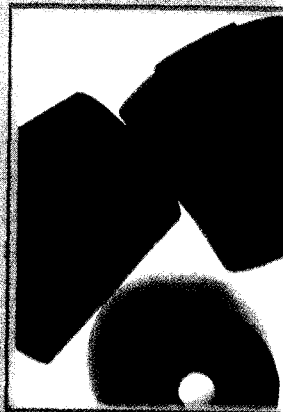


GTN
TEXTILES

GTN TEXTILES LIMITED
41ST ANNUAL REPORT
2002-2003



GTN TEXTILES LIMITED

Board of Directors

M. L. Patodia	:	Chairman
B. K. Patodia	:	Vice Chairman & Managing Director
M. K. Patodia	:	Managing Director
C. D. Thakker		
B. L. Singhal		
R. Rajagopalan [from 31.07.2002]		
P. K. Kurian [from 23.11.2002]		
T. M. Gopalaswamy [upto 23.11.2002]		
R. G. Bhuradia [upto 23.11.2002]		
Umang Patodia		



Company Secretary

E. K. Balakrishnan

Bankers

Central Bank of India
State Bank of India
IDBI Bank Limited
ICICI Bank Limited
ING 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

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GTN TEXTILES LIMITED

NOTICE

NOTICE is hereby given that the **Fortyfirst** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva - 683 101 at 3.30 p.m. on Thursday, the 31st day of July, 2003 to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 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. C. D. Thakker, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. Umang Patodia, 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 an ordinary resolution.

"RESOLVED that Shri. R. Rajagopalan, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 96 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 31.07.2002 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED that Shri. P. K. Kurian, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 96 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 23.11.2002 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

8. To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution.

"RESOLVED that in terms of SEBI (Delisting of Securities) Guidelines, 2003, and also Guidelines / Notifications issued / to be issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956 (including any Statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall deem to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to De-list Company's Equity Shares from The Stock Exchange Ahmedabad (ASE), The Calcutta Stock Exchange Association Limited (CSE) and The Hyderabad Stock Exchange Ltd. (HSE)".

9. 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 immovable properties and movable fixed assets, 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 State Bank of India (SBI).

to secure on Pari Passu First Charge basis;

Rupee Term loan of Rs.2082 lacs under Technology Upgradation Fund Scheme lent and advanced by SBI to the Company.

and

to secure on pari passu second charge basis:

- i) Additional Working Capital facilities aggregating Rs.860 lacs lent and advanced by Central Bank of India (CBI), to the Company;
- ii) Additional Working Capital facilities aggregating Rs.820 lacs lent and advanced by State Bank of India (SBI), to the Company;
- iii) Working Capital facilities aggregating Rs.1010 lacs lent and advanced by ING Vysya Bank Limited (VBL), to the Company".

NOTICE (Contd.)

"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".

10. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED that the Board of Directors of the Company, be and are hereby, authorised pursuant to sub-section (1)(e) of Section 293 of the Companies Act, 1956 on behalf of the Company to contribute and / or subscribe from time to time, in any financial year to any body, institute, society, person, trust or fund for any charitable or other purposes not directly related to the business of the Company or to the welfare of its employees upto a total amount of Rupees ten lacs or five percent of the average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater".

By Order of the Board
For GTN TEXTILES LIMITED

Place : Kolkata
Date : 7th June, 2003

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. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. 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.
3. The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Monday the 21st July, 2003 to Thursday the 31st July, 2003 (both days inclusive) for determining the names of Members eligible for Dividend, if approved, on equity shares. 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.
4. 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 on or before 28th August, 2003, to those members whose names appear on the Company's Register of Members as on 21st July, 2003.
5. Members may please note that the dividend warrants are payable at par at the designated branches of the Bank printed on reverse of the dividend warrant for an initial period of 3 months only. Thereafter, the dividend warrant on revalidation is payable only at limited centres / branches. The members are, therefore advised to encash dividend warrants within the initial validity period.
6. 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.
7. Pursuant to Section 205A(5) of the Companies Act, 1956, Dividend for the Financial Year ended 31st March, 1996 and thereafter which remain unpaid or unclaimed for a period of 7 (Seven) years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Information in respect of such Unclaimed Dividend when due for transfer to the said Fund, is given below:

