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GTN TEXTILES LIMITED • 37TH ANNUAL REPORT 1998-99

### 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  
 Banwari Lal Singhal  
 Umang Patodia

### BANKERS

Central Bank of India  
 State Bank of India  
 ANZ Grindlays Bank Limited  
 IDBI Bank Limited  
 ICICI Banking Corporation Limited.

### 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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## NOTICE

**NOTICE** is hereby given that the Thirtyseventh Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Triveni Hall, Hotel Periyar, Aluva - 683 101 at 3.00 P.M. on Friday, the 30th day of July, 1999 to transact the following business:

### ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 1999 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 consider declaration of Dividend on Preference and Equity shares.
- 3) To appoint a Director in place of Shri B.L.Singhal, who retires by rotation, and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri T.M.Gopalaswamy, 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

#### **RESOLUTION FOR RE-APPOINTMENT OF SHRI B.K.PATODIA AS MANAGING DIRECTOR FOR A FURTHER PERIOD OF 5 YEARS.**

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956, read with Schedule-XIII thereto, as amended, and subject to the approval of the Financial Institutions, the company hereby approves the re-appointment of Shri B. K. Patodia, Managing Director of the Company for a period of 5 years with effect from 01.12.1999 upon the terms and conditions as set out in the draft agreement submitted to this meeting and signed by the Chairman thereof for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and /or Agreement in such manner as may be agreed to between the Board of Directors and Shri B. K. Patodia."

"RESOLVED FURTHER THAT Shri B.K.Patodia, shall not be liable to retire by rotation".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps expedient to give effective to this resolution."

#### ITEM NO.7

#### **RESOLUTION FOR RE-APPOINTMENT OF SHRI M.K.PATODIA AS MANAGING DIRECTOR FOR A FURTHER PERIOD OF 5 YEARS.**

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions if any, of the Companies Act, 1956, read with Schedule XIII thereto, as amended, and subject to the approval of the Financial Institutions, the company hereby approves the re-appointment of Shri M. K. Patodia, Managing Director of the Company for a period of 5 years with effect from 01.12.1999 upon the terms and conditions as set out in the draft agreement submitted to this meeting and signed by the Chairman thereof for the purpose of identification which agreement is hereby specifically sanctioned with liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and /or Agreement in such manner as may be agreed to between the Board of Directors and Shri M. K. Patodia."

"RESOLVED FURTHER THAT Shri M. K. Patodia, shall not be liable to retire by rotation".

"RESOLVED THAT the Board of Directors be and is hereby authorised to take such steps expedient to give effective to this resolution".

## ITEM NO.8

### AUTHORISATION BY THE ARTICLES OF ASSOCIATION FOR BUY BACK OF SHARES

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 Sections 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and is hereby altered in the manner and to the extent set out below.

Insert the following Article as Article 4A after Article 4.

"Notwithstanding anything contained in the preceding article no.4 (the preceding Article refers to the Articles in terms of Section 77 of the Act) but subject to the provisions of Section 77A and 77B of the Act and Securities and Exchange Board of India (Buy-back of securities), Regulation, 1998 as may be in force at any time and from time to time, the Company may acquire, purchase, own, resale any of its own fully / partly paid or redeemable shares and any other securities as may be specified under the Act, Rules and Regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such acquisition/purchase on such terms and conditions and at such time or times in one or more instalments as the board may in its discretion decide and deem fit. Such shares which are so bought back by the company may either be extinguished and destroyed or reissued as may be permitted under the Act or the Regulations as may prevail at the relevant time subject to such terms and conditions as may be decided by the board and subject further to the rules and regulations governing such issue and subject further to a special resolution being passed by the shareholders to this effect".

## ITEM NO.9

### NOMINATION FACILITIES

To consider and if thought fit to pass with or without modification(s) the following Resolution as a Special Resolution:

"RESOLVED that pursuant to the provision of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, ("the Act") the existing Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below:

The following new Articles be inserted as Articles 42A and 42B after Article 42.

