



GTN

TEXTILES LIMITED
36TH ANNUAL REPORT
1997-98

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓		SHI	✓
YE	✓	✓		

There is more than one way of looking at adversity. Depending on which side of fortitude you stand, it can either be a problem or an opportunity.

GTN is proud to present its annual results for 1997-98.

NOTICE

NOTICE is hereby given that the Thirtysixth Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Triveni Hall, Hotel Periyar, Aluva - 683 101 at 2.30 P.M. on Tuesday, the 28th July, 1998 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To declare a Dividend.
3. To appoint a Director in place of Shri M. L. Patodia, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R. G. Bhuradia, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors including for Branches to hold Office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

ITEM NO. 6 :

CONSENT TO CREATE CHARGE, MORTGAGE ON THE COMPANY'S MOVABLE AND IMMOVABLE PROPERTIES UNDER SECTION 293(1)(a) OF THE COMPANIES ACT, 1956 IN FAVOUR OF CENTRAL BANK OF INDIA, STATE BANK OF INDIA, CANARA BANK AND ANZ GRINDLAYS BANK LTD. ON SECOND CHARGE BASIS.

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and / or charging by the Board / Committee of Directors, of the Company of all the immoveable properties of the Company, excluding assets on which exclusive charge was given, and hypothecation of all moveable properties of the Company, subject to prior charges in favour of bankers for Working Capital, wheresoever situate, present and future, and / or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of the following, namely :-

- (1) Central Bank of India (CBI)
- (2) State Bank of India (SBI),
- (3) Canara Bank (CB) and
- (4) ANZ Grindlays Bank Ltd. (ANZ Grindlays Bank)

to secure on Second Charge basis :

1. Working Capital facilities aggregating Rs.4125 lacs lent and advanced by CBI to the Company.
2. Working Capital facilities aggregating to Rs.1500 lacs lent and advanced by SBI to the Company.
3. Working Capital facilities aggregating to Rs.1125 lacs lent and advanced by CB to the Company.
4. Working Capital facilities aggregating to Rs.750 lacs lent and advanced by ANZ Grindlays Bank to the Company.

"RESOLVED FURTHER THAT the Board / Committee of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution".

ITEM No. 7 :

TO INCREASE THE AUTHORISED SHARE CAPITAL

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

"RESOLVED THAT Authorised Share Capital of the Company be and is hereby increased from Rs.4000 lacs (Rupees Four Thousand lacs only) divided into 200 lacs (Two Hundred lacs) equity shares of Rs.10 (Rupees Ten only) each and 20 lacs (Twenty lacs) Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each to Rs.5500 lacs (Rupees Five Thousand Five Hundred lacs only) consisting of 200 lacs (Two Hundred lacs) Equity Shares of Rs.10 (Rupees Ten only) each and Rs.35 lacs (Rupees Thirty Five lacs only) Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each".

ITEM No. 8 :

TO AMEND THE MEMORANDUM OF ASSOCIATION

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

"RESOLVED THAT the Companies Memorandum of Association be and is hereby altered as follows:

In Clause-V of the Memorandum of Association of the Company, the words and figures "The Authorised Share

Capital of the Company is Rs.4000 lacs (Rupees Four Thousand lacs only) divided into 200 lacs (Two Hundred lacs) Equity Shares of Rs.10 (Rupees Ten only) each" be substituted by the following words and figures:

"The Authorised Share Capital of the Company is Rs.5500 lacs (Rupees Five Thousand Five Hundred lacs only) divided into 200 lacs (Two Hundred lacs) Equity Shares of Rs.10 (Rupees Ten only) each and 35 lacs (Thirty Five lacs) Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each."