Financial year date Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.1996	16.8.1996	14.8.2003	12.9.2003
31.3.1997	30.7.1997	29.7.2004	27.8.2004
31.3.1998	20.7.1998	19.7.2005	18.8.2005
31.3.1999	30.7.1999	29.7.2006	28.8.2006
31.3.2000	16.8.2000	14.8.2007	13.9.2007
31.3.2001	20.7.2001	19.7.2008	18.8.2008
31.3.2002	31.7.2002	30.7.2009	28.8.2009

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company. Also note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of 7 (Seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

8. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and / or amount payable in respect of the shares shall vest in the event of the death of the Shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination is not available to non-individual Shareholders such as Bodies-Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further

NOTICE (Contd.)

details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s.Integrated Enterprises (India) Limited.

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 note that the Company's Equity shares are compulsory traded 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 Company's Equity shares in all Stock Exchanges connected to the Depository System.
- 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)2371494/2366099 Telefax: (0484) 2384735; 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)

Name of Director	Shri.C.D.Thakker	Shri.Umang Patodia
Date of Birth	31.3.1938	17.6.1969
Date of appointment	26.9.1988	4.8.1994
Qualifications	SSC	B.Com
Expertise in specific functional area	He has over 40 years experience in procurement and trading of raw cotton.	He has over 14 years of experience in Textile Industry, Yarn Marketing and Cotton Trading besides experience in Finance and Administration.
Details of other Directorship	<ul style="list-style-type: none"> Prime Textiles Limited 	<ul style="list-style-type: none"> Patspin India Limited Patspin Apparels Limited Patodia Exports & Inv. P.Ltd. Beekaypee Credit P. Ltd.
Details of other Committee and Membership status	None	None

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

ITEM No. 6 & 7

The Board of Directors of the Company have appointed Shri.R Rajagopalan as an Additional Director with effect from 31st July, 2002 and Shri.P K Kurian with effect from 23rd November, 2002. In terms of Section 260 of the Companies Act, 1956, read with Clause No.96 of the Articles of Association, they hold the said Office only upto the date of the ensuing Annual General Meeting. A Notice has been received from a member and also Deposit of Rs.500/- each from him pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri.R Rajagopalan and Shri.P K Kurian for the office of Director.

Details pursuant to Clause 49 of the Listing Agreement with regard to Shri.R.Rajagopalan and Shri.P.K.Kurian, are as follows:

Name of Director	Shri.R.Rajagopalan	Shri.P.K.Kurian
Date of Birth	21.07.1938	20.3.1930
Date of appointment	31.07.2002	23.11.2002
Qualifications	<ul style="list-style-type: none"> Fellow member of the Institute of Chartered Accountants of India (ICAI); Fellow member of the Institute of Company Secretaries of India (ICSI). 	<ul style="list-style-type: none"> BSc Barrister at Law (Lincoln's Inn)
Expertise in specific functional area	Retired as Managing Director - Commercial & Secretary with M/s.Widia (India) Ltd. Besides his proficiency in Finance, Accounts and Secretarial Functions, he was part of management team for finalisation of many collaboration tie-ups with Widia GmbH and also with other reputed European and American Companies. He was also associated with various Organisations and was the National President of the Institute of Company Secretaries of India (ICSI); President of Employers' Federation of Southern India (EFSI); Chairman of Taxation and Finance Sub-Committee of Confederation of Indian Industry (CII); Member of Southern Regional Council of CII; Member of Engineering Export Promotion Council (EEPC); Greater Mysore Chamber of Industry (GMCI), etc. etc.	A leading Lawyer in the High Court of Kerala, since 1954. Specialised in Constitutional, Commercial, Mercantile, Labour Law, Taxation, Company Law matters etc. Sr.Advocate and Partner of M/s.Menon & Pai, Advocates, Kerala.

