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GTN TEXTILES LIMITED
39TH ANNUAL REPORT 2000-2001



GTN TEXTILES LIMITED

BOARD OF DIRECTORS

M.L. Patodia : Chairman
B.K. Patodia : Vice Chairman & Managing Director
M.K. Patodia : Managing Director
P. K. Ramadasan : Nominee of Industrial Development Bank of India
T. M. Gopalaswamy
C.D. Thakker
R.G. Bhuradia
B.L. Singhal
Umang Patodia

COMPANY SECRETARY

E.K. Balakrishnan

BANKERS

Central Bank of India
State Bank of India
Standard Chartered Grindlays Bank Limited
IDBI Bank Limited
ICICI Bank Limited

AUDITORS

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

CORPORATE ADVISORS

M/s. Lodha & Co., Mumbai

LEGAL ADVISORS

M/s. Menon & Pai, Kochi

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 **Thirty-ninth Annual General Meeting of GTN TEXTILES LIMITED** will be held at Triveni Hall, Hotel Periyar, Aluva - 683 101 at 3.30 p.m. on Friday, the 20th day of July, 2001, to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2001, and the Profit and Loss Account for the year ended on that date together with the Reports of Director's and the Auditors' thereon.
2. To consider declaration of Dividend on Preference and Equity shares.
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 IMMOVABLE PROPERTIES AND MOVABLE FIXED ASSETS OF THE COMPANY, UNDER SECTION 293(1)(a) OF THE COMPANIES ACT, 1956, IN FAVOUR OF ICICI LIMITED (ICICI), EXPORT IMPORT BANK OF INDIA (EXIM BANK) AND INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) ON PARI PASSU FIRST CHARGE BASIS FOR THE ADDITIONAL FINANCIAL ASSISTANCE SANCTIONED BY THEM AND ON PARI PASSU SECOND CHARGE BASIS IN FAVOUR OF CENTRAL BANK OF INDIA (CBI), STATE BANK OF INDIA (SBI), STANDARD CHARTERED GRINDLAYS BANK LIMITED (SCGB), IDBI BANK LIMITED (IDBI BANK) AND ICICI BANK LIMITED (ICICI BANK) FOR THE REVISED WORKING CAPITAL FINANCIAL ASSISTANCE SANCTIONED FOR THE FINANCIAL YEAR 2000-2001.

To consider, and if thought fit, to pass with or without modification(s), 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 all the immovable properties and movable fixed assets of the Company, excluding assets on which exclusive charge was given and hypothecation of all movable 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; viz.

- i) ICICI Limited (ICICI);
- ii) Export Import Bank of India (EXIM Bank);
- iii) Industrial Development Bank of India (IDBI);
- iv) Central Bank of India (CBI);
- v) State Bank of India (SBI);
- vi) Standard Chartered Grindlays Bank Limited (SCGB);
- vii) IDBI Bank Limited (IDBI Bank);
- viii) ICICI Bank Limited (ICICI Bank);

to secure on Pari Passu first charge basis:

- (a) i) Rupee Term loan of Rs. 1,050 lacs (Rupees One thousand fifty lacs only) lent and advanced by ICICI to the Company.
- ii) Rupee Term loan of Rs. 633 lacs (Rupees Six hundred thirty three lacs only) lent and advanced by EXIM Bank to the Company.
- iii) Foreign Currency loan of US Dollar 1.285 Mn. equivalent to about Rs. 600 lacs (Rupees six hundred lacs only) lent and advanced by IDBI to the Company.

AND

- (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 ICICI, EXIM Bank and IDBI under the Loan Agreement / Memorandum of terms and conditions entered / to be entered into by the Company in respect of the said term loans.

to secure on Pari Passu second charge basis:

1. Revised Working Capital facilities aggregating to Rs. 4,550 lacs in lieu of earlier limit of Rs. 4,750 lacs lent and advanced by CBI to the Company.
2. Revised Working Capital facilities aggregating to Rs. 1,820 lacs in lieu of earlier limit of Rs. 1,900 lacs lent and advanced by SBI to the Company.
3. Revised Working Capital facilities aggregating to Rs. 860 lacs in lieu of earlier limit of Rs. 950 lacs lent and advanced by SCGB to the Company.