ITEM No.9 :

TO AMEND THE ARTICLES OF ASSOCIATION

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 31 and other applicable provisions if any, of the Companies Act, 1956, the Company's Articles of Association be and is hereby altered as follows:

In Article 5 of the Articles of Association of the Company, the words and figures "The Authorised Share Capital of the Company is Rs.4000 lacs (Rupees Four Thousand lacs only) divided into 200 lacs (Two Hundred lacs) Equity Shares of Rs.10 (Rupees Ten only) each and 20 lacs (Twenty lacs) Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each" be substituted by the following words and figures:

"The Authorised Share Capital of the Company is Rs.5500 lacs (Rupees Five Thousand Five Hundred lacs only) divided into 200 lacs (Two Hundred lacs) Equity Shares of Rs.10 (Rupees Ten only) each and 35 lacs (Thirty Five lacs) Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each".

ITEM No. 10 :

CONSENT TO ISSUE REDEEMABLE PREFERENCE SHARES UNDER SECTION 80(1) AND SECTION 81(1A)

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 80(1) and Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents as may be necessary, consent of the Company be and is hereby accorded to the Board or its Committee to issue Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each at par / premium in one or more tranches to such person(s), whether or not Shareholders of the Company, including one or more of the Members / Promoters / Employees / Overseas Bodies Corporate / their Associates / Foreign Institutional Investors / Indian Institutional Investors / Mutual Funds / Banks / Public or Private Bodies Corporates / Associations / Welfare Funds or any such funds whether through Public Issue or on private placement basis and on such terms and conditions as regarding redemption, upfront fee, dividend, etc. as the Board or its Committee may decide such that the Redeemable Preference Shares outstanding at any point of time shall not exceed Rs.3500 lacs (Rupees Three Thousand Five Hundred lacs only)".

"FURTHER RESOLVED THAT for the purpose of giving effect to this resolution the Board or its Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue or allotment and redemption from time to time as it may in its absolute discretion deem fit".

ITEM NO. 11 :

INCREASE IN MANAGERIAL REMUNERATION BY WAY OF MEDICAL EXPENSES TO SHRI B.K. PATODIA

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

"RESOLVED THAT subject to the approval of the Central Govt. u/s. 310 of the Companies Act, 1956, and subject to such modifications (if any), which the Central Govt. may direct or make in this regard, and subject to the approval of Financial Institutions, approval of the Members be and is hereby accorded for payment of an estimated amount upto US \$ 85,000 (equivalent to Rs. 36.55 lacs approximately), which will be in excess of the limits laid down in Section 309(3) of the Companies Act, 1956, be incurred, on account of Medical Expenses abroad for Cardiac treatment including surgery, hospitalisation, travel and overseas stay of Shri B.K. Patodia alongwith an attendant, either by way of reimbursement to him or direct payment as and when necessary and according to the approval to be received from Reserve Bank of India in this respect."

"RESOLVED FURTHER THAT an application in the prescribed form be made to the Central Govt. and the Board of Directors of the Company be and is hereby authorised to take such steps, expedient to give effect to this resolution".

By Order of the Board
For **GTN TEXTILES LIMITED**

V. KAMALAKANNAN
General Manager (Finance)
& Company Secretary

Place : Kochi
Date : 3rd June, 1998

Registered Office

Erumathala P.O.
Aluva - 683 105.

NOTES:

- 1) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and proxy need not be a member of the Company.
- 2) Proxies in order to be effective should be lodged with the Company at the Registered Office at least 48 hours before the commencement of the Meeting.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from 22.07.1998 to 28.07.1998 (both days inclusive).
- 4) The dividend, if declared, will be paid to those Members whose names appear on the Company's Register of Members on 28.07.1998.
- 5) Pursuant to section 205A of the Companies Act, 1956 all unclaimed dividends upto financial year ended 31st March, 1994 and Interim Dividend payment for 1994-95 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed their Dividend warrants for the said period are requested to claim the amount from the Registrar of Companies, Kerala, Ernakulam. The unclaimed dividends for the financial year ended 31st March, 1995 will be transferred to General Revenue Account of the Central Government by 5th October 1998. Shareholders who have not encashed their dividend warrants are requested to write to Karvy Consultants Limited, H-B17, Panampilly Nagar, Kochi 682 036, Company's Transfer Agents, before September 20, 1998 and make necessary application to the Registrar of Companies, Kerala, Ernakulam after 5th October, 1998 for claiming their Dividend. Individual notice to members whose dividend remains unclaimed is being issued by the Company.