NOTICE (Contd.)

Name of Director	Shri.R.Rajagopalan			Shri.P.K.Kurian		
Details of other Directorship	MRO-TEK Limited			<ol style="list-style-type: none"> 1. Aspinwall & Co. (Travancore) Limited 2. Binani Metals Limited 3. Dodla International Limited 4. FCI OEN Connectors Limited 5. Harrisons Malayalam Limited 6. Madura Coats Limited 7. Oriental Hotels Limited 8. Parry Agro-Industries Limited 9. Peirce Leslie India Limited 10. Taj Kerala Hotels & Resorts Limited 11. The Alleppey Company Limited 12. The Pullangode Rubber & Produce Co.Ltd 13. Soft Systems Limited (Director Alternate) 14. OEN India Limited (Director Alternate) 15. William Goodacre & Sons India Pvt. Ltd. 16. Kerala Balers Pvt. Limited 17. Karinos Weave P. Ltd. (Director Alternate) 		
Details of other Committee and Membership status	Name of Co.	Committee	Status	Name of Co.	Committee	Status
	MRO-TEK Ltd.	Audit	Chairman	Madura Coats Ltd.	Audit	Chairman
	- do -	Remuneration	Chairman	- do -	Remuneration	Member
	- do -	Shareholders	Member	- do -	Investor Grievance	Member
				Harrisons Malayalam Ltd.	Audit	Chairman
				Parry Agro India Ltd.	Audit	Chairman
				Oriental Hotels Ltd.	Audit	Member
				- do -	Investor Grievance	Member
				OEN India Ltd.	Audit	Member
				FCI OEN Connectors Ltd.	Audit	Member

The Board recommends the passing of the ordinary resolution contained in Item No.6 & 7 of the accompanying notice. None of the Directors other than Shri.R.Rajagopalan and Shri.P.K.Kurian are concerned or interested in this resolution.

ITEM No.8

Presently, the Company's Equity Shares are listed on the following Stock Exchanges:

- Cochin Stock Exchange Limited (CSEL) – Regional Stock Exchange
- National Stock Exchange of India Limited (NSE)
- The Stock Exchange Mumbai (BSE)
- The Stock Exchange Ahmedabad (ASE)
- The Calcutta Stock Exchange Association Limited (CSE)
- The Hyderabad Stock Exchange Limited (HSE)

As part of its cost reduction measures and in line with the Circular issued by SEBI for Voluntary Delisting of Company's Securities, your Company has proposed Delisting of its Equity Shares from Stock Exchanges viz. Ahmedabad, Hyderabad and Calcutta and the members at its 38th Annual General Meeting held on 16th August, 2000 have unanimously approved the proposal by way of a special resolution. Though the Company has filed required documents, these Stock Exchanges stipulated for an EXIT opportunity to the

Shareholders of these Regions, pursuant to SEBI Circular No.SMDRP/Cir-14/98 dated 29th April, 1998.

SEBI vide Circular SMD/Policy/Cir-7/2003 dated 17th February, 2003 issued fresh Guidelines for Delisting of Securities. Pursuant to Clause 5.2 relating to Delisting of Securities (Voluntary) of a Listed Company, an EXIT opportunity need not be given in cases where securities continue to be listed in a Stock Exchange having nationwide terminals. Your Company's shares are listed and traded with Stock Exchanges having nationwide terminals viz. Stock Exchange-Mumbai and the National Stock Exchange. Hence, the Company do not intend to give an EXIT opportunity to the Shareholders of these Regions.

