the corporation as far as appears from our examination of Books.

The Corporation is not following the Accounting Standards as applicable & as issued by the Institute of Chartered Accountants of India.

Since the corporation is a Government organization, and has directors who are appointed by the Government, and details about the other Companies in which these directors hold the directorship were not made available, as such whether the directors are disqualified to act as the director cannot be commented upon by us.

The said Balance Sheet & Profit & Loss A/C dealt with by the report is in agreement with the Books of Account.

In our opinion, & to the best of our information & according to the explanations given to us, the said accounts, read together with notes thereon give the information required & give a true & fair view:-

In the case of Balance Sheet, of the state of affairs of the Corporation as at 31st of March, 2003 and

In the case of the Profit & Loss Account of the Loss of the Corporation for the year ended 31st of March 2003

Place: Jammu

Date:-

**For G.S. & ASSOCAITES
(Chartered Accountants)**

**Gurvinder Singh (F.C.A.)
(Proprietor)
M. NO. 88938
F.R.No. 010527N**

ANNEXURE-I

(Referred to in photograph (A) of our Audit report of even date)

The corporation is not maintaining proper record as per Companies Act, Showing full particulars, including quantitative details & situation of fixed Assets. The periodical physical verification has not been conducted by the Management during the year.

None of the fixed assets have been revalued during the year.

The physical verification of stock of stores spares parts, raw material & Finished goods of the corporation done by the management at the yearend as reported to us. However physical verification reports not provided.

In our opinion & according to the information & explanation given to us the procedure of physical verification of stocks followed by the management is responsible & adequate in relation to the size of company & nature of its business.

As explained to us no material discrepancies were noticed on physical verification of stocks to raw material, store & spare & finished goods as compared to the books of record at close of the year.

On the basis of our examination of stocks, the valuation is fair & proper & in accordance with the normally accepted accounting principles. The Basis of valuation of stocks is the same as in the preceding year reported to us.

The corporation has been given loan & advances in the nature of loans to its Employees & repayment of the principal amount is not forthcoming as stipulated.

The corporation has adequate internal control procedure for the purchase of raw material including components of plants & machinery, equipment & other assets & for the sale of goods commensurate with size of the corporation & nature of its business.

As explained to us & according to the information & explanation given to us there is no transaction of purchase of goods and material and sale of goods, materials & services made in pursuance of contracts of arrangement, entered in the register maintained under Section 301 of the companies Act, 1956 & aggregating during the year to Rs 50000 or more in respect as required to be maintained under section 301 of the companies.

As explained to us corporation has regular procedure for determination of unserviceable or damaged stores, raw material of finished goods.

The corporation has not accepted deposit from the public during the year under report.

The corporation has not maintained any record for sale & deposit of realizable by the products if any.

The corporation does not have any adequate system of internal audit commensurate with its size & nature of its business.

Maintenance of cost record has not been prescribed by the central government under section 209 (l) (D) of the Companies Act, 1956.

The corporation is deducting fund the provident fund regularly but it is not regular in depositing provident fund dues with the appropriate authorities.

According to the information & explanation given to us there are no disputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty & Excise Duty which have remained outstanding for a period of six months from the date of its becoming payable.

According to the information & explanation given to us & the records examined by us, no personal expenses of employees or directors have been change to the revenue accounts other than those payable under the contractactual obligation or in accordance with generally accepted business practices.

The corporation is not a sick industrial company within the meaning of section 3(1) (0) of the Sick Industrial Companies (Special Provisions) Act, 1956.

The company has a reasonable system of recording receipts & issues and consumption of material stores commensurate with its size & nature of business.

Place: Jammu

**For G.S. & ASSOCAITES
(Chartered Accountants)**

Date:-

**Gurvinder Singh (F.C.A.)
(Proprietor)
M. NO. 88938
F.R.No. 010527N**

STATUTORY AUDIT FOR THE YEAE ENDING 31ST MARCH, 2003

ANNEXURE – 2

Observations:-

The Authorized Capital of the company has been shown at Rs. 5 Crores (Rs Five Crores only) and it has been reported that Resolution has been passed by the Board in the regard. However, the other formalities/documents required for increase of the Share Capital not complied with.

