



# GANGOTRI

Textiles Ltd.

Report  Junction.com

20<sup>th</sup> annual report  
2008 - 2009

**BOARD OF DIRECTORS**

Sri. MANOJ KUMAR TIBREWAL  
MANAGING DIRECTOR

Sri. MOHANLAL TIBREWAL  
EXECUTIVE DIRECTOR

Sri.A.S.RAVICHANDRAN  
DIRECTOR

Sri.ULLAS R SANGHVI  
DIRECTOR

Sri. J.B.SIVAKUMAR  
NOMINEE DIRECTOR OF IDBI

**COMPANY SECRETARY**

Sri. MAXIM JOSEPH

**AUDITORS**

M/S THAKKER & SANGHANI  
CHARTERED ACCOUNTANTS  
WEST PONNURANGAM ROAD  
R.S. PURAM  
COIMBATORE - 641 002

**BANKERS**

STATE BANK OF INDIA  
STATE BANK OF HYDERABAD  
STATE BANK OF INDORE  
STATE BANK OF MYSORE  
STATE BANK OF TRAVANCORE  
SYNDICATE BANK  
UNITED BANK OF INDIA  
CANARA BANK  
CORPORATION BANK  
IDBI BANK LTD

**REGISTERED OFFICE**

OLD NO 42, NEW NO 35  
ROBERTSON ROAD  
R.S.PURAM  
COIMBATORE – 641 002

**REGISTRAR AND SHARE  
TRANSFER AGENTS**

M/S. S.K.D.C CONSULTANTS LTD  
NO 7 STREET NO 1  
S.N.LAY OUT  
TATABAD  
COIMBATORE - 641 012

**CONTENTS**

Notice to Shareholders	02
Directors' Report	07
Management Discussion & Analysis Report	12
Corporate Governance Report	15
Auditor's Report	22
Accounts	24
Cash Flow Statement	43

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twentieth Annual General Meeting of the Company will be held on Friday, the 25<sup>th</sup> day of September, 2009 at 3.30 P.M at T.V Brother's Hall, Shree Coimbatore Gujarati Samaj, 662, Mettupalayam Road, Post Box No 1164, R.S.Puram, Coimbatore- 641 002 to transact the following business.

## AGENDA

### ORDINARY BUSINESS

- 1 To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 31<sup>st</sup> March, 2009 and the Balance Sheet as at that date and the Auditors' Report thereon.
- 2 To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

- 3 **To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.**

RESOLVED that Sri. A.S.Ravichandran be and is hereby appointed as a Director of the Company liable to retire by rotation.

- 4 **To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.**

RESOLVED that Sri.Ullas R.Sanghvi be and is hereby appointed as a Director of the Company liable to retire by rotation.

- 5 **To consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution.**

RESOLVED that in accordance with the provisions of Section 198, 269,309, and 311 and other applicable provisions if any of the Companies Act, 1956, as amended from time to time read with Schedule XIII of the Companies Act, 1956, and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to the payment of remuneration to Sri. Mohanlal Tibrewal, Executive Director of the Company for a period from 1-10-2009 to 31-3-2011 as recommended by the Remuneration Committee as detailed hereunder.

a) Salary : 5 % of the Net Profit of the Company computed under the relevant provisions of the Companies Act, 1956, subject to minimum remuneration of Rs. 1,75,000/- (Rupees One Lakh and seventy five thousand only) per month.

b) Perquisites : The Executive Director shall not be entitled to any perquisites over and above the salary as stated above. Provision of Company's car with driver for the use

of Company's business and telephone facility at residence will not be considered as perquisites. However, personal long distance calls shall be billed by the company to the Executive Director.

Provided that in case of absence or inadequacy of profits in any one year, the Executive Director shall be paid remuneration equivalent to the ceiling amount applicable to the company in terms of Paragraph 1(A) of Section II in Part II of Schedule XIII of the Companies Act, 1956 as amended from time to time.

