

CTN TEXTILES LIMITED

42nd Annual Report | 2003 - 2004



GTN TEXTILES LIMITED

42nd Annual Report | 2003 - 2004

Board of Directors

M L Patodia	[Chairman]
B K Patodia	[Vice Chairman & Managing Director]
M K Patodia	[Managing Director]
P K Kurian	
C D Thakker	
B L Singhal	
R Rajagopalan	
Siby Antony	[IDBI Nominee from 09.07.2003]
Umang Patodia	

Company Secretary E K Balakrishnan

Bankers

Central Bank of India
State Bank of India
State Bank of Travancore
IDBI 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, India

Corporate Office 43, Mittal Chambers,
228, Nariman Point, Mumbai 400 021, India

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GTN TEXTILES LIMITED

NOTICE

NOTICE is hereby given that the **Forty-second Annual General Meeting of GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva - 683 101 at 12.15 p.m on Friday, the 30th day of July, 2004, to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2004 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri.M L Patodia, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri.B L Singhal, 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 in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Shri.B K Patodia as Vice Chairman & Managing Director of the Company, for a period of 5 years with effect from 1.12.2004, on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri.B K Patodia, a draft whereof is placed before this meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to the 'Board' which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration and / or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 including any Statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri.B K Patodia".

"RESOLVED further that Shri.B K Patodia shall not be liable to retire by rotation".

"RESOLVED further that the Board be and is hereby authorised to take all such steps as may be necessary, proper or 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 in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Shri.M K Patodia as Managing Director of the Company, for a period of 5 years with effect from 1.12.2004, on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri.M K Patodia, a draft whereof is placed before this meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to the 'Board' which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration and / or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 including any Statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri.M K Patodia".

"RESOLVED further that Shri.M K Patodia shall not be liable to retire by rotation".

"RESOLVED further that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution".

8. 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 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 State Bank of Travancore (SBT) to secure on pari passu second charge basis for working capital facilities aggregating Rs.730 lacs lent and advanced by them 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

E K BALAKRISHNAN
Company Secretary

Place : Kochi
Date : 27th May, 2004

NOTICE (Contd.)

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 19th July, 2004 to Friday the 30th July, 2004 (both days inclusive) for determining the names of Members eligible for Dividend, if approved. 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, 2004, to those members whose names appear on the Company's Register of Members as on 19th July, 2004.
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 have been transferred by the Company to the **Investor Education and Protection Fund (IEPF)** on 4.9.2003, established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Dividend for the financial year ended 31st March, 1997 and thereafter which remain unpaid or unclaimed for a period of 7 (Seven) years will be transferred by the Company to the IEPF pursuant to the said provisions of the Act.
Information in respect of such Unclaimed Dividend when due for transfer to the said Fund, is given below:

Financial year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
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
31.3.2003	31.7.2003	30.7.2010	28.8.2010

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 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:

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) Ltd., "Seema", 41/426, Rajaji Road, Near Abad Metro Hotel, Ernakulam - 682 035, Kerala; Tel. No. (0484)2371494/2366099 Telefax: (0484) 2384735; E-Mail: yesbalu@iepfindia.com or shaji@iepfindia.com
5. **Members are requested to note that the Company's Equity shares are compulsorily 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.**

NOTICE (Contd.)