#### Article 42A - NOMINATION

- 1) Every Shareholder or debenture holder of the Company, may at any time, nominate a person to whom his/her shares or debentures shall vest in the event of his/her death in such manner as may be prescribed under the Act.
- 2) Where the shares or debentures of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the shares or debentures, as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under the Act.
- 3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the shares or debentures, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be on the death of the joint holders become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
- 4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures to make the nomination to appoint any person to become entitled to shares in, or debentures of, the Company in the manner prescribed under the Act, in the event of his/her death, during the minority.

#### Article 42B - TRANSMISSION OF SECURITIES

- 1) A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either
  - a) To register himself as holder of the share or debenture, as the case may be: or
  - b) To make such transfer of the share or debenture, as the deceased shareholder or debenture holder, as the case may be, could have made.
- 2) If the nominee elects to be registered as holder of the share or debenture, himself, as the case may be, he shall deliver or send to the Company, a Notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder, as the case may be.
- 3) A nominee shall be entitled to the share dividend and other advantages to which he would be entitled if he was the registered holder of the share or debenture. Provided that he shall not, before being registered as a member, be entitled to exercise any right conferred by membership in relation to meeting of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share or debenture, until the requirements of the notice have been complied with.

#### ITEM NO.10

**Consent to create charge, mortgage on the company's immovable properties under section 293(1) (a) of the Companies Act, 1956, in favour of Industrial Development Bank of India (IDBI) and Export Import Bank of India (Exim Bank) on pari passu first charge basis for the additional financial assistance sanctioned by them and in favour of Central Bank of India (CBI) State Bank of India (SBI) ANZ Grindlays Bank Ltd (ANZ Grindlays Bank), IDBI Bank Ltd (IDBI Bank) ICICI Banking Corporation Ltd. (ICICI Bank) on pari passu second charge basis for the revised Working Capital Financial Assistance sanctioned for the financial year 1998-1999.**

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 movable and immovable properties of the company, excluding assets on which exclusive charge was given and, hypothecation of all immovable properties of the company subject to prior charges in favour of bankers for Working Capital, wheresoever situate, present and future, and of 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) Industrial Development Bank of India (IDBI)
- 2) Export Import Bank of India (EXIM Bank)

to secure on First charge basis:

- a) 1. Foreign Currency Loan of USD 2.75 million equivalent to Rs.1175 lacs (Rupees One Thousand One Hundred Seventy Five Lacs only) lent and advanced by IDBI to the company.
2. Indian Rupee loan of Rs.1085 lacs ( Rupees One Thousand Eighty Five Lacs only) lent and advanced by EXIM Bank to the Company.
- b) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, charges, expenses and other moneys including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved, payable by the Company to IDBI, EXIM Bank under the Loan Agreements/Memorandum of Terms and Conditions entered/to be entered into by the Company in respect of the said term loans.

to secure on Second charge basis:

- 1) Additional Working Capital facilities aggregating to Rs.130 lacs lent and advanced by Central Bank of India (CBI).
- 2) Additional Working Capital facilities aggregating to Rs. 910 lacs lent and advanced by State Bank of India(SBI).
- 3) Working Capital facilities aggregating to Rs. 950 lacs lent and advanced by ANZ Grindlays Bank Ltd (ANZ Grindlays Bank).
- 4) Working Capital facilities aggregating to Rs. 950 lacs lent and advanced by IDBI Bank Ltd.(IDBI BANK).
- 5) Working Capital facilities aggregating to Rs. 950 lacs lent and advanced by ICICI Banking Corporation Ltd.(ICICI Bank).

"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.11

**Consent to create charge, mortgage on the company's movable and immovable properties under section 293(1)(a) of the Companies Act, 1956 for issue of debentures.**

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 under Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board/Committee of Directors of the Company ("The Board / Committee") for creation of charge and to mortgage both movable and immovable properties and assets of the Company both present and future, and whole of the undertaking of the company in such form and such manner as the Board / Committee may determine to secure one or more securities to be issued of the aggregate value not exceeding Rs.2500 lacs (Rupees Two Thousand Five Hundred Lacs only) plus interest and other charges thereon, if any".