REQUEST TO THE MEMBERS

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Shareholders who have not paid Allotment money are requested to make the payment along with interest @ 15% by Demand Draft payable at Hyderabad.
4. Members are requested to inform immediately any change in their address to the Company's Transfer Agents.
5. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Transfer Agents enclosing their certificates to enable them to consolidate their holdings in one folio.
6. All communications relating to shares are to be addressed to the Company's Transfer Agents M/s Karvy Consultants Limited, H-B17, Panampilly Nagar, Kochi 682 036.

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

ITEM NO. 6

The Company has been recently sanctioned revised Working Capital facilities from CBI, SBI, CB and ANZ Grindlays Bank. The said facilities have to be secured by way of a mortgage on a second charge basis on the immovable properties of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of such Public Company in General Meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.

Since mortgaging by the Company of its immovable properties as aforesaid in favour of Banks may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copy of the letter of sanction No.CR 222/751/97/PB dated 16.10.97 received from CBI and copies of the relevant documents / correspondence between the said Banks and the Company are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the meeting.

None of the Directors of the Company is in any way concerned or interested in the Resolution.

Your Directors commend the Resolution for approval.

ITEM NO. 7, 8 & 9

The present Authorised Share Capital of the Company is Rs.4000 lacs (Rupees Four Thousand lacs only) divided into 200 lacs (Two Hundred lacs) Equity Share of Rs.10 (Rupees Ten only) each and 20 lacs (Twenty lacs) Redeemable Preference Shares of Rs.100 (Rupees One Hundred only) each. The present issued and subscribed Equity Capital is Rs. 914 lacs (Rupees Nine Hundred and Fourteen lacs only) and Redeemable Preference shares is Rs.1400 lacs (Rupees One Thousand Four Hundred lacs only). In order to strengthen the capital base of the Company and with a view to have adequate amount of capital to take care of any further issue of Preference Shares, it is proposed to increase the Authorised Capital from Rs.4000 lacs (Rupees Four Thousand lacs only) to Rs.5500 lacs (Rupees Five Thousand Five Hundred lacs only).

The amendments to Clause V of Memorandum of Association and Article 5 of Articles of Association as set out at item No.6, 7 and 8 of the Notice respectively are consequential to the increase in the Authorised Share Capital.

Your Directors, therefore, recommend the resolutions for your approval. None of the Directors of the Company is in any way concerned or interested in the above resolutions.

ITEM No. 10

The Redeemable Preference Shares are proposed to be issued to augment Working Capital resources for the long term diversification plans of the Company by itself or through its subsidiaries.

The Company, if necessary, in consultation with the appropriate authorities and advisors will fix at relevant time, the detailed terms of the issue including the price of issue, rate of dividend, period of redemption etc.

Section 81 of the Companies Act, 1956 provides, inter-alia, that when it is proposed to increase the Issued Capital of the Company by allotment of further shares, such further shares shall be offered to the existing Shareholders of the Company in the manner laid down in Section 81 unless the Shareholders in a General Meeting decide otherwise.

The said resolution is an enabling resolution conferring authority to the Board to issue shares even to non-member of the Company.

Accordingly, consent of the Shareholders is being sought.

Your Directors, therefore, recommend the resolution for your approval. None of the Directors of the Company is in any way concerned or interested in the resolution.

ITEM NO. 11

The Supplementary Agreement dated 6th June, 1997 between the Company and Shri B.K. Patodia, Vice Chairman & Managing Director and duly approved by the Shareholders, inter-alia, provides that the Managing Director will be entitled to Medical Expenses actually incurred by him for self and family subject to a ceiling of 2 months salary in a year or 6 months salary over a period of 3 years.

