

7TH ANNUAL REPORT 2011 / 2012



Board of Directors

B K Patodia Chairman & Managing Director  
C D Thakker  
N K Bafna  
B L Singhal  
R Rajagopalan  
Prem Malik

General Manager & Company Secretary E K Balakrishnan

Bankers & Financial Institution  
Central Bank of India  
State Bank of India  
Export-Import Bank of India  
State Bank of Travancore  
Bank of India  
Axis Bank Limited

Auditors M/s. M S Jagannathan & Visvanathan,  
[Chartered Accountants], Coimbatore

Legal Advisors M/s. Menon & Pai, Kochi

Registered Office Door No.VIII/911, Erumathala P O.,  
Aluva, Kochi 683 112

Corporate Office 43, 4th Floor, Mittal Chambers,  
228, Nariman Point, Mumbai 400 021

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# GTN TEXTILES LIMITED

## NOTICE

NOTICE is hereby given that the **Seventh** Annual General Meeting of **GTN TEXTILES LIMITED** will be held at Oceanic Hall, Hotel Periyar, Aluva – 683 101 at 12.15 p.m on Monday, the 13th day of August, 2012, to transact the following business.

### ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of Directors and the Auditors thereon.
- 2) To appoint a Director in place of Shri. B.L Singhal, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Shri. R Rajagopalan who retires by rotation and being eligible, offers himself for re-appointment.
- 4) 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:

- 5) 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 to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) for creating such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties of the Company wheresoever situate, both present and future and of conferring power to enter upon and to take possession of the assets of the Company in certain events, to or in favour of Export Import Bank of India (Exim Bank) to secure on pari passu first charge basis for the term loan of Rs 3.50 crores lent and advanced by Export Import Bank of India (Exim Bank) to the Company

**“FURTHER RESOLVED THAT** the Board/Committee of Directors of the Company be and is hereby authorized to do all such acts and things as may be necessary to give effect to the above resolution”.

By order of the Board  
For **GTN Textiles Limited**

**E.K. BALAKRISHNAN**  
General Manager &  
Company Secretary

Place: Kochi  
Date: 29th June, 2012

### 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 Saturday, the 4th August, 2012 to Monday, the 13th August, 2012 (both days inclusive).
4. Pursuant to Section 205A (5) of the Companies Act, 1956, as amended with effect from 31st October 1998, dividends for the financial year ended 31st March 1996 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same under sub section (1) of the said Section will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government established under Section 205C of the Act.

Information in respect of such Unclaimed Dividend when due for transfer to the said Fund with reference to dividend for the financial year ended 31st March, 2006 and thereafter, is given below:

Financial year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.2006	28.7.2006	27.7.2013	26.8.2013
31.3.2007	26.7.2007	25.7.2014	24.8.2014
31.3.2008	25.7.2008	24.7.2015	23.8.2015

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 after 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.

5. 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

## NOTICE (Contd.)

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 Body Corporates, 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.

6. Disclosure relating to particulars of Cost Auditor as per general Circular No.15/2011 dated 11th April, 2011 for the year ended 31.03.2011.

Name	M/s STR & Associates
Address	Mr.S.T.Rengarajan, STR & Associates, 37 &38, Kaveri Nagar, Srirangam, Trichy - 620 006. Ph: 0431 6547726, 2432224 e mail ID's : <a href="mailto:strengarajan@hotmail.com">strengarajan@hotmail.com</a> <a href="mailto:strassociates@rediffmail.com">strassociates@rediffmail.com</a>
Due date for filing Cost Audit Report	30.09.2011
Actual date of filing	23.09.2011

## 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. All communications relating to shares including change in address are to be addressed to the Company's Share Transfer Agent, M/s.Integrated Enterprises (India) Ltd.,2nd Floor, Kences Towers, No.1 Ramakrishna Street, T Nagar, Chennai-600017, Tel: 044 28140801-803; E-Mail: [Corpserv@integratedindia.in](mailto:Corpserv@integratedindia.in).
4. Members who hold shares in physical forms are requested to dematerialise their holdings 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 / REGULARISATION PURSUANT TO SECTION 257 OF THE ACT  
(IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)**