The Corporation has taken unsecured loan to the tune of Rs.200477166.66 from J&K govt. with the stipulation that interest amount has to be paid quarterly. The Corporation has not paid any interest till date and the amount is accumulating year by year and provision in respect of penal interest as stipulated in the sanction letters has not been made in the accounts.

Sundry debtors include many accounts, where recovery was not affected and appears to be bad and no provision has been made in the account in this regard. Moreover, Sundry Debtors of Rs. 1627773.65/- considered bad and doubtful debts.

The corporation is not having Company secretary as required to be maintained under Companies Act, 1956.

The Corporation is not maintaining the following Registers as requires to be maintained under Companies Act, 1956

Register of Charges

Register of Members

Register of Directors

Register of Contracts

Register of Investments

Register of fixed Assets

The Sundry Creditors, Sundry Debtors, Loans & Advances remain unconfirmed.

The recovery against the cost of looms have not been made available to us for verification & such it has not been possible to identify the cases where no recoveries are being effected from year to year & the steps taken by the management in this regard. There are huge amounts outstanding against weavers and same are carried forward year to year without recovery. The amounts appear to be doubtful of recovery and provision for such bad and doubtful accounts has not been made.

Suspense of Rs. 28591.58/- represents difference in books (including opening difference) which has been shown under the head 'Liability'.

Internal audit System is not in vogue although the Share Capital of the Company is more than Rs. Five Crores.

J&K State Handloom Dev. Corporation Jammu

BALANCE SHEET AS ON 31/03/2003

		(Figures in Rupees)		(Figures in Rupees)	
	PARTICULARS	Note No:	Figures as at the end of Current Reporting Period		Figures as at the end of the previous Reporting Period
I	<u>EQUITY AND LIABILITIES</u>				
(1)	SHAREHOLDER'S FUNDS				
	(a) Share Capital	1	30990000.00		30990000.00
	(b) Reserves and Surplus	2	-329271366.97		-240302825.02
	(c) Money received against Share Warrants		0.00		0.00
(2)	SHARE APPLICATION MONEY PENDING ALLOTMENT		0.00		0.00
(3)	NON - CUIRRENT LIABILITIES				
	(a) Long Term Borrowings	3	338961561.27		292323764.27
	(b) Deferred Tax Liabilities (Net)	10	0.00		0.00
	(c) Other Long Term Liabilities	4	73659040.77		0.00
	(d) Long Term Provisions				
(4)	CURRENT LIABILITIES				
	(a) Short Term Borrowings	5	0.00		5364164.04
	(b) Short Term Liabilities	6	6721449.46		4918161.54
	(c) Other Current Liabilities	7	3218225.44		29218034.39
	(d) Short Term Provisions	8	1048953984.83		999338178.30
			1173232894.80		1121849477.52
II	<u>ASSETS</u>				
(1)	NON - CURRENT ASSETS				
	(a) Fixed Assets				
	- Tangible Assets	9	4496248.34		4837323.23
	- Intangible Assets		0.00		0.00
	- Capital Work-in-Progress				
	- Intangible Assets under development				
	(b) Non Current Investments		0.00		0.00
	(c) Deferred Tax Assets (Net)				
	(d) Long Term Loans & Advances	11			-22797.78
	(e) Other Non - Current Assets				
(2)	CURRENT ASSETS				
	(a) Current Investments				
	(b) Current Inventories	12	37505398.14		71929548.31
	(c) Trade Receivables	13	44146054.61		53331222.21
	(d) Cash & Cash Equivalents	14	51737032.57		3592823.08
	(e) Short Term Loans and Advances				
	(f) Other Current Assets	15	1035348161.14		988181358.47
			1173232894.80		1121849477.52
			0.00		0.00

