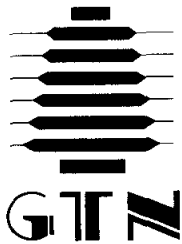


GT N TEXTILES LIMITED
40th Annual Report 2001-2002

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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 [Upto 07.05.2002] : 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
The Vysya 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

CONTENTS

	Page
Notice	1
Directors' Report	6
Annexure to the Directors' Report	9
Report on Corporate Governance	10
Management Discussion and Analysis	16
Auditors' Report	18
Annexure to the Auditors' Report	19
Balance Sheet	20
Profit & Loss Account	21
Schedules & Notes on Accounts	22
Balance Sheet Abstract	33
Cash Flow Statement	34

NOTICE

NOTICE is hereby given that the **Fortieth** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Triveni Hall, Hotel Periyar, Aluva - 683 101 at 3.30 p.m. on Wednesday, the 31st day of July, 2002 to transact the following business.

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2002 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 shares 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 of the Company 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 :

6. 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 provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto, as amended, and subject to the approval of Financial Institutions, approval of the Members be and is hereby accorded to the revision/increase in remuneration and perquisites payable to Shri.B.K.Patodia, Managing Director of the Company from 1st April, 2002 to 30th November, 2004 being the balance period of his existing 5 year term of Office as set out in the Supplemental Agreement between the Company and Shri.B.K.Patodia produced at this meeting and for the purposes of identification, initialled by the Chairman, hereof".

"RESOLVED further that the Board / Remuneration Committee of Directors of the Company, be and is hereby authorised to take such steps expedient to give effect to this resolution".

7. 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 provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto, as amended, and subject to the approval of Financial Institutions, approval of the Members be and is hereby accorded to the revision/increase in remuneration and perquisites payable to Shri.M.K.Patodia, Managing Director of the Company from 1st April, 2002 to 30th November, 2004 being the balance period of his existing 5 year term of Office as set out in the Supplemental Agreement between the Company and Shri.M.K.Patodia produced at this meeting and for the purposes of identification, initialled by the Chairman, hereof".

"RESOLVED further that the Board/Remuneration Committee

of Directors of the Company be and is hereby authorised to take such steps expedient to give effect to this resolution".

8. 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 the Company 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, where so ever 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

i) Export Import Bank of India (EXIM Bank)

ii) The Vysya Bank Limited (Vysya Bank)

to secure on Pari Passu First Charge basis:

a) Rupee Term loan of Rs.12.00 crores under Technology Upgradation Fund Scheme lent and advanced by EXIM Bank to the Company

b) Foreign Currency Loan of USD 2.600 Mn under Long Term Working Capital Term Loan Programme lent and advanced by EXIM Bank to the Company and

c) Rupee Term Loan of Rs.6.00 crores lent and advanced by Vysya 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 : 16th May, 2002

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 Books of the Company will remain closed from 19.07.2002 to 31.07.2002, (both days inclusive)

5. Pursuant to Section 205A of the Companies Act, 1956, all Unclaimed Dividend 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 the prescribed Form.
6. Pursuant to Section 205A(5) of the Companies Act, 1956 as amended, any money transferred to Unpaid Dividend Account of the Company which remain 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 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 yet 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. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable subject to deduction of tax at source (if applicable) on or before 29th August, 2002, to those members whose names appear on the Company's Register of Members as on 19th July, 2002. 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. As per the provisions of Income Tax Act, 1961, receipt of dividend upto Rs.1,000/- by an individual Shareholder do not attract deduction of tax at source. Other Members who desire to get their dividend without deduction of tax from the Company may file a declaration in Form 15G, in duplicate, in accordance with provisions of Section 197A(1) of the Income Tax Act, 1961, on or before 19th July, 2002.

REQUEST TO THE MEMBERS:

- 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.
- 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.
- Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
- All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s. Integrated Enterprises (India) Ltd., "Seema", 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam - 682 035, Kerala; Tel.No. (0484) 371 494/ 366 099 Telefax: (0484) 384 735;
E-Mail: yesbalu@iepindia.com or shaji@iepindia.com.

Details of Directors retiring by rotation and seeking re-appointment

(In pursuance of Clause 49 of the Listing Agreement)

(1) Name	Shri.B.L.Singhal
Date of Birth	15.04.1947
Date of appointment	25.06.1987
Qualifications	B.Com, FCA
Expertise in specific functional area	Practising Chartered Accountant and a Senior Partner of M/s.B.L.Singhal & Co. Chartered Accountants, Kolkata. Vast experience in finance, Company Law matters, besides proficiency in Accountancy.