Name of Director	Shri B.L Singhal	Shri R. Rajagopalan
Date of Birth	15.04.1947	21.07.1938
Date of appointment	08.04.2005	27.01.2005
Qualification	B.Com, FCA	FCA, FCS
Expertise in specific functional area	Shri B.L Singhal, aged 65 years is a Graduate in Commerce and Fellow member of the Institute of Chartered Accountants of India (ICAI) and Senior Partner of M/s B.L Singhal & Co., Chartered Accountants, Kolkata. He has vast experience in Finance, Company Law matters besides proficiency in Accountancy.	Shri R Rajagopalan, aged 74 years, retired as Managing Director – Commercial & Company Secretary with M/s. Vidia (India) Ltd. Besides his proficiency in Finance, Accounts and Secretarial Functions, he was part of management team for finalization of many collaboration tie-ups with Vidia GmbH and also with other reputed European and American Companies. He was also associated with various organizations 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.
Shareholding in the Company	12,130 Equity Shares of Rs 10/- each per share.	None

**Details of other Directorship:-**

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri. B.L Singhal	Patspin India Ltd	Director	Audit Shareholders Remuneration	Member Chairman Chairman
	GTN Industries Ltd	Director	Audit Shareholders	Chairman Member
	Prime Urban Development India Ltd	Director	Audit Shareholders	Chairman Member
	GTN Enterprises Ltd	Director	Remuneration	Member
	ATL Textile Processors Limited	Director	None	None
	Priti Credit Pvt. Limited	Director	None	None
	BLS Securities Pvt. Ltd	Director	None	None
	M B Credit Pvt Ltd	Director	None	None
Shri R. Rajagopalan	Patspin India Ltd	Director	Audit Remuneration	Member Member
	MRO –TEK Limited	Director	Audit Shareholders	Chairman Member
	SAKSOFTE Limited	Director	Audit Shareholders	Chairman Chairman

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

**E K BALAKRISHNAN**  
General Manager &  
Company Secretary

Place : Kochi  
Date : 29th June, 2012

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

**ITEM No.5:**

The Company has been availed Term Loan of Rs. 3.50 crores from Export Import Bank of India (Exim Bank) to part finance modernization and upgradation plans under the Restructured TUF Scheme at a Project Cost of Rs. 4.25 crores. As per the terms of sanction, the said financial assistance is to be secured by way of pari passu First charge on the immovable properties of the company, both present and future.

Hypothecation or mortgage does not amount to disposal of undertaking. The Board/Committee propose to create equitable mortgage in favour of Exim Bank for the above said financial assistance ranking pari passu in all respects with the existing mortgage on the Company's property and assets created in favour of Financial Institution for the loans granted by them to the company.

Copy of the Sanction Letter from the Financial Institution is open for inspection at the registered office of the Company between 11.a.m and 2.p.m on any working day prior to the date of the meeting.

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

Your Directors recommend this resolution for approval.

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

**E K BALAKRISHNAN**  
General Manager &  
Company Secretary

Place : Kochi  
Date : 29th June, 2012



# GTN TEXTILES LIMITED

## DIRECTORS' REPORT

### To the Members,

Your Directors present the **SEVENTH** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2012.

### FINANCIAL RESULTS

(Rs. in lacs)

Particulars	Year ended	
	31.3.2012	31.3.2011
<b>REVENUE</b>		
Revenue from operations	14012	14943
Other income	39	181
Changes in Inventories	1014	(48)
Total	15065	15076
<b>EXPENSES</b>		
a) Cost of materials	9409	8726
b) Employee benefits expense	2054	1771
c) Other expenses	2668	2654
Total	14131	13151
<b>OPERATING PROFIT</b>	934	1925
Finance Costs	951	805
<b>PROFIT/(LOSS) BEFORE DEPRECIATION, AMORTISATION &amp; TAX EXPENSES</b>	(17)	1120
Depreciation and Amortisation Expenses	632	649
<b>PROFIT/(LOSS) BEFORE TAX</b>	(649)	471
Tax Expenses		
a) Current Tax (MAT)	—	—
b) Deferred Tax	(206)	90
<b>PROFIT/(LOSS) AFTER TAX</b>	(443)	381

### DIVIDEND

As explained in detail under Performance Review, your company has incurred loss for the year under review, and hence the Board is unable to recommend a Dividend.