**6 To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution to ratify the earlier resolution passed in the Extraordinary General Meeting held on 16-3-2009.**

RESOLVED that in terms of Section 81 (1A) and other applicable provisions, if any of the Companies Act, 1956 and subject to such Regulations of Securities and Exchange Board of India ( SEBI ), Reserve Bank of India ( RBI ) and such other Authorities as may be applicable and necessary, the Board of Directors be and are hereby authorized to issue and allot

a) 67,84,261 Equity Shares of Rs 5/- each @ Rs 7.37 per share to the identified Lenders towards conversion of loan outstanding to the extent of Rs 5.00 crores.

b) 97,69,335 Equity Shares of Rs 5/- each @ Rs 7.37 per share to the Promoter / Associates towards conversion of Un-secured loan to the extent of Rs 7.20 crores.

In terms of the approved Corporate Debt Restructuring Scheme sanctioned to the Company.

RESOLVED FURTHER that the new Equity Shares arising out of the issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects with the existing Equity Shares of the Company, with a right to participate in full in any dividend declared after the date of allotment thereof.

RESOLVED FURTHER that Board of Directors be and are hereby authorized to do all such acts, deeds, matters and things and to execute such documents or writings as may be necessary or expedient for the purpose of giving effect to the above resolutions and for all matters connected therewith or incidental thereto.

RESOLVED FURTHER that the Board of Directors be and are hereby authorized to delegate all or any of the powers herein conferred to the Managing Director or a Committee of Directors or any of the officer of the company to give effect to the above foregoing resolutions.

RESOLVED FURTHER that the Company be and is hereby authorized to seek listing of Equity Shares arising out of the issue as stated above in the Stock Exchanges where the shares of the Company are already listed.

**7 To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**

RESOLVED that Clause (V) of the Memorandum of Association of the Company be amended to read as under.

V. The Authorised Capital of the Company shall be Rupees 122 crores (Rupees one hundred and twenty two crores only) comprising of 6,00,00,000 Equity Shares of Rs.5/- each and 92,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each with a right on the part of the Company to increase or decrease the Authorised Capital or to further amend or change the nominal value of each share.

**8 To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution in terms of Section 31 and all other related provisions of the Companies Act, 1956.,**

RESOLVED that Clause 3 (a) of the Articles of Association of the Company be amended to read as under.

The Authorised Capital of the Company shall be Rupees 122 crores (Rupees one hundred and twenty two crores only) comprising of 6,00,00,000 Equity Shares of Rs.5/- each and 92,00,000 Cumulative Redeemable Preference Shares of Rs. 100/- each with a right on the part of the Company to increase or decrease the Authorised Capital or to further amend or change the nominal value of each share.

**9 To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution.**

RESOLVED that in terms of Section 81 (1A) and all other applicable provisions if any, of the Companies Act 1956, and subject to such Regulations of Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and such other Authorities as may be applicable and necessary, the Board of Directors of the Company be and are hereby authorised to issue and allot

6.5% Cumulative Redeemable Preference Shares for an aggregate sum of Rs. 20,42,00,000/- (Rupees Twenty crores and fourty two lakhs only) to identified lenders towards conversion of additional working captial into Term Loan on a preferential basis, whether or not such lenders are existing share holders.

RESOLVED FURTHER that the Cumulative Redeemable Preference Shares arising out of the issue shall be subject to Memorandum and Articles of Association of the Company and shall rank *pari-passu* in all respects with the existing Cumulative Redeemable Preference Shares of the Company.

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to do all such acts, deeds, matters and things and to execute such documents or writings as may be necessary or expedient for the purpose of giving effect to the above resoulutions and for all matters connected therewith or incidental thereto.

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

Subject No 3

Sri. A.S.Ravichandran was co-opted as an additional Director of the Company at the Board Meeting held on 7-5-2009 and he holds office up to the date of ensuing Annual General Meeting.

The Company has received a notice from a Member of a Company under Section 257 of the Companies Act, 1956 together with the requisite deposit, proposing the name of Sri. A.S.Ravichandran as a candidate for the office of the Director of the Company.