J&K STATE HANDLOOM DEVELOPMENT CORPORATION LIMITED, JAMMU

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31/03/2003

				<i>(Figures in Rupees)</i>	<i>(Figures in Rupees)</i>
		Particulars	Note No:	Figures as at the end of Current Reporting Period	Figures as at the end of the previous Reporting Period
I		REVENUE FROM OPERATIONS	16	63134930.85	61091919.13
II		OTHER INCOME	17	13107271.61	20198433.66
III		TOTAL REVENUE (I + II)		76242202.46	81290352.79
IV		EXPENSES :			
		Cost of Materials Consumed	18	83526457.31	63573143.24
		Purchases of Stock -in -Trade			
		Changes in Inventories of Finished Goods, Work- in- Progress and Stock-in -Trade			
		Employee Benefit Expense	19	38635137.76	38684358.27
		Finance Costs	20	30082140.51	25565179.78
		Depreciation and Amortization Expense	21	617146.94	653321.95
		Other Expense	22	12349861.89	12206451.97
		Total Expenses		165210744.41	140682455.21
V		Profit (-Loss) before exceptional and Extra Ordinary Items and Tax (III - IV)		-88968541.95	-59392102.42
VI		Exceptional Items		0.00	0.00
VII		Profit (-Loss) before Extraordinary Items and Tax (V - VI)		-88968541.95	-59392102.42
VIII		Extraordinary Items		0.00	0.00
IX		Profit (-Loss) before Tax (VII- VIII)		-88968541.95	-59392102.42
X		Tax Expense			
	(1)	Current Tax		0.00	0.00
	(2)	Deferred Tax		0.00	0.00
XI		Profit for the period from continuing Operations (IX - X)		-88968541.95	-59392102.42
XII		Profit (-Loss) from Discontinuing Operations		0.00	0.00
XIII		Tax Expense of Discontinuing Operations		0.00	0.00
XIV		Profit (-Loss) from Discontinuing Operations (After Tax) (XII - XIII)		0.00	0.00
XV		Profit for the Period (XI + XIV)		-88968541.95	-59392102.42
XVI		Earnings Per Share			
	(1)	Equity			
	(2)	Diluted			

NOTES TO THE BALANCE SHEET AS AT 31/03/2003

		(Figures in Rupees)		(Figures in Rupees)	
NOTE NO:		Figures as at the end of Current Reporting Period		Figures as at the end of the previous Reporting Period	
1	SHARE CAPITAL				
	Authorised Capital 500000 Equity Shares of Rs 100 each	50000000.00		50000000.00	
	ISSUED, SUBSCRIBED, CALLED UP & PAID- UP CAPITAL 309900 Equity Shares of Rs 100 each	30990000		30990000.00	
		30990000.00		30990000.00	
	<i>The details of Shareholders holding more than 5% Shares is as under :</i>	<i>Number of Shares</i>	<i>% held</i>	<i>Number of Shares</i>	<i>% held</i>
		0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00
2	RESERVES AND SURPLUS				
	GENERAL RESERVE				
	Opening Balance			0.00	
	Less Transfer to P&L Account	0.00		0.00	
		0.00		0.00	
	CAPITAL RESERVE				
	Opening Balance	2259382.9		2259382.90	
		2259382.90		2259382.90	
	CAPITAL SUBSIDY				
	Opening Balance	1588788.00		1588788.00	
		1588788.00		1588788.00	
	PROFIT & LOSS ACCOUNT				
	Opening Balance of Profit	-244150995.9		-184758893.50	
	Less General Reserve Transferred	0.00		0.00	
	Add Net Profit (-Loss) during the Year	-88968541.95		-59392102.42	
		-333119537.87		-244150995.92	
	GRAND TOTAL	-329271366.97		-240302825.02	
3	LONG TERM LOAN BORROWINGS				
	Unsecured Term Loans from Related Parties				

	<u>J&K & Central Govt.</u>		
	Opening Balance	183102166.66	164797166.66
	Addition During The Year	17375000.00	18305000.00
	Grants	0.00	0.00
	Interest Accrued on Loan	138484394.61	109221597.61
	-	338961561.27	292323764.27
	-		
	<u>Unsecured Term Loans from Other Parties</u>	0.00	0.00
		338961561.27	292323764.27