NOTICE (Contd.)

4. Revised Working Capital facilities aggregating to Rs. 960 lacs in lieu of earlier limit of Rs. 950 lacs lent and advanced by IDBI Bank to the Company.
5. Revised Working Capital facilities aggregating to Rs. 910 lacs in lieu of earlier limit of Rs. 950 lacs lent and advanced by ICICI 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".

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

Place : Kochi
Date : 21st May, 2001

E. K. BALAKRISHNAN
Company Secretary

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be valid must be received by the Company, not less than 48 hours before the commencement of the Meeting.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto and forms part of the Notice.
4. The Register of Members and Share Transfer Book of the Company will remain closed from 03.07.2001 to 10.07.2001 (both days inclusive).
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. Shareholders, who have not yet claimed their Dividend Warrants for the said period, are requested to claim the amount from the Registrar of Companies-Kerala, Ernakulam by submitting an application in prescribed Form.
6. Pursuant to Section 205A(5) of the Companies Act, 1956, as amended, any money transferred to the Unpaid Dividend Account of the Company which remains Unpaid or Unclaimed for a period of 7 (Seven) years from the date of such transfer to the Unpaid Dividend account shall be transferred by the Company to the Investor Education and Protection Fund to be established by the Central Government and the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.

Members who have not encashed the dividend warrant(s) for the Financial Year 1995-96 and any subsequent Dividend payment(s) are requested to make their claims to the Company.

7. Dividend, if declared, will be paid on or before 17th August, 2001, to those members whose names appear on the Company's Register of members as on 10th July, 2001, subject however to the provisions of Section 206A of the Companies Act, 1956. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose.
8. Members are requested to note that the Company's Equity shares are included in the SEBI specified scrips for settlement only in demat form for all investors, effective from 28th August, 2000. Members are requested to open Depository account in their names with a Depository participant to dematerialise their holdings. This would be necessary for facilitating the transfers of our Equity shares in all Stock Exchanges connected to the Depository System.
9. Members, holding shares in physical form are requested to notify change of address, if any, and the bank account particulars, to the Share Transfer Agents M/s. Integrated Enterprises (India) Limited, "Seema", 41/427, Rajaji Road, Near Sun International, Ernakulam - 682 035, Kerala; Telephone No.(0484) 366099; Telefax No.(0484) 371494; E-Mail: yesbalu@iepindia.com or shaji @iepindia.com. If the shares are held in Demat form, the same has to be notified to your Depository Participant (where you are maintaining your Demat Account).

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. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s. Integrated Enterprises (India) Limited, "Seema", 41/427, Rajaji Road, Near Sun International, Ernakulam - 682 035, Kerala; Telephone No.(0484) 366099; Telefax No.(0484) 371494; E-Mail: yesbalu@iepindia.com or shaji @iepindia.com.

NOTICE (Contd.)

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956

ITEM No.6

The Company has been sanctioned Additional Financial Assistance by ICICI, EXIM Bank and IDBI for its modernisation-cum-expansion plans. As per terms of sanction, the said financial assistances shall be secured by way of mortgage on pari passu first charge on all the immovable properties and movable fixed assets of the Company.

The Company has undertaken to ICICI, EXIM Bank and IDBI, that shareholder's approval will be taken in the ensuing Annual General Meeting and therefore IDBI, the holder of the original title of the properties, has extended mortgage on the financial assistances.

The Working Capital Bankers viz. CBI, SBI, SCGB, IDBI Bank and ICICI Bank has sanctioned the revised financial assistance for the financial year 2000-2001. As per the terms of sanction, mortgage has to be extended on second charge basis.

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 its Shareholders 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 immovable properties and movable fixed assets, as aforesaid in favour of ICICI Limited, EXIM Bank and IDBI and the Working Capital Bankers, 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 Intent Nos.O3G/9246 dated 23.08.2000 of ICICI; letter Ref.No.OIF:EQU:D-386-246 dated 14.03.2001 of EXIM Bank and letter Ref.No.1230/PFD(197) dated 08.05.2001 of IDBI and CRO:ADV:2k-2001:571 dated 19.07.2000 of Central Bank of India Consortium, 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 except Shri. P. K. Ramadasan, Director – IDBI Nominee, is concerned or interested in the Resolution.