Chairman/ Director of other Companies	Directorships:- 1. Patspin India Ltd. 2. Prime Textiles Ltd. 3. Packworth Udyog Ltd. 4. M B Credit Pvt. Ltd. 5. M D Investments Pvt.Ltd. 6. Priti Credit Pvt. Ltd. 7. BLS Securities Pvt. Ltd.
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Chairman/Member of Committees* of the Board of Companies of which he is a Director

Name of the Company	Committee type	Membership status
GTN TEXTILES LTD.	1. Audit	Chairman
	2. Shareholders/ Investors	
	Grievance	Chairman
PATSPIN INDIA LTD.	3. Remuneration	Member
	1. Audit	Chairman
	2. Shareholders/ Investors	
PRIME TEXTILES LTD.	Grievance	Chairman
	3. Remuneration	Member
	1. Audit	Chairman
	2. Shareholders	
	Grievance	Member

(2) Name	Shri.T.M.Gopalaswamy
Date of Birth	12.04.1923
Date of appointment	18.01.1990
Qualifications	B.A (Economics) LLB, AIIB (Associate of Indian Institute of Bankers), India
Expertise in specific functional area	Vast experience of over 40 years in Finance and Banking. Ex-General Manager and was Head of South Zone operations of Central Bank of India, a leading Public Sector Bank.
Chairman/ Director of other Companies	Directorships:- None

Chairman/Member of Committees* of the Board of Companies of which he is a Director

Name of the Company	Committee type	Membership status
GTN TEXTILES LTD.	Audit	Member

* Includes Audit, Remuneration and Shareholders/Investors Grievance Committee as clarified by SEBI in its notification dated 12.09.2000

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

ITEM No.6 & 7

In terms of Govt. of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Notification No. G.S.R 36(E) dated 16th January, 2002, wherein any financial year, during the currency of tenure of the managerial person, a company has no profits or its profits are inadequate, it may pay remuneration by way of Salary, Dearness Allowance, Perquisites and any other allowance in excess of Rs. 2,00,000 p.m. but not exceeding Rs.4,00,000 p.m. or exceeding Rs.4,00,000 p.m. with prior approval of the Central Government, provided (i) payment of remuneration is approved by a resolution passed by the Remuneration Committee (ii) the company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person (iii) a special resolution has been passed at the general meeting of the Company for payment of remuneration for a period not exceeding three years and (iv) a statement alongwith notice calling the General Meeting referred to in clause (iii) is given to the Shareholders containing certain information as specified in the said notification.

The Remuneration Committee constituted pursuant to the above Notification in its meeting held on 16th May, 2002 revised the existing remuneration of Shri.B.K.Patodia and Shri.M.K.Patodia, Managing Directors for the remaining period of their respective tenures, as set out below and also mentioned in the Supplemental Agreement between the Company and Shri.B.K.Patodia and Shri.M.K.Patodia, subject, however, to the members approving and ratifying the same.

Revised / Increased remuneration of Shri.B.K.Patodia and Shri.M.K.Patodia with effect from 01.04.2002:

- Period: From 1st April, 2002 to 30th November, 2004.
- Salary: Rs.2,25,000/- per month per Managing Director in the Scale Rs.225000 – 30000 – 285000 effective from 1st April, 2002.
- Commission: Subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, such percentage of the Net Profit of the Company or such quantum as may be fixed by the Board of Directors for each financial year not exceeding 2% of the Net Profits of the Company, each year, per Managing Director.
- Perquisites as follows:
 - Housing: Rent free accommodation will be provided to

the appointees for which actual amount of lease rental paid or payable by the Company or 10% of the salary, whichever is lower, shall be recovered. In case no accommodation is provided by the Company, House Rent Allowance, subject to a ceiling of 60% of the appointees salary shall be paid. In addition, the appointees shall be allowed Company owned furniture and fixtures, if required.

- The expenditure incurred by the appointees on gas, electricity and water shall be reimbursed by the Company.
- All Medical Expenses incurred by the appointees for self and their family shall be reimbursed.
- Leave Travel Concession for the appointees and their family will be allowed once in a year as per the Rules of the Company.
- Fees of Clubs : Subject to a maximum of 2 Clubs. This will not include admission and life membership fees.
- Personal Accident Insurance : The premium of which shall not exceed Rs.10000/- per annum.
- Contribution to Provident Fund, Superannuation or Annuity Fund to the extent the same are not taxable under the Income-Tax Act.
- Gratuity : As per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
- Provision of Car with driver for use on Company's business and telephone at the residence.
- 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 of 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.

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

The perquisites, as detailed above, except the revision in the salary were also provided even prior to April 1,2002.