"RESOLVED FURTHER THAT the Board / Committee be and is hereby authorised to finalise with lenders the documents for creating the aforesaid mortgage and / or charges and to do all such things including any charge(s) amendment(s) modification(s) as it may in its absolute discretion deem fit and proper".

By Order of the Board  
For GTN TEXTILES LIMITED

**A.K.WARERKAR**  
Vice President (Finance)

Place : Kochi

Date : 22nd May, 1999.

**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 atleast 48 hours before the commencement of the Meeting.
3. The Register of Members and Share Transfer Books of the company will remain closed from 20.07.99 to 30.07.99 (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 30.07.99.
5. Pursuant to section 205A of the Companies Act, 1956, all unclaimed dividends upto financial year ended 31st March, 1995 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.

Shareholders who have not encashed their dividend warrants for the years 1995-96, 1996-97 and 1997-98 are requested to write to Karvy Consultants Limited, G-39, Panampilly Nagar, Kochi 682 036.

**REQUEST TO THE MEMBERS**

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 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, G-39, Panampilly Nagar, Kochi 682 036.

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

**ITEM NO.6 & 7**

Shri B.K.Patodia and Shri M. K. Patodia's appointment as Managing Directors of the Company expires on 30.11.99. The Board of Directors have, therefore, at their meeting held on 22.05.99, re-appointed Shri B.K.Patodia and Shri M.K.Patodia as Managing Directors of the Company with effect from 01.12.1999 for a further period of 5 years, subject to the approval of Financial Institutions and Shareholders on the remuneration and terms and conditions contained in the draft agreement submitted to this meeting and initialled by the Chairman for the purpose of identification. The principle terms of the re-appointment are as under:-

- a) **Period:** Five year with effect from 1st December, 1999.
- b) **Salary:** Rs.67,500/- per month in the scale of Rs. 67,500-Rs.7,500-Rs.1,05,000 effective from 1st April, 1999.
- c) **Commission:** Such amount of commission (in addition to Salary and Perquisites hereinafter stated) calculated with reference to the net profit of the Company for each financial year as may be fixed by the Board of Directors or a Sub-Committee of Directors which together with the salary and monetary value of perquisites shall not exceed the ceiling laid down in Section 309 of the Companies Act, 1956.
- (d) **Perquisites as follows:**
  - (i) Housing : Rent Free accommodation will be provided to the appointees for which ten per cent of the appointees salary shall be recovered. In case no accommodation is so provided by the Company, House rent allowance at sixty per cent of the appointees salary, shall be paid.



In addition, the appointees shall be allowed free use of the Company owned furniture and other consumer durables, if required.

- (ii) The expenditure incurred by the appointees on gas, electricity, water and furnishings shall be reimbursed by the Company.
- (iii) All medical expenses incurred by the appointees for self and their family shall be reimbursed.
- (iv) Leave Travel Concession for the appointees and their family will be allowed once in a year as per the rules of the Company.
- (v) Fees of Clubs subject to a maximum of two Clubs; this will not include admission and life membership fees.
- (vi) Personal Accident Insurance, the premium of which shall not exceed Rs. 10,000/- per annum.
- (vii) Contribution to Provident Fund, Superannuation Fund, Annuity Fund to the extent the same are not taxable under the Income Tax Act.
- (viii) Gratuity as per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
- (ix) Provision of Car with driver for use on Company's business and telephone at the residence.
- (x) Leave unavailed of to be allowed to be encashed as per rules of the Company.

**e) Minimum Remuneration**

The above appointees shall be paid the same remuneration as stated above as minimum remuneration. In the event of inadequacy of profit subject to the ceiling on minimum remuneration as stated in Part II, Section II of Schedule XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time being in force.

Provided, however, that the overall remuneration payable shall not exceed the limits specified under Sections 198 and 309 of the Act.

Shri B.K.Patodia and Shri M.K.Patodia shall not, while they continue to be the Managing Directors, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Companies Act, 1956.