The Board considers it desirable that the company should continue to avail his service.

The necessary particulars regarding Sri.A.S.Ravichandran are given in the Annexure.

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

Subject No 4

Sri. Ullas R Sanghvi was co-opted as an additional Director of the company at the Board Meeting held on 7-5-2009 and he holds office up to the date of ensuing Annual General Meeting.

The Company has received a notice from a Member under Section 257 of the Companies Act, 1956 together with the requisite deposit, proposing the name of Sri. Ullas R Sanghvi as a candidate for the office of the Director of the Company.

Mr. Ullas R Sanghvi is a Chartered Accountant and has got vast experience in the field of Accounts. The Board is of the opinion that the inclusion of Sri.Ullas R Sanghvi as a Director on the Board will be of great use and utility to the company.

The necessary particulars regarding Sri.Ullas R Sanghvi are given in the Annexure.

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

Subject No 5

Sri. Mohanlal Tibrewal was appointed as an Executive Director of the Company for a period of five years with effect from 1-4-2006 to 31-3-2011 with the following resolution.

a) Salary : Rs 1,75,000 per month.

b) Perquisites : The Executive Director shall not be entitled to any perquisites over and above the salary as stated above. Provision of Company's car with driver for the use of Company's business and telephone facility at residence will not be considered as perquisites. However, personal long distance calls shall be billed by the company to the Executive Director.

Considering his involvement in the day to day affairs of the Company, his remuneration was revised as recommended by the Remuneration Committee and this was approved by the Shareholders in the 17<sup>th</sup> Annual General Meeting held on 30-9-2006. The Remuneration Committee has recommended the revision for a period of three years with effect from 1-10-2006 to 30-9-2009.

In order to pay remuneration to the Executive Director with effect from 1-10-2009, the approval of the shareholders has become necessary. The Board also referred the remuneration payable to Sri. Mohanlal Tibrewal, Executive Director to the Remuneration Committee as required by the amended Schedule XIII of the Companies Act, 1956. The Remuneration Committee after considering the various aspects have recommended the remuneration as stated in the body of the resolution.

The Board is therefore placing the resolution for the payment of the remuneration to Sri. Mohanlal Tibrewal, Executive Director for the period from 1-10-2009 to 31-3-2011.

#### Minimum Remuneration :

The resolution also provides for the payment of minimum remuneration to the Executive Director in the case of absence or inadequacy of profit in any one year. The minimum remuneration has been stipulated as the amount of ceiling prescribed in terms of Paragraph 1 (A) of Section XIII of the Companies Act, 1956.

Sri. Mohanlal Tibrewal may be deemed to be interested or concerned in the resolution to the extent of benefits accruing to him by way of remuneration and perquisites.

#### Subject No 6

In terms of the approved Corporate Debt Restructuring Scheme, the Company has to allot and issue

a) Equity Share Capital for an aggregate sum of Rs 5.00 crores ( Rupees Five crores only ) at a price to be worked out as per SEBI Guidelines

b) 6.5% Cumulative Redeemable Preference Shares for an aggregate sum of Rs 70.00 crores ( Rupees Seventy crores only ) at par on a preferential basis to any person, whether or not such persons are existing shareholders

by conversion of a sum of Rs 75.00 crores ( Rupees Seventy five crores only ) from out of loans outstanding to such persons

c) Equity Share Capital for an aggregate sum of Rs 7.20 crores ( Rupees Seventy crores and Twenty lakhs only ) at a price to be worked out as per SEBI Guidelines

by way of conversion of existing Unsecured loans from the Promoters / Associates into Equity

The company has originally calculated the price @ Rs 7.31 per Equity Share and proposed to allot

a) 98,49,521 Equity Shares of Rs 5/- each to the Promoter / Associates and

b) 68,39,945 Equity Shares of Rs 5/- each to the Identified Lenders.