Your Directors commend this Resolution for approval.

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

E. K. BALAKRISHNAN
Company Secretary

Place : Kochi
Date : 21st May, 2001

Registered Office:
Erumathala Post
Aluva – 683 105

SHAREHOLDER INFORMATION

(A) Stock Exchanges on which the Company's Securities are listed :

The Company's securities are listed at the following Stock Exchanges :

- | | |
|--|---|
| 1. Cochin Stock Exchange Limited
MES Dr.PK.Abdul Gafeer Memorial Cultural Complex
36/1565, 4th floor, Judges Avenue, Kaloor
KOCHI – 682 017 | 2. The Stock Exchange Ahmedabad
Kamadhenu Complex
Opp.Sahajanand College
Panjarapole, AHMEDABAD - 380 015 |
| 3. The Stock Exchange
Phiroze Jeejeebhoy Towers
Dalal Street, MUMBAI – 400 001 | 4. The Hyderabad Stock Exchange Limited
3-6-275, Himayatnagar
HYDERABAD - 500 029 |
| 5. The Calcutta Stock Exchange Assn. Limited
7, Lyons Range
KOLKATA - 700 001 | 6. National Stock Exchange of India Limited
Trade World, Kamala Mill Compound
2nd Floor, Senapati Bapat Marg, Lower Parel
MUMBAI - 400 013 |

The Company has paid Annual Listing Fees to each of the above Stock Exchanges for the Financial Year 2001-2002.

(B) Change of Share Transfer Agent:

M/s.Karvy Consultants Limited (Karvy), Company's Share Transfer Agent has taken a decision to close the share transfer related activities at its Branch in Cochin, Kerala. Therefore, the Company has appointed M/s. Integrated Enterprises (India) Limited (IEIL) as its Share Transfer Agent with effect from 15.06.2001. All are requested to please note the same and future correspondence may please be made at the following address:

M/s.Integrated Enterprises (India) Limited,
"Seema", 41/427, Rajaji Road, Near Sun International, Emakulam – 682 035, Kerala
Telephone : (0484) 366099, Telefax : (0484) 371494. E-Mail : yesbalu@iepindia.com or shaji@iepindia.com

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **Thirty-ninth** Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

	Year ended 31.03.2001 (Rs. in lacs)	Year ended 31.03.2000 (Rs. in lacs)
INCOME:		
Net sales/Income from operations	23347	20177
Other Income	23	200
Total	<u>23370</u>	<u>20377</u>
EXPENDITURE:		
a) (Increase) / Decrease in Stock in trade	(337)	1017
b) Consumption of Raw Materials	10748	9512
c) Staff Cost	1879	1578
d) Power & Fuel	2732	2226
e) Excise Duty	505	126
f) Other Expenditure	3967	3158
Total	<u>19494</u>	<u>17617</u>
Operating profit	<u>3876</u>	<u>2760</u>
Interest	1835	1445
Profit before depreciation and taxation	2041	1315
Depreciation	1315	1173
Profit before Tax	726	142
Provision for Taxation	50	-
PROFIT AFTER TAX	<u>676</u>	<u>142</u>
Taxation for earlier years (provided) / written back	(87)	65
Transfer from Investment Allowance Utilised Reserve	86	114
Balance brought forward from previous year	223	276
Profit available for appropriations	<u>898</u>	<u>597</u>
APPROPRIATIONS:		
Transfer to Capital Redemption Reserve	190	-
Transfer to General Reserve	100	-
Dividend on		
Preference Shares:		
Interim	182	246
Equity Shares:		
Interim	-	91
Proposed Final	183	-
Corporate Dividend Tax	59	37
Surplus carried to Balance Sheet	<u>184</u>	<u>223</u>
	<u>898</u>	<u>597</u>

DIRECTORS' REPORT (Contd.)

DIVIDEND

On account of improved profitability, your Directors recommend a dividend of 20% on the Equity Shares as against 10% declared in the previous year.

Your Directors have declared interim dividend on 11% 3,80,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-I and on 13% 6,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-II.