Information required to be disclosed in terms of Notification No.G.S.R.36(E) dated 16.01.2002 of Schedule XIII to the Companies Act, 1956.

I. General information:

i) Nature of Industry

Textile Industry -

The company is mainly engaged in manufacture and exports of Cotton Yarn in the 15% segment of medium, fine, and superfine Combed yarns.

- ii) Date or expected date of commencement of commercial production.

It is an established company and the commercial production at its Aluva Plant commenced in 1964.

- iii) In case of new companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus.

Not applicable.

- iv) Financial performance:- (Rs. in lacs)

Particulars	97-98	98-99	99-00	00-01	01-02
Sales	14144	17229	20051	23347	23001
Other income	142	228	200	23	113
Operating profit	3193	2992	2842	3876	3810
Interest	1206	1592	1527	1835	1701
PBDT	1987	1400	1315	2041	2109
Profit Before Tax	1129	418	142	726	666
Profit After Tax	1054	406	142	676	389
Amount of Equity dividend paid	319	114	91	183	166
Rate of Dividend declared	35%	12.5%	10%	20%	17.5%
					(Proposed)

The effective Capital of the Company based on the Audited accounts for the year ended 31st March, 2002 is Rs. 192 crores.

The company has not made any default in the repayments of its dues (including Public Deposits) or interest payments thereon. The Company has not issued any debentures.

- v) Export performance and net foreign exchange collaborations:

(Rs. in lacs)

Financial Year	Export Turn Over
1997-1998	12944
1998-1999	14085
1999-2000	16239
2000-2001	17360
2001-2002	17912

The Company does not have any Foreign Exchange collaboration.

- vi) Foreign investments or collaborators, if any.

The Company does not have any foreign Investments or Collaborators.

II. Information about the appointees:

a) Shri.B.K.Patodia

Vide Item No.6 of the Notice of this Annual General Meeting of the company, the approval of members is being sought for revising the remuneration of Shri.B.K.Patodia, Vice Chairman and Managing Director effective from 1st April, 2002. Shri.B.K.Patodia is an Indian citizen, 57 years

of age. He is an Engineering Graduate from BITS, Pilani and has about 36 years of experience in Textile Industry, Yarn marketing and Cotton Trade. He is a past Chairman of Indian Cotton Mills Federation (ICMF), Southern India Mills Association (SIMA), Yarn Committee of TEXPROCIL and The Cochin Chambers of Commerce and Industry. He looks after the Company's main units at Aluva, besides directly handling the crucial areas of business such as Raw material procurement and export of yarn. Shri.B.K.Patodia is the Managing Director since 1966.

During the Financial Year 2001-2002, Shri.B.K.Patodia was paid the following remuneration:-

(Rs. in lacs)

Salary	Perquisites	P.F./Superannuation/ Gratuity	Total
12	1.13	3.89	17.02

The Remuneration Committee and the Board of Directors of the company recognized his experience of over 36 years. The Remuneration agreed to be payable to Shri.B.K.Patodia, subject to the approval of the shareholders of the Company, is in view of the increased activities, steep rise in the cost of living, increase in the responsibilities shouldered and his rich and diversified experience in the industry. His remuneration is comparable with the market trend for a Managing Director level Executive.

Pecuniary relationship:- The Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the Company. Further, all transactions with the Related Parties were in the ordinary course of business and at arms length.

Shri.M.K.Patodia, Managing Director is the younger brother of Shri.B.K.Patodia.

b) Shri.M.K.Patodia

Vide Item No.7 of the Notice of this Annual General Meeting of the company, the approval of members is being sought for revising the remuneration of Shri.M.K.Patodia, Managing Director effective from 1st April, 2002. Shri.M.K.Patodia is an Indian citizen, 51 years of age. He is a Chartered Accountant with over 28 years of experience in Textile Industry, Yarn marketing and Cotton Trade. He looks after the operations at Medak, Nagpur and Shadnagar Units besides financial planning and control for the entire Company. Shri.M.K.Patodia was appointed as an Executive Director with effect from 1st October, 1980 and has been elevated to the post of Managing Director during October, 1989 and continuing since then.

During the Financial Year 2001-2002, Shri.M.K.Patodia was paid the following remuneration:-

(Rs. in lacs)

Salary	Perquisites	P.F./Superannuation/ Gratuity	Total
12	1.94	3.71	17.65

The Remuneration Committee and the Board of Directors of the company recognized his experience of over 28 years. The Remuneration agreed to be payable to

Shri.M.K.Patodia, subject to the approval of the shareholders of the Company, is in view of the increased activities, steep rise in the cost of living, increase in the responsibilities shouldered and his rich and diversified experience in the industry. His remuneration is comparable with the market trend for a Managing Director level Executive.