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri.M L Patodia	Shri.B L Singhal																														
Date of Birth	20.09.1915	15.04.1947																														
Date of appointment	27.01.1966	25.06.1987																														
Qualifications	Matriculation	<ul style="list-style-type: none"> ●Graduate in Commerce. ●Fellow Member of the Institute of Chartered Accountants of India (ICAI) 																														
Expertise in specific functional area	Founder of GTN Group, with over 50 years of experience in the Textile trade and is the Chairman of GTN Textiles Limited, the flagship company of GTN Group.	Practicing 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.																														
Details of other Directorship	<ol style="list-style-type: none"> 1) Prime Textiles Ltd. 2) Yarn Syndicate Ltd. 3) Ys Exports Ltd. 4) GTN Exports Ltd. 5) Madanlal Brijlal Pvt.Ltd. 6) M B Credit Pvt.Ltd. 7) M D Investments Pvt.Ltd. 	<ol style="list-style-type: none"> 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. 																														
Details of other Committee and Membership status	<table> <tr> <th>Name of Co.</th><th>Committee</th><th>Status</th></tr> <tr> <td>None</td><td>None</td><td>None</td></tr> </table>	Name of Co.	Committee	Status	None	None	None	<table> <tr> <th>Name of Co.</th><th>Committee</th><th>Status</th></tr> <tr> <td>Patspin India Ltd.</td><td>Audit</td><td>Chairman</td></tr> <tr> <td></td><td>Investor</td><td></td></tr> <tr> <td></td><td>Grievance</td><td>Chairman</td></tr> <tr> <td></td><td>Remuneration</td><td>Member</td></tr> <tr> <td>Prime Textiles Ltd.</td><td>Audit</td><td>Chairman</td></tr> <tr> <td></td><td>Investor</td><td></td></tr> <tr> <td></td><td>Grievance</td><td>Member</td></tr> </table>	Name of Co.	Committee	Status	Patspin India Ltd.	Audit	Chairman		Investor			Grievance	Chairman		Remuneration	Member	Prime Textiles Ltd.	Audit	Chairman		Investor			Grievance	Member
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	Investor																															
	Grievance	Member																														

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

ITEM Nos.6 & 7

"The present term of Office of Shri.B K Patodia as Vice Chairman & Managing Director and Shri.M K Patodia as Managing Director will expire on 30th November, 2004". Subject to Shareholders' approval, the Board of Directors, at their meeting held on 27th May, 2004, have re-appointed the aforesaid Directors for a further period of 5 years from the expiry date of their respective term, on the remuneration determined by the Remuneration Committee of the Board of Directors.

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, where in 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 of the Board of Directors has recommended the same remuneration as was previously approved

by the Shareholders in respect of each of the above Directors for a period not exceeding 3 years, as set out below and also mentioned in the draft agreement between the Company and Shri.B K Patodia and Shri.M K Patodia, subject, however, to the members approving and ratifying the same.

The principle terms of the re-appointment and remuneration, is as follows:-

- Period:**
Appointment of Shri.B K Patodia and Shri.M K Patodia as Managing Directors for a further period of 5 years with effect from 1st December, 2004.
- Salary:**
Rs.2,85,000/- per month per Managing Director in the Scale Rs. 285000 – 30000 – 375000 effective from 1st April, 2004 for a period not exceeding 3 years.
- 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.

NOTICE (Contd.)

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

e) **Minimum Remuneration :**

The above appointees shall be paid the same remuneration as stated above as minimum remuneration. In the event of inadequacy of profit subject to the ceiling 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.

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

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

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in General Meeting is required to be obtained with regard to the re-appointment of Shri.B K Patodia and Shri.M K Patodia as the Managing Directors and to the remuneration as set out in Item Nos.6 & 7 of the accompanying Notice.

Further more, 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 allowances as specified above in the event of absence or inadequacy of profit in any financial year during the tenure of Shri.B K Patodia & Shri.M K Patodia as the Managing Directors of the Company.

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

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

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

Information required to be disclosed in terms of Notification 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 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	99-00	00-01	01-02	02-03	03-04
Sales	20177	23347	23001	24361	21960
Other income	200	23	110	138	137
Operating profit	2760	3876	3752	4113	3661
Interest	1445	1835	1643	1458	1008
PBDT	1315	2041	2109	2655	2653
Profit Before Tax	142	726	666	1112	1080
Profit After Tax	142	676	389	708	871
Amount of Equity dividend paid	91	183	166	203	217
Rate of Dividend declared	10%	20%	17.5%	20%	20%

(Proposed)