The Company has already convened an Extraordinary General Meeting on 16-3-2009 and obtained the approval of the shareholders for the allotment of shares as stated above. Subsequently, the Company has been informed by Bombay Stock Exchange Ltd that the price of an Equity Share should be taken as Rs 7.37 instead of Rs 7.31. Accordingly the allotment of Equity Shares to the Identified Lenders and to the Promoter/ Associates gets revised as stated in the body of the resolution and ratification to the earlier approval is to be done by the Shareholders. Hence the resolution is brought before you for your approval and ratification.

Sri. Manoj Kumar Tibrewal, Managing Director is interested in the resolution in respect of allotment of 98,49,521 Equity Shares to the Promoters / Associates.

#### **Disclosure :**

#### **Disclosure in terms of Clause 13.1A of SEBI (Disclosure & Investor Protection Guidelines) 2000.**

##### **i) The object of the Preferential Issue :**

The Company's proposal for restructuring of debts under CDR Mechanism has been approved by Corporate Debt Restructuring Cell , Mumbai on 26-12-2008 subject to various terms & conditions as envisaged in their approval letter dated 6-1-2009.

As per the terms & conditions, Rs 5.00 crores is to be converted into Equity Capital , ( the price to be fixed as per the SEBI Guidelines ) Rs 7.20 crores representing unsecured loans from the Promoters to be converted into Equity Capital (the price to be fixed as per the SEBI Guidelines) on a preferential basis .

##### **ii) Intention of the Promoters / Directors / Key Management Persons to subscribe the offer:**

As envisaged in the Scheme, the unsecured loans from the Promoters / Associates to the extent of Rs 7.20 crores into Equity Shares has to be made. Hence 97,69,335 Equity Shares at a price of Rs 7.37 per share worked out as per SEBI Guidelines are proposed to be allotted to the Promoters / Associates.

**\* Shareholding pattern furnishing existing holding, proposed allotment and post allotment to the Promoters and Lenders**

Class of Shareholders	Existing Holding		*Proposed Allotment	Post Allotment	
	No of Shares	%	No of Shares	No of Shares	%
Promoters, Directors, their relatives and Associates	79,83,457	24.478	97,69,335	1,77,52,792	36.106
Financial Institutions, Mutual Funds, Insurance Companies	14,20,975	4.356	—	14,20,975	2.890
Banks	14,20,475	4.356	67,84,261	82,04,736	16.687
Bodies Corporate	34,28,158	10.511	—	34,28,158	6.973
N.R.I	82,535	0.253	—	82,535	0.167
General Public	1,82,79,034	56.046	—	1,82,79,034	37.177
<b>TOTAL</b>	<b>3,26,14,634</b>	<b>100.000</b>	<b>1,65,53,596</b>	<b>4,91,68,230</b>	<b>100.000</b>

\* shareholding pattern as at 31-3-2009

The above shareholding pattern may be changed upon transfer of shares by the existing shareholders of the company from time to time.

**iv) Proposed time within which the allotment shall be completed:**

The allotment of proposed Equity Shares on a preferential basis as stated above shall be completed as per the provisions of Regulations 13.4.2A of DIP Guidelines, 2000, which is applicable to the shares allotted pursuant to scheme of Corporate Debt Restructuring. In case of allotment to Promoters, necessary approval has been obtained from SEBI for grant of exemption under SAST Regulation as per the Regulation 13.4.1.

**v) The identity of the proposed allottees and the percentage of post preferential issue Capital that may be held by them.**

The proposed allotment of 67,84,261 Equity Shares at a price of Rs 7.37 per share worked out as per the SEBI Guidelines will be issued proportionately to the following Lender Banks namely :-

S. No.	NAME OF THE LENDER	Equity Shares to be allotted @ Rs 7.37/ share
1	State Bank of India [Erstwhile State Bank of Saurashtra]	3,25,645
2	State Bank of Hyderabad	5,29,172
3	State Bank of Travancore	3,79,919
4	State Bank of Mysore	5,69,878
5	State Bank of Indore	8,54,817
6	United Bank of India	7,86,974
7	Syndicate Bank	5,15,604
8	Corporation Bank	6,64,858
9	Canara Bank	10,04,070
10	IDBI Bank Ltd	11,53,3234
	<b>TOTAL</b>	<b>67,84,261</b>

Due to the above preferential allotment of Equity and Preference Shares, no change in management control is contemplated.