Pursuant to the provisions of section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in General Meeting is required to be obtained with regard to the re-appointment of Shri B.K. Patodia and Shri M.K.Patodia as the Managing Directors and to the remuneration as set out in Item no.6 & 7 of the accompanying Notice.

Furthermore, approval of the members in General Meeting is required to be obtained for payment of minimum remuneration, by way of salary and perquisites and allowances as specified above in the event of absence or inadequacy of profit in any financial year during the tenure of the re-appointment of Shri B.K.Patodia & Shri M.K.Patodia as the Managing Directors of the Company.

The Services of Shri B.K. Patodia and Shri M.K.Patodia as the Managing Directors of the Company have been of great benefit to the Company and the Directors, therefore, commend their re-appointment.

Shri M.L.Patodia, Shri B.K.Patodia, Shri M.K.Patodia and Shri Umang Patodia being related to each other, are deemed to be interested in the resolution mentioned in Item Nos.6 & 7 of the notice.

None of the other Directors is in any way concerned or interested in the resolution mentioned in item nos.6 & 7 of the notice.

The terms and conditions mentioned in item Nos. 6 & 7 of the Notice may also be taken as a abstract of the draft Agreement made by the Company with Shri B.K.Patodia & Shri M.K.Patodia pursuant to Section 302 of the Companies Act, 1956.

**ITEM NO.8**

With the insertion of Sections 77A and 77B of the Companies Act, 1956, permitting the Company to buy its own shares subject to limitations and conditionalities being complied with and subject to the company further complying with the provisions of Sections 77A and 77B and Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998, it is open for a company to purchase its own shares.

Under the said provisions, it is permissible for a company to make such purchase of its own shares only if the same is authorised by its Articles of Association.

The Special Resolution under this item is proposed so as to enable the Company to buy-back the shares of the company if so required and reissue them if so permitted under law subject to such terms and conditions as may be stipulated under the Act or the Rules and Regulations made thereunder and subject further to the same being approved by shareholders by means of a Special Resolution. Though under the provisions, partly paid shares cannot be bought back articles provide for such shares in case the regulations are amended later similarly the provision for reissue of bought back shares are also incorporated as an enabling provision.

The Directors commend this resolution for adoption.

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

### ITEM NO.9

By the Companies (Amendment) Ordinance, 1999 the holders of security of the Company have been given an option to nominate a person to whom the rights of security holders of the Company will vest in the event of his death. It would be beneficial if such a nomination clause is included in the Articles of Association of the Company. It has, therefore, become necessary to alter the Articles of Association of your Company as proposed in the resolution set out in item No.9.

Under Section 31 of the Companies Act, 1956, alteration of Articles of Association can be done only by passing a Special Resolution and accordingly, the resolution set out in item No.9 has been proposed as a Special Resolution. None of the Directors of the Company is in any way concerned or interested in the resolution set out in item No.9.

### ITEM NO.10

The Company has been sanctioned additional financial assistance from IDBI and EXIM Bank for its modernisation-cum-expansion plans of the company's units at Aluva, Medak, Nagpur and Shadnagar. As per terms of sanction, the said financial assistance shall be secured by way of mortgage on pari passu first charge on all the movable and immovable properties of the Company, present and future.

The company has undertaken to IDBI that shareholders approval will be taken in the ensuing Annual General Meeting and therefore IDBI has extended mortgage on the aforesaid financial assistance.

The company has also been sanctioned revised working capital financial assistance by the banks, namely CBI, SBI, ANZ Grindlays Bank, IDBI Bank and ICICI Bank. This financial assistance shall have to be mortgaged on pari passu second charge on the company's immovable properties.

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 the 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 the mortgaging by the company of its movable and immovable properties as aforesaid in favour of the Financial Institutions/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.

Copies of the letters of sanction no.4417/PFD(197) dated 17.07.1998 received from IDBI, letter ref. no OIF:EQU:D-306:555 dated 30.11.1998 received from Exim Bank and letter of sanction no.CO/CMD/S&E/98-99/518 dated 06.08.1998 received from Central Bank of India and copies of the relevant documents / correspondence between the said Financial Institutions / 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 other than IDBI Nominee, Director, Smt.Rajalakshmi K.Iyer, is concerned or interested in the Resolution.