The effective Capital of the Company based on the Audited accounts for the year ended 31st March, 2004 is Rs.184 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 contributions:**

(Rs. in lacs)

Financial Year	Export turnover
1999-2000	16239
2000-2001	17360
2001-2002	17912
2002-2003	17859
2003-2004	16130

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 maintaining the remuneration of Shri.B K Patodia, Vice Chairman and Managing Director effective from 1st April, 2004. Shri.B K Patodia is an Indian citizen, 59 years of age. He is an Engineering Graduate from BITS, Pilani and has about 38 years of experience

NOTICE (Contd.)

in Textile Industry, Yarn marketing and Cotton Trade. He is past Chairman of "Indian Cotton Mills Federation (ICMF)" and "Southern India Mills Association (SIMA)". Presently, he is Deputy Chairman of The Cotton Textile Export Promotion Council (TEXPROCIL) and is member of various Committees. All policy matters of the Company are being implemented through him under the guidance of the Board of Directors. He looks after the Company's main Units at Aluva, besides directly handling 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 2003-2004, Shri.B K Patodia was paid the following remuneration:-

(Rs. in lacs)				
Salary	Commis- sion	Perqui- sites	P.F./Gratuity/ Super- annuation	Total
30.60	4.00	2.98	10.80	48.38

The Remuneration Committee and the Board of Directors of the Company recognised his experience over 38 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, 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 retaining the remuneration of Shri.M K Patodia, Managing Director effective from 1st April, 2004. Shri.M K Patodia is an Indian citizen, 53 years of age. He is a Chartered Accountant with over 30 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 2003-2004, Shri.M K Patodia was paid the following remuneration:-

(Rs. in lacs)				
Salary	Commis- sion	Perqui- sites	P.F./Gratuity/ Super- annuation	Total
30.60	4.00	1.34	13.41	49.35

The Remuneration Committee and the Board of Directors of the company recognized over 30 years of his experience. 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, 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 :

The Directors' Report and Management Discussion and Analysis forming part of the Annual Report mention in detail, 'other information' as required under Schedule XIII as per Notification No.G.S.R.36(E) dated 16.01.2002.

Both the draft 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 resolution mentioned in Item Nos.6 & 7 of the notice.

None of the other Directors of the Company is in any way concerned or interested in the resolution mentioned in Item Nos.6 & 7 of the Notice.

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

Your Directors recommend the Resolutions for approval.

ITEM No.8

The Company has availed a Working Capital Financial Assistance from State Bank of Travancore and as per the terms of approval, the financial assistance has to be secured by an appropriate pari passu second charge on the immovable and movable 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 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 SBT, may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copy of the letter of sanction of State Bank of Travancore 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 are concerned or interested in the Resolution. Yours Directors recommend this Resolution for approval.

By Order of the Board
For GTN TEXTILES LIMITED

Place : Kochi
Date : 27th May, 2004

E K BALAKRISHNAN
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Forty-second Annual Report together with the Audited Statements of Account for the year ended 31st March 2004.

FINANCIAL RESULTS

	Year ended 31.03.2004 (Rs. in lacs)	Year ended 31.03.2003 (Rs. in lacs)
INCOME		
Net sales / Income from operations	21541	23941
Other Income	137	138
Variation in stock	1182	91
Total	22960	24170
EXPENDITURE		
a) Cost of materials	10695	11464
b) Staff Cost	2285	2169
c) Power & Fuel	2935	2808
d) Other expenditure	3384	3616
Total	19299	20057
OPERATING PROFIT	3661	4113
Interest	1008	1458
Profit before depreciation and taxation	2653	2655
Depreciation	1573	1543
PROFIT BEFORE TAX	1080	1112
Provision for current tax	75	88
Provision for deferred tax	134	316
PROFIT AFTER TAX	871	708
Balance brought forward from previous year	458	89
Profit available for appropriations	1329	797
APPROPRIATIONS		
Transfer to General Reserve	550	100
DIVIDEND ON:		
Preference Shares - Interim	—	10
Proposed Equity	217	203
Corporate Dividend Tax	28	26
Surplus carried to Balance Sheet	534	458
	1329	797
DIVIDEND		

Your Directors are pleased to recommend a Dividend @ 20% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2003-04. The total outgo on account of dividend, inclusive of dividend tax @12.81% at Rs.2.45 crores, represents a payout of 28%.