With the net working facilities of BSE and NSE, the Members of the Company have access to on-line dealings in the Company's Equity Shares across the Country. Trading volumes on ASE, CSE and HSE in the Company's Shares are very low. Further, the Company's Equity shares are compulsory traded in demat form for all investors, effective from 28th August, 2000 and hence Investors including the members

NOTICE (Contd.)

located in the above Regions are dealing with the securities of the Company only with BSE and NSE. The proposed Delisting of the Company's Equity Shares from ASE, CSE and HSE will not therefore, adversely affect any Investor including the members located in these regions. Company's Equity Shares will continue to be listed on CSEL, NSE and BSE.

Your Company has persuaded the said matter with these Stock Exchanges in line with the new Guidelines. The Hyderabad Stock Exchange (HSE) vide their letter Ref. No. HSE:LIST:2003:106 dated 26th May, 2003 informed that the Special Resolution should have been passed subsequent to the Delisting Guidelines, 2003 and the Special Resolution for Delisting passed before the new Delisting Guidelines, 2003 shall not be deemed to have been passed as per Clause 6 of the SEBI Delisting Guidelines, 2003.

In view of the above and as a matter of abundant caution, your Directors recommend Members approval by way of a Special Resolution for Delisting Company's Equity Shares from ASE, CSE and HSE.

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

ITEM No.9

The Company has been sanctioned Financial Assistance from State Bank of India (SBI) for its modernisation-cum-expansion plans under Technology Upgradation Fund Scheme (TUFS). The said loan has to be secured by an appropriate pari passu first charge / mortgage / hypothecation on such of the Company's immovable and movable assets as may be agreed to by the Company and SBI.

The Working Capital Bankers viz. CBI, SBI and VBL has sanctioned additional financial assistance for the financial year 2002-03. The said financial assistance(s) has to be secured by an appropriate pari passu second charge / mortgage / hypothecation on such of the Company's immovable and movable assets as may be agreed to by the Company and the said Banks.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not except with 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 SBI and 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 sanction dated 29.10.2002 of State Bank of India and dated 14.9.2002 of Central Bank of India Consortium, is 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 is concerned or interested in the Resolution.

Yours Directors recommend this Resolution for approval.

ITEM No.10

Section 293(1)(e) of the Companies Act, 1956, inter alia, provides that approval of members of the Company is required for any amount contributed to any charitable or other funds not directly relating to the business of the Company or the welfare of the employees, the aggregate of which exceed Rs.50,000/- or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the 3 financial years immediately preceding the year in which the contribution has been made. The Board of Directors considers that keeping in view the Company's obligations to the society at large and other social welfare and charitable funds / causes, the limit provided under Section 293(1)(e) of the Companies Act, 1956, requires upward revision.

This resolution is, therefore, recommended for your acceptance.

None of the Directors of the Company is concerned or interested in this resolution.

By Order of the Board
For GTN TEXTILES LIMITED

Place : Kolkata
Date : 7th June, 2003

E.K.BALAKRISHNAN
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **Fortyfirst** Annual Report together with the Audited Statements of Account for the year ended 31st March 2003.

FINANCIAL RESULTS

	Year ended 31.03.2003 (Rs. in lacs)	Year ended 31.03.2002 (Rs. in lacs)
INCOME		
Net sales / Income from operations	23941	22640
Other Income	138	110
Total:	<u>24079</u>	<u>22750</u>
EXPENDITURE		
a) (Increase) / Decrease in stock	(91)	368
b) Cost of materials	11464	10631
c) Staff Cost	2169	1906
d) Power & Fuel	2808	2731
e) Other expenditure	3616	3362
Total:	<u>19966</u>	<u>18998</u>
OPERATING PROFIT	4113	3752
Interest	1458	1643
Profit before depreciation and taxation	2655	2109
Depreciation	1543	1443
Profit before tax	1112	666
Provision for current tax	88	44
Provision for deferred tax	316	233
PROFIT AFTER TAX	708	389
Tax for earlier years	—	(26)
Transfer from Investment Allowance Utilised Reserve	—	5
Balance brought forward from previous year	89	184
Profit available for appropriations	<u>797</u>	<u>552</u>
APPROPRIATIONS		
Transfer to Capital Redemption Reserve	—	190
Transfer to General Reserve	100	35
Dividend on:		
Preference Shares – Interim	10	65
Proposed Equity	203	166
Corporate Dividend Tax	26	7
Surplus carried to Balance Sheet	<u>458</u>	<u>89</u>
	<u>797</u>	<u>552</u>