Shri B.K. Patodia was advised to go abroad for medical treatment, alongwith one attendant. It was estimated that an amount upto US \$ 85,000 (equivalent to Rs. 36.55 lacs approximately), will be spent on Cardiac treatment including surgery, hospitalisation, air fare and overseas stay for the Managing Director and his attendant, as and when necessary.

Shri B.K. Patodia, Vice Chairman & Managing Director has served the Company for 33 years. Under his able leadership and pioneering efforts, the Company has made rapid growth and become the leading cotton yarn exporting Company in the Country. The Company's operations are managed under his overall guidance and supervision and he has been directly handling the crucial areas of business such as raw material procurement, export of yarn and corporate planning.

As the aforesaid medical expenses to be incurred by Shri B.K. Patodia are highly specialised in nature and will be in excess of the limits specified as per Sec. 309(3) of the Companies Act, 1956, your Board of Directors are in the opinion that Company should be allowed to reimburse in full the medical expenses to be incurred by Shri B.K. Patodia as mentioned above. Therefore, your Directors recommend the resolution for approval.

Shri M.L. Patodia, Shri M.K. Patodia and Shri Umang Patodia being related to Shri B.K. Patodia, are deemed to be interested in the above resolution. None of the other Directors is in any way interested in the resolution mentioned as above.

By Order of the Board
For **GTN TEXTILES LIMITED**

V. KAMALAKANNAN
General Manager (Finance) &
Company Secretary

Place : Kochi
Date : 3rd June, 1998

Registered Office

Erumathala P.O.
Aluva - 683 105.

BOARD OF DIRECTORS

Madanlal Patodia : *Chairman*

Binod Kumar Patodia : *Vice Chairman & Managing Director*

Mahendra Kumar Patodia : *Managing Director*

Rajalakshmi Krishna Iyer : *Nominee of Industrial Development Bank of India*

T M Gopalaswamy

Chandulal Dayalji Thakker

Radha Gobind Bhuradia

B L Singhal

Umang Patodia

**GENERAL MANAGER (FINANCE) &
COMPANY SECRETARY**

V. Kamalakannan

BANKERS

Central Bank of India

State Bank of India

Canara Bank

ANZ Grindlays Bank Ltd.

AUDITORS

M/s. M.S. Jagannathan & Visvanathan,
Chartered Accountants

CORPORATE ADVISORS

M/s. Lodha & Co., Mumbai

REGISTERED OFFICE

Erumathala P.O., Aluva 683 105.

CORPORATE OFFICE

43, Mittal Chambers,
228, Nariman Point,
Mumbai - 400 021.

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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Thirtysixth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

	Year ended 31.03.1998 (Rs. in lacs)	Year ended 31.03.1997 (Rs. in lacs)
Net Sales / Income from operations (including increase / decrease in stocks)	15269	12029
Other Income	142	81
	<u>15411</u>	<u>12110</u>
Total expenditure	12218	9560
Operating Profit (Profit before interest, depreciation and income-tax)	3193	2550
Interest	1206	909
Gross Profit after interest, but before depreciation and taxation	1987	1641
Depreciation	858	633
Provision for taxation	75	—
Profit after tax	1054	1008
Prior period adjustments	74	—
Income-tax paid / provided for earlier years	110	—
Balance Brought forward from previous year	165	158
Profit available for appropriation	<u>1035</u>	<u>1166</u>
Appropriations :		
Interim Dividend on Preference Shares	9	—
Proposed Dividend		
On Preference shares	1	—
On Equity shares	319	319
Corporate Dividend Tax	34	32
Transfer to General Reserve	400	650
Balance Carried to Balance Sheet	<u>272</u>	<u>165</u>
	<u>1035</u>	<u>1166</u>

DIVIDEND

Your Directors propose to maintain the dividend @ 35% on the Equity shares.

The Company has paid Interim dividends @ 10% and 12% on pro-rata basis from the date of allotment to the Preference Shareholders, in Series-I, II and III. Your Directors recommend a final dividend of 1% each to these Preference Shareholders on pro-rata basis from the date of allotment.