PERFORMANCE REVIEW

During the year under review, in spite of lower sales at Rs.216 crores as against Rs.239 crores in the previous year, the company could maintain its cash profit at Rs.26.53 crores as against Rs.26.55 crores in the previous year. The sales were

lower primarily due to under utilisation of capacity at Yarn Processing Unit. After provision of interest, depreciation and taxation, both deferred and current, the net profit for the current year was higher at Rs.8.71 crores as against previous year's Rs.7.08 crores.

As mentioned in the last year's Directors' report, performance for the initial period of the year under review was affected due to Iraq War and outbreak of SARS, but in the second half of the year the company could improve its performance as the markets for grey yarns looked up. The performance of the company has to be viewed in the light of appreciation of rupee against dollar by more than 6% on year to year basis and allround increase in cotton prices. Due to management's judicious coverage of cotton, the raw material cost could be contained and active forex management helped in improving Dollar/Rupee realisation. Also, the management's continuous endeavor in restructuring of its debt, long term as well as short term, resulted in significant reduction in its borrowing cost. These results were achieved in spite of the processing unit recording cash loss of Rs.34 lacs for the year against cash profit of Rs.2.36 crores in the previous year.

With the Multi Fibre Agreement coming to an end on 31st December, 2004, the textile industry across the world will be open to severe competition and naturally, the units which are cost effective, quality conscious with superior technology will alone survive. Your company, over past many years, has been consistently following a policy of upgradation of technology in order to position GTN as a supplier of higher quality, value-added yarns in the world market. The company has been taking full advantage offered by the Technology Upgradation Fund Scheme and thus able to keep its borrowing cost at the lowest possible, due to eligibility of 5% interest rebate. The capital expenditure on TUF-II project undertaken earlier at a cost of Rs. 39.78 crores has almost been incurred. The company has now embarked upon TUF-III project at an outlay of Rs.37.74 crores at its Alwaye, Medak and Nagpur units, which will involve replacement of older preparatory machines and ring frames with latest generation machines, upgradation of humidification system, augmentation of captive generation capacity, with the ultimate aim of achieving greater flexibility in production process so as to cater to wider range of product mix and also marginally improve production by adding balancing machinery. As regards Yarn Processing Unit, the management continues to focus its efforts on penetration in new markets to improve its capacity utilisation.

During the current year, international markets for cotton yarn are once again sluggish, but the company is hopeful that with all the steps undertaken to improve its performance, it will continue to show satisfactory results.

SHARE CAPITAL

During the year under review, your Directors had made a balance call of Rs.5/- 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.

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

DIRECTORS' REPORT (Contd.)

Council has once again awarded **GOLD TROPHY** for outstanding export performance in Yarn amongst manufacturer exporters for the year 2002-03. This is the 18th Gold Trophy received by your Company, a feat unmatched in the textile industry.

VOLUNTARY DELISTING OF SHARES

Pursuant to the special resolution unanimously approved by the Shareholders at their meeting held on 31.7.2003, the Company had filed application with the Stock Exchanges at Ahmedabad, Hyderabad and Kolkata for Voluntary Delisting of Company's Equity Shares under SEBI (Delisting of Securities) Regulations, 2003.