DIVIDEND

Your Directors propose a Dividend @20% on the Equity shares as against 17.5% of the previous year. It is to be noted that from this year, the Dividend is tax free in the hands of the Shareholders.

Your Directors have declared interim dividend on prorata basis for the outstanding amount of Rs.190 lacs on 11% 3.80 lacs Redeemable Cumulative Preference Shares of Rs.100/- each in Series-I, which were fully redeemed on 25.10.2002. Full dividend by way of interim has been paid in terms of Preference Shareholders Agreement and hence interim dividend paid shall be fully adjusted as final dividend for the financial year ended 31st March, 2003.

PERFORMANCE REVIEW

The cotton yarn exports, which were 532 mn. kgs in Financial Year 2000-2001 touched a low of 467 mn. kgs. in 2001-2002. However, the spinning industry is now showing some signs of improvement during the fiscal 2002-2003, with yarn exports estimated to be around 525 mn. kgs., valued at more than Rs.6000 crores as against previous year's Rs.5200 crores.

Your Directors are glad to report that even with a marginal improvement in the sales of the Company from Rs.226 crores in the year 2001-02 to Rs.239 crores in 2002-03, the Company could substantially improve its profit before tax from Rs.6.66

DIRECTORS' REPORT (Contd.)

crores to Rs.11.12 crores. The operating profit increased to Rs.41.13 crores from Rs.37.52 crores. The cash profit was much higher at Rs.26.55 crores as against Rs.21.09 crores. The overall improvement in the profit was as a result of various factors such as lower interest burden due to proactive debt restructuring, besides higher operating margin due to product mix optimisation and better productivity due to continuous technology upgradation. The raw material prices, which ruled softer in the earlier part of the Financial Year, showed substantial increase during the latter part. Your Company had adequately covered raw materials, both local as well as imported at reasonable prices.

After making mandatory provisions for deferred tax liability in terms of Accounting Standard 22 and current tax, amounting to Rs.4.04 crores, the net profit after tax stood at Rs.7.08 crores as against previous year's Rs.3.63 crores.

Technology Upgradation has been the prime focus of the management, keeping in view the changes taking place world over, where the Company has to face severe global competition, when the quota regime will be dismantled from January, 2005. Your Company have always invested in latest technology and is currently implementing TUF-II Scheme with a total outlay of Rs.40 crores, against which over Rs.26 crores has already been spent. As the Shareholders are aware, your Company has been availing term loans to finance such projects under Technology Upgradation Fund Scheme, which provides 5% interest subsidy, thus keeping the cost of borrowings at low levels.

As informed in the last year's Report, the Yarn Processing Unit showed an overall improvement in its performance and reported a higher cash profit of Rs.2.36 crores before depreciation as against Rs.0.74 crores in the previous year. After providing depreciation, the net loss for the year under review was Rs.0.84 crores as against Rs.2.34 crores for the previous year. However, in the current year, due to out-break of SARS, the demand from South-East Asian Countries and South Korea has been affected. It is expected that this situation will improve and every effort is being made to diversify its sales, both locally and internationally.

During the current year, the company is expected to sustain its performance due to adequate steps taken in timely procurement of raw materials, planned completion of TUF-II Upgradation Scheme and various cost control measures taken across the Units.

SHARE CAPITAL

During the year under review, your Directors had made a first call of Rs.4/- per share and premium thereon, on 20 lacs partly paid up Equity Shares for Rs.10/- each previously allotted to promoters and the amount was duly received.