Pecuniary relationship:- The Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the Company. Further, all transactions with the Related Parties were in the ordinary course of business and at arms length.

Shri.B.K.Patodia, Vice Chairman and Managing Director is the elder brother of Shri.M.K.Patodia.

III. Other information :

1. Reasons of loss or inadequacy of profits:

The reasons for loss or inadequacy of profits as stated in detail in the Directors' Report, inter alia, include recession in the economy, subsequent global events after 11th September, 2001, sluggish market conditions for garment exports, steep hike in power tariff in Kerala, Investment in modernising plant and machinery and thereby additional charge on account of depreciation, etc.

2. Step taken or proposed to be taken for improvement:

The steps taken include continued emphasis on Technology Upgradation, Modernisation, Product and Market Development. During the year, a major restructuring exercise was undertaken in the yarn processing unit thereby improving overall operational efficiency, production and sale, including reduction in power cost. These measure have already started yielding results.

The Company's focussed efforts on technological advancement, product diversification, strategic marketing, cost control measures across the Units and debt restructuring will result in maintaining the bottom line and it is hoped that the Company will perform satisfactorily.

3. Expected increase in productivity and profits in measurable terms:

The Company is continuously improving its operational efficiency, productivity and cost control, which alone can improve the bottom line in future in a highly competitive environment. The company's recent investments in Compact spinning will help to move away from commodity segment to more and more specialized product .

With the various steps taken by your company and further plans and strategies drawn, the performance of the Company is likely to improve.

Both the Supplemental Agreements referred in the resolutions would be available for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. prior to the date of the meeting.

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 resolutions mentioned in Item No.6 & 7 of the Notice.

None of the other Directors of the Company is in any way concerned or interested in the resolutions mentioned in Item No.6 & 7 of the Notice.

The terms and conditions mentioned in Item no.6 & 7 of the notice may also be taken as an abstract of the Supplemental Agreement made by the Company with Shri.B.K.Patodia & Shri.M.K.Patodia, pursuant to Sec. 302 of the Companies Act, 1956.

Your Directors recommend the Resolutions for approval.

ITEM No.8

The Company has been sanctioned Financial Assistance by Export Import Bank of India (EXIM Bank) by way of Rupee Term Loan of Rs.12.00 crores under Technology Upgradation Fund (TUF) Scheme for part financing modernisation-cum-expansion plans of the Company and Long Term Working Capital Loan of USD 2.600 Mn for meeting the Long Term Working Capital requirements of the Company.

The Vysya Bank Limited (Vysya Bank) has also sanctioned a Rupee Term loan of Rs.6.00 crores to the Company.

The said financial assistance are to be secured by way of mortgage on pari passu first charge on all the immovable properties and movable fixed assets of the company.

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 Hypothecation / Mortgaging by the Company of its movable and immovable properties as aforesaid in favour of EXIM Bank and Vysya Bank 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 sanctions OIF:EOU:D-425:214 dated 05.03.2002 and OIF:EOU:LTWC-84:215 dated 05.03.2002 of EXIM Bank and EK/GTN/12712/2002 dated 8.5.2002 of Vysya Bank are open for inspection at the Regd Office of the Company between 11.00 a.m and 1.00 p.m on any working day prior to the date of meeting

None of the Directors is concerned or interested in the Resolution.

Your Directors recommend the Resolution for approval.

By Order of the Board
For GTN TEXTILES LIMITED

E.K.BALAKRISHNAN
Company Secretary

Place: Kochi
Date : 16th May, 2002

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **Fortieth** Annual Report together with the Audited Statements of Account for the year ended 31st March 2002.

FINANCIAL RESULTS

	Year ended 31.03.2002 (Rs. in lacs)	Year ended 31.03.2001 (Rs. in lacs)
INCOME :		
Net sales/Income from operations	23001	23347
Other Income	113	23
Total	<u>23114</u>	<u>23370</u>
EXPENDITURE :		
a) (Increase) / decrease in Stock in trade	368	(337)
b) Cost of materials	10633	10748
c) Staff Cost	1916	1879
d) Power & Fuel	2731	2732
e) Excise duty	395	505
f) Other expenditure	3261	3967
Total	<u>19304</u>	<u>19494</u>
OPERATING PROFIT	3810	3876
Interest	1701	1835
Profit before depreciation and taxation	2109	2041
Depreciation	1443	1315
Profit before tax	666	726
Provision for current tax	44	50
Profit before deferred tax	622	676
Provision for deferred tax	233	-
PROFIT AFTER TAX	389	676
Tax for earlier years	26	(87)
Transfer from Investment Allowance Utilised Reserve	5	86
Balance brought forward from previous year	184	223
Profit available for appropriations	<u>552</u>	<u>898</u>
APPROPRIATIONS :		
Transfer to Capital Redemption Reserve	190	190
Transfer to General Reserve	35	100
Dividend on		
Preference Shares:		
Interim	65	182
Equity Shares:		
Proposed final	166	183
Corporate Dividend Tax	7	59
Surplus carried to Balance Sheet	<u>89</u>	<u>184</u>
	<u>552</u>	<u>898</u>