		(Figures in Rupees)	(Figures in Rupees)
NOTE NO: 4	OTHER LONG TERM LIABILITIES	Figures as at the end of Current Reporting Period	Figures as at the end of the previous Reporting Period
	Trade Payables exceeding six months	73592733.68	0.00
		73592733.68	0.00
NOTE NO: 5	SHORT TERM LOAN BORROWINGS		
	SECURED LOAN	0	
	Jammu & Kashmir Bank Ltd. (Secured against Stocks)	0.00 0.00	5364164.04
		0.00	5364164.04
NOTE NO: 6	SHORT TERM LIABILITIES		
	Suspense	28591.58	28591.58
	Other Liabilities	6669060.10	4887569.96
	Acceptance	23797.78	2000.00
		6721449.46	4918161.54
NOTE NO: 7	OTHER CURRENT LIABILITIES		
	Amount received in Advance/Securities	8650.00	98935.91
	Sundry Creditors More than six months	2754640.26	20231339.19
	Sundry Creditors Less than six months	454935.18	8887759.29
		3218225.44	29218034.39

NOTE NO: 8	SHORT TERM PROVISIONS		
	Provision for Expenses	16806309.08	13334000.32
	Bad and Doubtful (Annexure-II)	1627773.57	1627773.65
	Interunit balances	1030519902.18	984274276.33
	<u>Provision for Employee Benefits</u>	0.00	0.00
	<u>Duties & Taxes</u>	0.00	102128.00
	Unpaid Bonus	0.00	0.00
	Unpaid Commission on sales	0.00	0.00
	Unpaid Wages (weaving)	0.00	0.00
	Unpaid Salary & Wages	0.00	0.00
		1048953984.83	999338178.30
NOTE NO: 10	DEFERRED TAX LIABILITIES		
	Opening Balance	0.00	0.00
	Add D/Tax during the Year	0.00	
		0.00	0.00
NOTE NO: 11	LONG TERM LOANS & ADVANCES		
	Security Deposits with Departments	66307.09	-22797.78
	Claims Recoverable	0.00	0.00
	<u>Loans and Advances to Related Parties</u>	0.00	0.00
		66307.09	-22797.78

		(Figures in Rupees)	(Figures in Rupees)
NOTE NO: 12	CURRENT INVENTORIES	Figures as at the end of Current Reporting Period	Figures as at the end of the previous Reporting Period
	Raw Material	5377820.60	2700894.40
	Goods in Process	5604364.16	1502029.25
	Consumable Stores	1474.00	1474.00
	Finished Goods	26142523.63	66901166.41
	Semi Finished Goods	379215.75	823984.25
	Looms/Store & Spares	0.00	0.00
		37505398.14	71929548.31
NOTE NO: 13	TRADE RECEIVABLES		

	Outstanding considered good		
	Over Than six months	26591804.61	35304684.71
	Less Than six months	17554250.00	18026537.50
	Considered Bad and Doubtful	0.00	0.00
		44146054.61	53331222.21
NOTE NO: 14	CASH AND CASH EQUIVALENTS		
	Cash in Hand	170419.22	247400.09
	Cash in Transit	375873.78	186318.17
	Cash at Bank		
	- In Current Accounts	4960615.57	3159104.82
	- In Fixed Deposits	46230124.00	0.00
		51737032.57	3592823.08
NOTE NO: 15	OTHER CURRENT ASSETS		
	Expenses Recoverable	0.00	188055.00
	Staff Advances	1973279.38	1153316.70
	Shortage & Other Recoverables	341871.93	331578.93
	25% Cost of Looms	0.00	0.00
	Interunit Balances	1030519902.18	984274276.33
	Securities & Deposits	180375.99	155241.00
	Claims Recoverable	1656727.00	1543037.99
	C.P. Fund	67710.00	0.00
	OYT Chairman	30000.00	30000.00
	Loan & Advances	531443.36	505852.52
	Prepaid Expenses	41851.30	0.00
	Advance to Suppliers	5000.00	0.00
	Preliminary Expenses	0.00	0.00
	Preoperative Expenses	0.00	0.00
		1035348161.14	988181358.47

<i>NOTES TO STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31/03/2003</i>			
		<i>(Figures in Rupees)</i>	<i>(Figures in Rupees)</i>
NOTE NO: 16	REVENUE FROM OPERATIONS	Figures as at the end of Current Reporting Period	Figures as at the end of the previous Reporting Period
	Sales	63134930.85	61091919.13