A copy of the Auditor's Certificate dated 11-8-2009 certifying that the present preferential allotment is being made with regard to the price in accordance with the requirements contained in the Guidelines for Preferential Issues under Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 will be placed before the Members at the Annual General Meeting and available for inspection at the Registered Office of the Company on any working day from 10.00 a.m to 1.00 p.m prior to the meeting.

None of the Directors are interested or concerned in the subject matter of the resolution.

Subject no. 7&8

The Company has to allot and issue 6.5% Cumulative Redeemable Preference Shares to the for an aggregate sum of Rs. 20.42 Crores identified lenders for conversion of additional irregular portion of working capital into term loan by them in terms of the approved Corporate Debt Restructuring Scheme. The existing Authorised Capital of the Company is only Rs. 100 Crores and to issue the Cumulative Redeemable Preference Shares as stated above, the Authorised Capital has to be increased to 122 crores. Hence the resolution.

Non of the Directors are interested or concerned in the subject matter of the resolution

Subject no. 9

Due to further erosion of DP after the Cut off Date ie., 1.7.2008 of the approved Corporate Debt Restructuring Scheme, the following lenders have agreed to convert additional irregular portion of the working capital amounting to Rs. 35.00 crores from the Banking System to Working Capital Term Loan. The said additional working capital amounting to Rs. 35.00 crores will be partly repaid out of sale of surplus assets of the Company to the extent of Rs.14.58 crores approximately and balance portion of 20.42 crores will be converted into 6.5% Cumulative Redeemable Preference Shares issued at par and redeemable in three equal instalments as at 31.03.2016, 31.03.2017 and 31.03.2018.

**NOTE :**

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member.**
- Proxies must be received at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.**
- The Register of Members and Share Transfer Books of the company will remain closed from 18-9-2009 to 25-9-2009 ( both the days inclusive).**
- The particulars of Directors retiring by rotation eligible for re-appointment and seeking re-election pursuant to clause 49 of the Listing Agreement are annexed.**

**Coimbatore**  
**27-6-2009**

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

**MANOJ KUMAR TIBREWAL**  
**MANAGING DIRECTOR**

Details of the Director seeking appointment / re- appointment at the forthcoming Annual General Meeting of the Company.  
 ( Pursuant to Clause 49 of the Listing Agreement )

Name of the Director	Sri.A.S Ravichandran	Sri.Ullas R Sanghvi
Date of Appointment	7-5-2009	7-5-2009
Expertise in specific functional Areas	He is a M.B.A Graduate and has got vast experience in the field of marketing	He is a Chartered Accountant and has got vast knowledge in Accounts
List of other Directorship held	NIL	NIL
Chairman / Member of Committees of other companies in which he is a Director	NIL	NIL

**DIRECTORS' REPORT TO SHAREHOLDERS**

Ladies and Gentlemen,

Your Directors present the Twentieth Annual Report of the Company along with the audited statement of accounts for the year ended 31<sup>st</sup> March 2009.