Your Directors commend the Resolution for approval.

### ITEM NO.11

The Company proposes to issue Non-Convertible Debentures for augmenting the long term Working Capital Resources of the Company. Raising of funds by way of debentures may require creation of security by way of mortgage / or charge on both movable and immovable properties of the company, both 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.

Since mortgaging or charge by the company of its immovable properties as aforesaid in favour of Financial Institutions/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.

Your Directors commend the Resolution for approval.

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

By Order of the Board  
For GTN TEXTILES LIMITED

Place : Kochi  
Date : 22nd May, 1999.

Registered Office:  
Erumathala P.O.  
Aluva - 683 105.

A.K.WARERKAR  
Vice President (Finance)



## DIRECTORS' REPORT

To the Members,

Your Directors present the Thirtyseventh Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 1999.

### FINANCIAL RESULTS

	Year ended 31.03.1999 (Rs.in lacs)	Year ended 31.03.1998 (Rs.in lacs)
Net Sales/Income from operations (including increase/decrease in stocks)	17178	15269
Other Income	228	142
	<u>17406</u>	<u>15411</u>
Total expenditure	14413	12218
Operating Profit (Profit before interest, depreciation and income-tax)	2993	3193
Interest	1592	1206
Gross Profit after interest, but before depreciation and taxation	1401	1987
Depreciation	983	858
Provision for taxation	12	75
Profit after tax	406	1054
Prior period adjustments	4	(74)
Income-tax paid / provided for earlier years	-	(110)
Balance Brought forward from previous year	273	165
Profit available for appropriation	<u>683</u>	<u>1035</u>
<b>Appropriations:</b>		
Interim Dividend on Preference Shares	228	9
Proposed Dividend		
On Preference shares	-	1
On Equity shares	114	319
Corporate Dividend Tax	35	33
Transfer to General Reserve	30	400
Balance Carried to Balance Sheet	<u>276</u>	<u>273</u>
	<u>683</u>	<u>1035</u>

### DIVIDEND

Due to a sharp decline in profit, and with a view to conserve available resources, your Directors recommend a reduced dividend of 12.5% on the Equity shares for the financial year ended 31st March, 1999.

The Directors have declared interim dividend on 11% - 3,80,000 Redeemable Cumulative Preference Shares of Rs. 100/- each in Series - I; on 13% - 9,00,000 Redeemable Cumulative Preference Shares of Rs. 100/- each in Series - II; on 13% - 1,20,000 Redeemable Cumulative Preference Shares of Rs. 100/- each in Series - III and on Prorata basis on 13% - 5,50,000 Redeemable Cumulative Preference Shares of Rs. 100/- each in Series - IV. As no final dividend has been recommended on these Preference Shares, the Interim Dividend paid, shall be fully adjusted as final dividend for the financial year ended 31st March, 1999.

### ISSUE OF REDEEMABLE CUMULATIVE PREFERENCE SHARES

During the year under review, the Company has issued 5.50 lacs 13% Redeemable Cumulative Preference Shares by way of Private placement to ICICI Banking Corporation Limited in series IV of Rs. 100/- each aggregating to Rs. 550 lacs. The shares will be redeemed at the end of 5th year in one instalment.

With these, the Company has issued 19.50 lacs Redeemable Cumulative Preference Shares worth of Rs. 1950 lacs as on date.

### PERFORMANCE REVIEW

As mentioned in the last year's report, recessionary trend in the Textile Industry in the global markets continued unabated in the year under review. However, because of vigorous marketing efforts, the company's turnover increased from Rs.15411 lacs to Rs.17406 lacs. The lower sales realisation, higher raw material cost, loss of capacity utilisation at Aluva Unit due to labour unrest have contributed to the fall in operating profit from Rs.3193 lacs to Rs.2993 lacs. This situation has been further compounded by steep increase in the interest burden by about Rs.386 lacs, resulting in lower gross profit of Rs.1401 lacs as against Rs.1987 lacs in the previous year. After providing for higher depreciation of Rs.983 lacs, the net profit has substantially come down to Rs.406 lacs.