Your Directors wish to inform that the Company has received approval from The Stock Exchange Ahmedabad and The Hyderabad Stock Exchange Limited vide their communication Ref. Nos. ASE/2003/2800 dated 24.10.2003 and HSE:LIST:2003:400 dated 1.10.2003, respectively. The approval from The Calcutta Stock Exchange Association Limited is pending and it is understood from them that their Delistment Committee has deferred decision on such application(s), temporarily.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:-

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of the Company for that period;
- they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Directors affirm their commitments to the Corporate Governance standards prescribed by the Securities and Exchange Board of India (SEBI). A Report on Corporate Governance with Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

FIXED DEPOSITS

Unclaimed Deposits of Rs.3.96 lacs at the close of the financial year have since been renewed / encashed.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Shri.M.L.Patodia and Shri.B.L.Singhal, Directors, retire from Office by rotation and are eligible for re-appointment.

Industrial Development Bank of India (IDBI) has nominated Shri.Siby Antony on the Board effective from 9.7.2003.

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 read with Companies (Particulars of Employees) Rules, 1975 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, Central Bank of India, State Bank of India, State Bank of Travancore, IDBI Bank Limited and ING Vysys 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

M.L.PATODIA
Chairman

Place : Kolkata,
Date : 27th May, 2004

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars of employees as required under Sub-section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder forming part of the Directors' Report

Sl.No.	Name	Age (Years)	Designation	Nature of Duties	Remuneration Rs. in lacs	Qualification	Experience	Date of Commencement	Last employment held
A	Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24,00,000 or more per year;								
1.	Shri B K Patodia	59	Vice Chairman & Managing Director	Management of the affairs of the company	48.38	B.E.	(39)	01.10.1966	—
2.	Shri M K Patodia	53	Managing Director	Management of the affairs of the company	49.35	F.C.A.	(31)	01.10.1980	—
B	Employees who worked during part of the accounting year and whose remuneration aggregating Rs.2,00,000 or more per month; — None —								

Notes :

- 1 Nature of employment : Contractual
- 2 The remuneration includes Salary, Gratuity, Company's contribution to Provident and Superannuation Funds, Medical Expenses and Leave Travel Assistance, commission and other perquisites evaluated as per Income Tax Rules, wherever necessary.
- 3 Shri.B K Patodia and Shri.M K Patodia, are related to Shri M L Patodia, Chairman and Shri Umang Patodia, Director.

For and on behalf of the Board

Place : Kolkata
Date : 27th May, 2004

M.L.PATODIA
Chairman

ANNEXURE II TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

A. Energy Conservation

The Company is making all round efforts for the conservation of energy. To reduce the energy cost, energy efficient equipments were used and the effect of the same has been felt.

Total energy consumption and energy consumption per unit of production as prescribed in Form - A:

	Year ended 31.03.2004	Year ended 31.03.2003
I. Power Consumption		
1) Electricity		
a) Purchased (Units in lacs)	696.83	624.17
Total amount (Rs.in lacs)	2,435.29	2,142.05
Rate per Unit (Rs.)	3.49	3.43
b) Own generation through Diesel Generator (Units in lacs)	87.22	132.22
Units per litre of Diesel oil	3.54	3.56
Cost per Unit (Rs.)	3.87	3.58
2) Coal	Nil	Nil
3) Furnace oil (low sulphur high stock oil)	Nil	Nil
4) Other internal generation	Nil	Nil
II. Consumption per Unit of production		
a) Electricity: Units per kg. Yarn	9.18	8.75
b) Furnace Oil (low sulphur high stock oil) Ltrs per Kg/unit.	—	—

B. Technology Absorption

Efforts made in Technology Absorption as per Form B:

Indigenous technology alone is used and Research and Development are carried out by a separate Textile Research Association for Textile Units situated in Southern Region (SITRA).

C. Foreign Exchange Earnings & Outgo

a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans:

The Company is presently exporting yarn. Steps are being taken to explore new markets and product development.

b) Total Foreign Exchange earned and used excluding capital goods, components and spares:

Earned: Rs.15086.96 lacs (Previous year Rs.17463.61 lacs) (including shipping freight realisation and agents commission)

Used: Rs.7944.77 lacs (Previous year Rs.6690.21 lacs)

For and on behalf of the Board

Place : Kolkata
Date : 27th May, 2004

M.L.PATODIA
Chairman