ISSUE OF REDEEMABLE CUMULATIVE PREFERENCE SHARES

During the year under review, the Company has issued 3.80 lacs 11% Redeemable Cumulative Preference Shares by way of Private placement to IDBI Bank Limited, 9 lacs 13% Redeemable Cumulative Preference Shares to IDBI and 1.20 lacs 13% Redeemable Cumulative Preference Shares to IDBI Bank Limited, in Series - I, II and III of Rs.100 each, aggregating to Rs.1400 lacs on 11.2.1998, 20.3.1998 and 30.3.1998, respectively. The shares will be redeemed at the end of 4th and 5th year in two equal instalments.

DIRECTORS' REPORT (Contd.)

PERFORMANCE REVIEW

Your company which was able to report better results in the first half of the current financial year could not sustain the same tempo in the second half due to various reasons. The collapse of the economies in South East Asian countries and recession in Japan, which accounts for nearly 50% of the cotton yarn exports from the country had its effect on our sales and margins. There was loss of production for 44 days at Nagpur Unit and 16 days at Medak Unit due to illegal strike by the workmen, which affected the profitability. Further, due to enhanced power cut in Kerala, Alwaye Unit was obliged to produce more power from Captive Generators resulting in higher power cost. In spite of all these adverse factors, the company was able to step up the sales turnover from Rs.12110 lacs to Rs.15411 lacs and improve its operating profit from Rs.2550 lacs to Rs.3193 lacs. The profit after tax at Rs.1054 lacs is marginally higher than that of the last year's profit of Rs.1008 lacs.

During the year under review the cotton crop in the country was adversely affected by untimely rainfall and pest attack which resulted in lower crop of 14.80 Mn. bales as against 17.65 Mn. bales in the previous cotton year which had an upward impact on cotton prices. The foresight of the Management to anticipate the situation and secure good quality cotton from both indigenous sources and imports at the right time and at competitive price is one of the important factors which helped the company in sustaining the performance in an otherwise bleak scenario.

The company continued its emphasis on modernisation and completed the expansion of 7200 spindles during the period under review. As reported earlier, an outlay of Rs.4770 lacs on the Yarn Processing Unit with a capacity of 8 Tons per day was completed during the current financial year. The capacity utilisation of this plant was being gradually stepped up and we would have achieved higher utilisation, but for the fact that South East Asian crisis severely affected the South Korean economy, which was one of the main market for processed yarns. As a result, your company has been vigorously exploring alternate markets in Europe, Middle East as well domestic markets to step up its utilisation and sales at optimum level.

EXPORT AWARD

Our shareholders will be glad to know that your company continues to be the leader in the cotton yarn exports and in recognition has won yet another Trophy for excellence in exports for the Twelfth consecutive year.

SUBSIDIARY COMPANIES

The existing two subsidiary companies are M/s GTN Exports Limited and M/s Packworth Udyog Limited. Necessary particulars of the Company as required u/s.212 of the Companies Act, 1956 are attached to the Balance Sheet.

PATSPIN INDIA LIMITED

Patspin India Limited, a 100% EOU promoted by your Company along with M/s Itochu Corporation Limited and M/s Kerala State Industrial Development Corporation Limited performed well during the year under review despite difficult international market condition mentioned above.

FIXED DEPOSIT

Unclaimed Fixed Deposits as on 31st March, 1998 works out to Rs.18.79 lacs, and the same were fully renewed till date of this report.

DIRECTORS

Shri M. L. Patodia and Shri R. G. Bhuradia, Directors retire by rotation at the forthcoming Annual General Meeting of the Company. The retiring Directors being eligible, offer themselves for re-appointment.

AUDITORS

M/s M.S. Jagannathan & Visvanathan, Chartered Accountants, Coimbatore, Auditors of the Company will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

M/s Lodha & Company, Chartered Accountants, Mumbai, Auditors for the Company's Branches at Mumbai, Hyderabad, Nagpur and Shadnagar retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.