## **DIRECTORS' REPORT (Contd.)**

The cotton crop during the year under review continued to be adversely affected and even though it is estimated to be 16.25 million bales against 14.80 million bales in 1997-98, it is still lower than 17.65 million bales in the year 1996-97. The prices of Indian cotton in the year under review were higher than comparable international cotton prices. In the current year, power charges have been substantially increased by Kerala State Electricity Board which will have impact on future profitability of Aluva Unit.

To keep abreast with latest technology and to maintain and improve the product quality, your company has always followed a policy of continuous modernisation, technology upgradation, and marginal expansion to achieve better economies of scale. During the year under review, capital expenditure to the tune of Rs.2200 lacs was incurred on the Spinning Units, which includes installation of contamination cleaning device for Blow Room, Autoconers, replacement of old preparatory machines, addition to twisting capacity, capacity expansion by 1,920 spindles at Medak Unit and complete replacement of 7,320 old spindles at Aluva Unit with latest state-of-the-art equipments.

## **YARN PROCESSING UNIT**

As mentioned in the Directors' Report last year, the performance of Yarn Processing Unit was adversely affected due to crisis in the South East Asian countries, especially South Korea. However, by developing new markets, the Company was able to sell processed yarns in the domestic market as well as in Europe and Middle East. The Directors are glad to report that the products of this unit have been well received by overseas and local customers for high end uses. Although, this unit could not earn cash profit in the first half of the year, its higher capacity utilisation from the later half of the year has resulted in improved performance. We are hopeful that in the current year this Unit will generate cash profits.

## **GARMENTS EXPORTS**

As a long term strategy and by way of forward integration, your company has commenced production and marketing of value added processed knitted fabrics and mercerized garment exports to sophisticated buyers in USA, Canada and European Union. In the year under review, it has already made a small beginning by exporting garments worth Rs.275 lacs in the second half of the year. Your company has ambitious plans to increase its presence in this field, which will greatly help to further utilise the production capacity of the yarn processing unit, thereby improving profitability of the company.

## **EXPORT AWARD**

Our Shareholders will be glad to know that in recognition of the leadership enjoyed by your company in the field of cotton yarn exports, the Textile Export Promotion Council has awarded yet another GOLD TROPHY for the year ended March, 98. This is the 12th Gold Trophy received by your Company during the past 13 years.

## **ENTERPRISE RESOURCE PLANNING SOFTWARE (ERP)**

In order to face the challenges of the new millennium, your company has decided to integrate the unit by installing an Enterprise Resource Planning (ERP) Software provided by SAP, Germany, who are the number one ERP solution providers in the world. The implementation of this software system is being done in phases in the current year. This will enable the company to have seamless flow of information within the company on a real time basis and will improve the operational efficiency and response time to our customers.

## **Y2K PREPAREDNESS LEVEL**

Your Directors are glad to report that the areas where Y2K problems will be faced are very limited. Full Y2K compliance is expected to be achieved by September, 1999. An internal team has been formed to address this problem. The expenditure to ensure Y2K compliance is not expected to be significant.

## **ISO 9002**

With Yarn Processing Unit at Shadnagar obtaining the prestigious ISO 9002 recognition through BVQI, all the units under the company are now covered under ISO 9002 certification.

## **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.

GTN Exports Limited has commissioned a Weaving Unit at Hyderabad with annual capacity of 1.07 lac Metres at a capital outlay of Rs.110 lacs. Your company has subscribed Rs.24 lacs to the equity capital and have made further advance of Rs.50 lacs towards share capital.

Packworth Udyog Limited has commissioned a Twisting Plant at Kanjikode, Palakkad, Kerala at a capital outlay of Rs.432 lacs. Your company has advanced a sum of Rs.150 lacs towards share capital.

## **FIXED DEPOSIT**

Unclaimed Fixed Deposit as on 31st March, 1999 works out to Rs.6.56 lacs, out of which a sum of Rs. 5.70 lacs has been renewed / encashed till date of this report.