**FINANCIAL RESULTS**

(Rupees in Lakhs)

<b>PARTICULARS</b>	<b>31.03.2009</b>	<b>31.03.2008</b>
Sales Turnover	12,027.44	15,883.75
Profit / (Loss) before Interest, Depreciation and Tax	(1,395.79)	2,058.84
Less: Interest	3,817.69	2,006.52
Depreciation	1,798.58	1,454.74
Add / Less:		
Loss before tax	(7,012.06)	(1,402.42)
Taxes of prior years	(0.70)	17.26
Prior year Income	(0.89)	(3.09)
	(7,010.43)	(1,416.59)
Add. Surplus Brought Forward	-	147.69
Investment Fluctuation Reserve	(0.23)	0.02
Net Loss	(7,010.70)	(1,268.88)
<b>APPROPRIATIONS:</b>		
Provision for Wealth Tax	0.50	1.00
Provision for Fringe Benefit Tax	12.00	12.00
Less: Deferred tax liability withdrawn	(716.18)	(547.65)
Deferred tax asset	(1,374.78)	
General Reserve set-off	(4932.24)	(734.23)

**PERFORMANCE**

The year under review is one of the worst periods in the history of the company. The performance of the company was badly affected due to very high input cost, severe power cut, higher interest rate and depressed finished goods realization. The performance of the Company has been further dealt with exhaustively both in Management Discussion and Analysis, which forms part of the Annual Report that is being circulated.

**DIVIDEND**

In view of the huge losses incurred by the Company during the year, the Directors are not in a position to recommend any Dividend for the year ended March 31, 2009. In fact, in view of the huge carry forward losses, the chances of the company declaring dividends in the foreseeable future is bleak.

## PROJECT

The Company, as stated in the Annual Report of the previous year, has completed implementation of the Weaving and Processing Project. As regards the establishment of Unit – 9, which is a Spinning Unit with 19000 Spindles in Pushpathur Village, machineries have been installed partially.

The production in other units has been stabilized and it is expected that depending on the power situation, labour availability and the constraints on the working capital as also the market demand for the products, the production will be maintained at optimum level. The stitching unit, which was functioning at a rented premise at Peelamedu, has been shifted to Unit-2, which is our own. This has enabled us to shift our Registered Office also to a different place within the Corporation limits of Coimbatore. These two steps have resulted in saving of costs.

## PROSPECTS

Textile industry continues to reel under severe crisis and mounting cash losses mainly due to underutilization of machinery and the economic slowdown in importing countries particularly US and EU. The alarming shortage in power supply due to scheduled and unscheduled stoppages by the Tamil Nadu Electricity Board had forced textile mills to underutilize the machinery to the extent of 60% (where as the machinery utilization had to be maintained at 90% to maintain operations at break even point).

With the international Crude prices going up, operating with captive diesel/furnace oil generators are proving to be totally uneconomical. Though the Company has its own wind energy generators, the power generated has to be fed into the grid, and can be availed only through the grid. Hence continuous and stable supply of power is not assured.

The labour scenario is also far from satisfactory. At all levels and in all categories, locating and retaining capable hands has become a real issue.

To add to the woes, the minimum support price for cotton was hiked by Government of India by almost 35%. Even at such high prices, getting quality cotton throughout the year has become a problem.

Free imports of yarn, fabric and garments, has led to flooding in the domestic market, thereby slackening the demand for the goods. In spite of these impediments, your Company is making every effort to keep the production at maximum possible levels, if not, at optimum levels. Your Company is also trying to find out new markets for the end products.

While the performance of the Company, during the year ended 31<sup>st</sup> March 2009, has not been very encouraging, it is felt that the worst is over for the company and the situation will improve, atleast during the second half of the current year and the working of the Company for the whole of the

year 2009-10 will not be as negative as has been the case in 2008-09. Subject to unforeseen circumstances, if the present plans of the company go through without any difficulty, then the Company should be able to see better times from the year 2010-11 onwards.

## FINANCE

Implementation of various expansions put a lot of strain on the finances of the company. This has been further compounded by both cost and time over run of the project. As a result the Company was not able to service its debts as well as the interest. You will find from the Balance sheet that the debt equity ratio is something which no textile industry can afford for and service. It is only by hard work, maximum possible production and ruthless cost reduction that we will be able to bring the financial position under control.