Your Directors are glad to report that the Company has fully redeemed Preference Shares aggregating Rs.1950 lacs issued to Banks / Institutions, earlier, including Rs.190 lacs, during the year.

EXPORT AWARD

Our Shareholders will be glad to know that in recognition of excellent export performance and leadership in the field of cotton yarn export, the Cotton Textiles Export Promotion Council has once again awarded GOLD TROPHY for outstanding export performance in Yarn amongst manufacturer exporters for the year 2001-2002. Your Company was also awarded another SILVER TROPHY for outstanding export performance in Yarn amongst Non-Quota exports for the year 2001-2002. With this, the Company has been receiving this highest exports awards for the last 17 years continuously, a feat unmatched in the textile industry.

Your Directors take this opportunity to thank our valued Customers and all the Employees for their valuable contribution and support, which made it possible for your Company to get these Awards.

VOLUNTARY DELISTING OF SHARES

Your Company has proposed Voluntary Delisting of its Equity Shares from Stock Exchanges viz. Ahmedabad, Hyderabad and Kolkata and the members at its 38th Annual General Meeting held on 16th August, 2000 have unanimously approved the proposal by way of a Special Resolution. Since then, we were pursuing this matter with these Stock Exchanges.

In view of recent SEBI (Delisting of Securities) Guidelines, 2003, an EXIT opportunity need not be given in cases where Securities continue to be listed in a Stock Exchange having nationwide terminals. Your Company's shares are listed and traded with Stock Exchanges having nationwide terminals viz. the Stock Exchange - Mumbai and the National Stock Exchange. Hence, your Directors propose to seek fresh approval from members by way of a Special Resolution pursuant to Clause 6 of the SEBI (Delisting of Securities) Guidelines, 2003.

Details of the fact of Delisting from these Stock Exchanges together with a statement of reasons and justification thereof, has been given in Explanatory Statement to Item No.8 of the Notice of Annual General Meeting of even date.

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 Audit Committee constituted by the Board has been functioning over the last 6 years. Shri.R Rajagopalan was appointed as a member in the 'Independent Director' category in place of Shri.T M Gopalaswamy, who has resigned from the Board as well as from the Committee due to ill health. The Committee rendered valuable advice to the Board on several issues particularly on Internal Controls, Accounting Policies, and Corporate Governance norms.

Similarly, the Shareholders / Investors Grievance Committee met regularly through out the year and overviewed the operations of the Share Transfer Registrars, Response to Investor Grievances, progress of Dematerialisation and other matters. With substantial dematerialisation of shares held by the Public, there have been very few physical transfers. Consequently, investor grievances, commonly associated with physical transfers are negligible which the Company has always been resolving promptly.

The Remuneration Committee was reconstituted during the year. Shri.R Rajagopalan was appointed as a member, in place of Shri.R G Bhuradia, who has resigned from the Board as well as from the Committee, due to ill health.

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

FIXED DEPOSITS

No Unclaimed Deposits were reported at the close of the financial year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the "Company's" Articles of Association, Shri.C D Thakker and Shri.Umang Patodia, Directors, retire from Office by rotation and are eligible for re-appointment.

Shri.R Rajagopalan has been inducted as Additional Director effective from 31.7.2002 and Shri.P K Kurian has been inducted with effect from 23.11.2002. Your Board of Directors recommend their appointment under Section 257 of the Companies Act, 1956.

Shri.R G Bhuradia and Shri.T M Gopalaswamy have resigned from the Board due to ill health. The Board places on record its appreciation for Shri.R G Bhuradia and Shri.T M Gopalaswamy's valuable contributions during their long tenure as Directors.

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, State Bank of India, Central Bank of India, ING Vysya Bank Limited, ICICI Bank Limited, IDBI Bank Limited, the concerned Departments of the State and Central Governments, Employees and Shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kolkata
Date : 7th June, 2003

M.L.PATODIA
Chairman