Your Directors have also declared interim dividend on Prorata basis for the Preference Shares already redeemed - 13% 3,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-II, 13% 1,20,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-III and 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, 2001.

PERFORMANCE REVIEW

Eventhough the textile industry continues to be burdened with over capacity and depressed market conditions specially due to slow down in the U.S. economy, however, as forecasted in our last year's report, the Company has performed better in the financial year under review. The sales improved by 15% from Rs. 202 crores to Rs. 233 crores. The operating profit increased from Rs. 27.60 crores to Rs. 38.76 crores inspite of higher outgo on account of power to the extent of Rs. 5.06 crores and staff and other costs. Despite higher payment on account of interest, the gross profit before depreciation went up from Rs. 13.15 crores to Rs. 20.41 crores. After providing depreciation of Rs. 13.15 crores and tax provision of Rs. 0.50 crores, the net profit was substantially higher at Rs. 6.76 crores compared to Rs. 1.42 crores.

The above results could be achieved due to intense efforts of the management in judicious procurement of raw material, quick response to the changing market conditions, emphasis on high quality value added yarns and strong reliance on upgradation of technology. As already reported, in this year, the Company raised term loan of Rs.22.83 crores under Technology Upgradation Fund Scheme which provides for 5% interest subsidy, for marginal increase in capacity and substantial modernisation / replacement of old machinery across the units, by availing world-class technology.

The Yarn Processing Unit also improved its performance earning a cash profit after providing for interest and partly covering the depreciation charge.

Although last quarter of the year under review showed some signs of recovery in the international market, recessionary trends in the current year are putting pressure on the prices of end products and margins.

However, the TUF scheme which has almost been implemented will sustain higher productivity, ensure better product quality, and with various cost cutting measures undertaken, your management is hopeful that the Company will show satisfactory performance.

EXPORT AWARD

Our shareholders will be glad to know that in recognition of excellent export performance and leadership in the field of cotton yarn exports, the Cotton Textiles Export Promotion Council has awarded yet another **GOLD TROPHY** as the best exporting Mill from India for the year ended March, 2000. Your Company was also awarded another **GOLD TROPHY** as the best exporting Mill under non-quota category. With this the company has been receiving these highest export awards for the last 15 years continuously, a feat unmatched in the Industry.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance to the Provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record –

- (i) that in preparing the Annual Accounts, all applicable accounting standards have been followed.
- (ii) that the accounting policies adopted are consistently followed and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit and Loss Account of the Company for the Financial Year, under review.

DIRECTORS' REPORT (Contd.)

- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing/ detecting fraud and other irregularities.
- (iv) that the Annual Accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Company is taking necessary steps for full implementation of the Corporate Governance in terms of listing agreement, which is required to be complied by March, 2002. The Audit Committee constituted by the Board has been functioning over the last four years.

SUBSIDIARY COMPANIES

During the year, the Company has divested its majority shareholdings in the two wholly owned subsidiary companies viz. GTN Exports Limited and Packworth Udyog Limited. As a result, these two companies are no longer subsidiaries of the Company.

FIXED DEPOSITS

Unclaimed deposits of Rs. 8.34 lacs at the close of the financial year have subsequently been reduced to Rs. 0.59 lacs on the date of this report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Companies Articles of Association, Shri. M.L. Patodia and Shri. R.G. Bhuradia, Directors, retire from Office by rotation and are eligible 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 Branch at Mumbai and Units at Nagpur, Medak and Shadnagar, retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

M/s. Clark, Gardener, Wolf & Co., Chartered Accountants, Kolkata, Auditors for the Company's Kolkata Branch, retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

PERSONNEL & INDUSTRIAL RELATIONS

Industrial Relations were cordial and satisfactory. A statement showing the particulars of employees referred to in Sub-section (2A) of Section 217 of the Companies Act, 1956, is given in Annexure-I, forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in a separate statement attached hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors place on record their thanks to Industrial Development Bank of India, ICICI Limited, Export-Import Bank of India, Central Bank of India, State Bank of India, Standard Chartered Grindlays Bank Limited, IDBI Bank Limited, ICICI Bank Limited, the concerned Departments of the State and Central Government, Employees and Shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kolkata
Date : 21st May, 2001

M. L. PATODIA
Chairman