		63134930.85	61091919.13
NOTE NO: 17	OTHER INCOME		
	Interest Accrued / Earned	4839.74	392625.00
	Commission Received	28600.65	52259.65
	Uncommitted Liabilities	0.00	0.00
	Subsidies	475273.00	0.00
	Marketing Incentives	6378000.00	6573250.47
	MDA Received	0.00	0.00
	Receipts of Exhibition/Fair/Consignment sales	172223.00	607585.46
	Income of non recurring Norms	0.00	46069.00
	Stock Loss	0.00	0.00
	Misc Receipts	1548335.22	1535644.08
	Project Grant (Grant in Aid)	4500000.00	6091000.00
	Plan Fund	0.00	4900000.00
		13107271.61	20198433.66
NOTE NO: 18	COST OF GOODS SOLD		
	<u>Opening Stock</u>	71929548.34	82105078.13
	Raw Material	6567676.53	3927739.38
	Consumable Stores	54114.24	19407924.91
	Work In Progress	7379499.87	218616.70
	Finished Goods	57928257.70	58550797.14
	<u>Goods Purchased</u>	38608247.62	41059390.88
	Raw Material	12957612.52	23013402.79
	Consumable Stores	0.00	0.00
	Finished Goods	25650635.10	18045988.09
	Add Direct Expenses	10494058.09	12338222.54
	Less Closing Stock	37505396.74	71929548.31
	Raw Material	5522490.31	2700894.40
	Consumable Stores	1474.00	1474.00
	Semi finished goods	379215.75	
	Work In Progress	5712435.16	2326013.50
	Finished Goods	25889781.52	66901166.41
		83526457.31	63573143.24

		<i>(Figures in Rupees)</i>	
NOTE NO: 19	EMPLOYEE BENEFIT EXPENSE	Figures as at the end of Current Reporting Period	Figures as at the end of the previous Reporting Period
	Wages Paid	1764543.00	582546.88
	M.D Salary	0.00	258292.00
	Bonus	123889.15	401039.80
	Salaries	33657040.57	34135648.57
	C.P Fund	2664641.49	2354285.30
	Leave Salary & Gratuity	425023.55	814583.22
	M.D T.A	0.00	135462.50
	Education Tour & Training	0.00	2500.00
		38635137.76	38684358.27
NOTE NO: 20	FINANCE COSTS		
	Interest Paid	30027949.56	25510615.00
	Bank Charges	54190.95	54564.78
		30082140.51	25565179.78
NOTE NO: 21	DEPRECIATION AND AMORTIZATION EXPENSE		
	Depreciation	617146.94	653321.95
		617146.94	653321.95
NOTE NO: 22	OTHER EXPENSES		
	Advertisement Expenses	163464.25	142470.50
	Audit Fee (Remmueration)	35000.00	50000.00
	Books & Periodicals	2090.00	6494.00
	Carraige	586995.55	679396.80
	Commission on Sales	472963.46	967801.49

Consumable stores	2282.00	0.00
Chairman Office Exp.	0.00	2403.30
Computer Expenses	34406.00	4995.00
Discount & Rebate	5441758.49	3445613.26
Electricity & Lighting Exp	242600.34	313081.76
Exhibition Expenses	510656.54	738286.01
Entertainment Exp	67693.91	66726.07
Fees & Taxes	21327.80	22500.00
Festival Exp.	0.00	11800.00
Finishing / Spinning / Dyeing/Stitching	0.00	178548.00
Hot & Cold Charges	249567.60	229629.30
Insurance Charges	560417.00	688500.90
Legal & Professional Charges	104529.00	91243.00
Newspaper Exp.	0.00	60.00
Misc. Exps.	123564.20	47609.88
Office Maintance	145232.90	127087.19
Petrol & Vehicle Maintt. Exp	220343.59	227469.98
Power & fuel	0.00	439927.54
Postage & Courier Exp	38184.72	51114.90
Preliminary Expenses Written Off	0.00	65473.30
Previous Year Expenses	7106.50	0.00
Printing & Stationery	317712.55	294271.51
Relief Fund	0.00	40311.88
Repair & Maintt.	40059.00	181663.88
Rent Rate & Taxes	1293437.00	1168008.60
Sales Expenses	852655.21	977806.98
Stock Loss & Sample	0.00	0.00
Telephone Expenses	254127.63	314132.49
Travelling Expenses	561686.65	632024.45
	12349861.89	12206451.97