### PERFORMANCE REVIEW

The textile industry has been facing a major challenge during the past few years in coping up with uncertainties arising from unexpected events led by external factors far beyond its control. The spinning sector which recovered handsomely in 2010-11 after two years of recession and adverse working, was once again plunged into yet another crisis due to lopsided government policies in respect of exports of cotton and cotton yarn, economic crisis in eurozone and consequent demand recession. The Government suddenly suspended cotton yarn exports from January to March 2011 which resulted in a huge piling up of yarn inventory of over 500 million kgs with the Spinning Mills. Eventually when this ill-timed ban was lifted in April 2011, there was a sudden rush to liquidate the yarn stock at any price made from

high-priced cotton inventory. The above ban also resulted in international and domestic cotton prices crashing from April 2011 and within a period of 3 months i.e by June 2011, the domestic cotton prices declined to Rs.32,000 per candy for the Gujarat Shanker-6 variety from a peak of 65,000 per candy. Mills were saddled with holding high cost raw material inventory and the yarn prices crashed due to reasons given above, resulting in majority of the Spinning Units incurring cash losses in FY 2011-12. Extreme volatility in the foreign exchange rates also adversely affected the profitability.

Under the circumstances, while your company could maintain its total revenue at Rs. 150.65 crores for the year as compared to Rs. 150.77 crores for the previous year, there was a cash loss of Rs.0.17 crores as against cash profit of Rs.11.20 crores in the last year. As explained earlier, unrealistically higher cotton procurement cost in relation to subdued cotton yarn prices in the international as well as local markets wiped out most of the operating margin. Power cost has also been higher due to thermal surcharge levied by KSEB, besides increase in manpower cost subsequent to settlement of long-term wage agreement. After charging depreciation, at net level the company incurred a loss of Rs. 6.49 crores as compared to a profit before tax of Rs. 4.71 crores in the previous year.

To get over the crisis which are the direct result of lopsided government policies, the industry is persuading the concerned ministry to offer some fiscal concessions including moratorium in repayment of term loan installments falling due in near future. Hence, for the current year, we have to wait and watch for the situation to return to normalcy.

### MODERNISATION AND EXPANSION PLANS

During the year under review, your Board has implemented a modernization and expansion project at a cost of Rs. 4.25 crores at its facilities located at Aluva, Kerala under the Restructured Technology Upgradation Fund Scheme (TUFS), Ministry of Textiles, Government of India.

With this, the compact spindle capacity has been enhanced from 26496 to 34896, within the total installed capacity of 58,864 spindles.

### 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 that there are no material departures;
- appropriate accounting policies have been selected and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of

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

affairs of your Company at the end of the financial year and of the profit of the Company for that period;

- (c) proper and sufficient care has been taken 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.
- (d) The annual accounts have been prepared on a going concern basis.

### **CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT**

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**

The Company had no unclaimed deposits outstanding as 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 B.L. Singhal and Shri R. Rajagopalan, 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.

### **PERSONNEL & INDUSTRIAL RELATIONS**

Industrial Relations were cordial and satisfactory. There were no employees whose particulars are to be given in terms of section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011 dated 31st March, 2011.

### **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, attached hereto and forms part of this Report.

### **ACKNOWLEDGEMENT**

Your Directors place on record their gratitude to Central Bank of India, State Bank of India, State Bank of Travancore, Bank of India, Axis Bank Limited and Export-Import Bank of India and the concerned Departments of the State and Central Government, valuable Customers, Employees and Shareholders for their assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kochi,  
Date : 23rd May, 2012

**B. K. PATODIA**  
Chairman



## ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

### A. Conservation of Energy

- a) energy conservation measures taken.

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.