## CORPORATE DEBT RESTRUCTURING SCHEME (CDRS)

The Company's financial position became very tight and the initial losses during the stabilization period of the Weaving and Processing unit eroded a major part of the working capital. This crippled the activities of the Company and the production was adversely affected. In order to overcome the situation, detailed discussions were held with the Bankers of the Company and it was decided to opt for a Corporate Debt Restructuring Scheme, as per norms laid down by the Reserve Bank of India.

Accordingly, after detailed discussions and series of sittings, a restructuring scheme was formulated and approved. The scheme inter-alia involves a moratorium on the term loans for a period of twenty one months, conversion of non sustainable debt into capital, reduction in the rate of interest, conversion of irregular portion of the working capital facilities into working capital term loan etc. The scheme also envisages conversion of the existing sum of Rs.720 lakhs given by promoters into equity as well as pledging of 75% of the equity shares of the promoters with the bankers. The activities of the company are being closely monitored by the lead bank, viz., State Bank of India, along with other banks through the medium of concurrent auditors appointed by the bankers.

Due to further erosion of drawing power for working capital facilities, the Company is in the process of issuing a further allotment of 6.5% Cumulative Redeemable Preference Share to Banks aggregating to Rs. 20.42 crores at par.

Most of the formalities connected with the scheme have been completed and on completion of the remaining portion, the debt-equity ratio of the company will come within more meaningful levels.

Your Directors fervently hope that with all these steps the company will be able to overcome the various difficulties, which it has been facing over the past one year or so.

## DEPOSITS

There are no fixed deposits outstanding as on 31<sup>st</sup> March 2009. The Company has complied with all the requirements of Section 58A of the Companies Act, 1956 and all the rules thereto in so far as the deposits which were in existence during the earlier previous year are concerned.

## LISTING

The Company's shares are listed both in National Stock Exchange of India Limited and the Bombay Stock Exchange Limited. The Company has paid listing fee to both Exchanges.

## DIRECTORS RESPONSIBILITY STATEMENT

In terms of the requirement of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

- i. that in the preparation of Annual Accounts, the applicable Accounting Standards have been followed;
- ii. that the Directors 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 the company at the end of the accounting year (namely March 31, 2009) and of the loss of the Company for that year;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. that the Directors have prepared the Annual Accounts on a going concern basis.

## DIRECTORS

Two Directors, viz. Mr.C.R.Swaminathan and Mr.S.Palanisamy have resigned from the Board during the year under review. The casual vacancy arising out of such resignation has been filled-up by the appointment of Mr. A.S. Ravichandran and Mr.Ullas.R.Sanghvi. These appointments were, however, made under Section

262 of the Companies Act, 1956. Necessary resolutions for their appointment as Directors, liable to retire are being placed before you consequent to receipt of necessary Notice under Section 257 of the Companies Act, 1956 together with the requisite deposit.

## AUDITORS

During the year under review, M/s.Srikishen & Co., Chartered Accountants, one of the Joint Auditors of the Company resigned and in accordance with the Companies Act, the other Auditor, M/s.Thakker & Singhani, Chartered Accountants continued and they have given the audit report and financial statements for the financial year 2008-09.

M/s. Thakker & Sanghani, Chartered Accountants, retire at the ensuing Annual General Meeting and they have given necessary Certificate in terms of Section 224 (1) (b) by the Companies Act, 1956. They are entitled to reappointment.

## GENERAL

There are no employees falling under Section 217 (2A) of the Companies Act, 1956.

## ACKNOWLEDGEMENT

Your Directors wish to thank and record their appreciation to all the Bankers of the Company for their valuable financial support extended to the Company as also for the valuable advice and guidance given by them for putting the Corporate Debt Restructuring Scheme in place. But for their cooperation this would not have been possible. Your Directors also wish to thank the suppliers and all others who have extended their valuable support during times of turbulence. Last but not the least, your Directors express their heartfelt thanks for the employees at all levels who have stood by the Company in these testing times.

By Order of the Board  
For GANGOTRI TEXTILES LIMITED

Coimbatore  
27.06.2009

ULLAS R SANGHVI  
Director

MANOJ KUMAR TIBREWAL  
Managing Director