DIVIDEND

Your Directors recommend a lower dividend of 17.5% on the Equity subject to deduction of Tax at source as against 20% declared in the previous year, to conserve its cash flows.

Your Directors have declared interim dividend for the outstanding amount of Rs.190 lacs on 11% - 3,80,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-I.

Your Directors have also declared interim dividend on Prorata basis for the Preference Shares redeemed during the year on 13% 6,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-II and on 50% of 11% 3,80,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series-I.

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, 2002.

PERFORMANCE REVIEW

The Textile Industry continued to reel under recession and exports of cotton yarn from the Country dipped to 467 mn. kgs in 2001 as compared to 532 mn. kgs in 2000. Subsequent global events have further dampened the business environment causing overall industrial slow down. Due to sluggish market conditions for garment exports, the Yarn Processing Unit of the Company also recorded lower sales by almost Rs. 10.5 crores during the year under review. In spite of these adversities, your Directors are glad to report that your Company in the year 2001-02 was able to maintain the turnover at Rs.230 crores as against Rs.233 crores in the previous year. In the State of Kerala, power tariff has been steeply hiked by 25%, which resulted in higher outgo on account of power cost. The operating profit was marginally lower at Rs.38.10 crores as against Rs.38.76 crores. As a result of debt restructuring, interest charges were lower at Rs.17.01 crores as against Rs.18.35 crores resulting in higher cash profit of Rs.21.09 crores comparing to Rs.20.41 crores of last year. After providing higher depreciation at Rs.14.43 crores, the profit before tax expense stood at Rs.6.66 crores as against Rs.7.26 crores in the previous year.

The Company had to mandatorily provide for Deferred Tax liability in terms of Accounting Standard 22 "Accounting for Taxes on Income" for the current year which amounted to Rs. 2.33 crores besides current tax (Minimum Alternate Tax) of Rs. 0.44 crores resulting in lower profit after tax for the year under review at Rs. 3.89 crores as compared to Rs. 6.76 crores of last year.

During the year under review, the prices of finished products remained under pressure due to severe competition, both internally and externally. The Indian cotton prices came down in parity to international prices and overall availability of raw material was at reasonable prices. In the current year, it is expected that the raw material prices will remain soft with sufficient availability.

The Company continued its emphasis on technology upgradation, modernisation, product and market development. Your Directors are glad to inform that the Company has already embarked upon TUF-II scheme with a total outlay of Rs.40 crores, which apart from technology upgradation also envisages a major foray into production of compact spun yarns. Compact spinning which is the latest spinning technology in the world, produces yarns of high quality, which will further diversify the product mix of the Company.

During the year, a major restructuring exercise was undertaken at Yarn Processing Unit thereby improving overall operational efficiency, production and sales, including reduction in power cost. Your Directors are glad to report that these measures have already started yielding results and it is hoped that this Unit will make a positive contribution during the current year.

The Company's focussed efforts on technological advancements, product diversification, strategic marketing, cost control measures across the Units and debt restructuring will result in maintaining the bottom line and it is hoped that the Company will continue to perform satisfactorily.

SHARE CAPITAL

During the year under review, your Directors had made a final call of Rs. 6 per share on 10 lacs partly paid up Equity Shares for Rs. 10/- each previously allotted to promoters on which call money of Rs. 60 lacs was received and the said shares have since become fully paid up.

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.
- (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.

REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS

A Report on Corporate Governance and Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

FIXED DEPOSITS

Unclaimed deposits of Rs.5.84 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 Company's Articles of Association, Shri.B.L. Singhal and Shri. T.M. Gopalaswamy, 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 Annexure II, attached hereto and forms part of this report.

ACKNOWLEDGEMENT

Your Directors place on record their thanks to Industrial Development Bank of India, Export-Import Bank of India, ICICI Bank Limited, Central Bank of India, State Bank of India, IDBI Bank Limited, The Vysya Bank Limited, Standard Chartered Grindlays Bank Limited and 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 : 16th May, 2002

M.L.PATODIA
Chairman