- b) additional investments and proposals, if any, being implemented for reduction of consumption of energy
- c) impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
- d) Total energy consumption and energy consumption per unit of production as prescribed in **Form-A**

	Year ended 31.03.2012	Year ended 31.03.2011
<b>I. Power and fuel consumption</b>		
1 Electricity		
a) Purchased (Units in lacs)	354.74	325.09
Total amount (Rs. in lacs)	1252.04	1164.98
Rate per unit (Rs.)	3.53	3.58
b) Own generation		
i) through Diesel Generator (units in lacs)	0.21	0.49
Total amount (Rs. in lacs)	2.52	6.64
Units per liter of diesel oil	3.27	3.40
Cost per unit (Rs.)	12.00	13.55
ii) through steam turbine / generator		
Units	Nil	Nil
Unit per liter of fuel oil / gas	Nil	Nil
Cost per unit (Rs.)	Nil	Nil

	Year ended 31.03.2012	Year ended 31.03.2011
2 Coal	Nil	Nil
3 Furnace Oil	Nil	Nil
4 Others/internal generation	Nil	Nil
<b>II. Consumption per unit of production</b>		
a) Electricity – Units per Kg. Yarn	12.70	11.62
b) Furnace Oil	Nil	Nil
c) Coal	Nil	Nil
d) Others	Nil	Nil

### 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 and knitted fabric. Steps are being taken to explore new markets and product development.

- b) Total Foreign Exchange earned and used excluding capital goods, components & Spares:

Earned: Rs 6405.52 lacs (Previous year Rs. 8491.28 lacs) (including shipping freight realisation and agents commission) Used: Rs. 5239.33 lacs (Previous year Rs. 3791.37 lacs)

For and on behalf of the Board

Place : Kochi,  
Date : 23rd May, 2012

**B.K PATODIA**  
Chairman

# GTN TEXTILES LIMITED

## REPORT ON CORPORATE GOVERNANCE

### 1) Company's Philosophy on Code of Corporate Governance

The Company firmly believes in and has consistently endeavored to practice good Corporate Governance. The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability, in all facets of its operations, and in all its interactions with its stake holders, including shareholders, employees, the government and lenders.

### 2) Board of Directors

The Board is headed by an Executive Chairman, Shri. B K Patodia and comprises eminent persons with considerable professional experience in diverse fields. Over 83% of the Board consists of Non-Executive Directors.

As on 31st March, 2012, the Board comprises of 4 Independent Directors constituting 67% of the total Board strength.

**Composition and category of Directors is as follows:**

Category	Name of Directors
Promoter/Executive Director	Shri.B K Patodia
Non-Executive/Non-Independent Director	Shri C.D Thakker
Independent Directors	Shri.N K Bafna
	Shri.B L Singhal
	Shri.R Rajagopalan
	Shri.Prem Malik

**Attendance of Directors at Board Meetings, last Annual General Meeting and Number of Other Directorships and Chairmanships / Memberships of Committees of each Directors in various Companies:**

Name of the Director	Attendance particulars		No. of other Directorships and Committee memberships / Chairmanships			Relationship interse Directors
	Board meetings	Last AGM	Other Directorship including Pvt. Ltd.Cos.	Other Committee Membership #	Other Committee Chairmanship #	
Shri.B K Patodia	4	Yes	9	None	None	None
Shri.N K Bafna	4	Yes	3	5	3	
Shri.B L Singhal	4	Yes	9	6	3	
Shri.R Rajagopalan	4	yes	3	5	3	
Shri.Prem Malik	2	No	9	2	None	
Shri.C D Thakker	None	No	None	None	None	

# In accordance with Clause 49 of the Listing Agreement, Membership / Chairmanship of only the Audit Committees and Shareholders/ Investors' Grievance Committees of all Public Limited Companies has been considered.

### Number of Board meetings held and the dates on which held;

Four Board meetings were held during the year. The maximum time gap between any such two meetings was not more than 4 calendar months.

The details of the Board Meetings are as under:-

Sl. No.	Date	Board Strength	No. of Directors present
1)	10th May, 2011	6	5
2)	28th July, 2011	6	5
3)	1st November, 2011	6	4
4)	11th February, 2012	6	4