

23rd
Annual Report
2011 - 2012

Gangotri Textiles Limited

REGISTERED OFFICE :

Old No. 42, New No. 35, Robertson Road
R.S.Puram, Coimbatore – 641 002

BOARD OF DIRECTORS

Sri. MANOJ KUMAR TIBREWAL
Managing Director

Sri. MOHANLAL TIBREWAL
Executive Director

Sri.ULLAS R SANGHVI
Director

Sri. G.V. CHANDRA BHASKAR
Nominee Director of IDBI Bank Ltd
(w.e.f 29-5-2012)

Sri. R.P.JOSHUA
Nominee Director of Lender Banks

Sri.A.VENKATASUBRAMANIAN
Nominee Director of Canara Bank
(w.e.f 31-1-2012)

Sri. J.B. SIVAKUMAR
Nominee Director of IDBI Bank Ltd
(upto 29.05.2012)

COMPANY SECRETARY

Sri. MAXIM JOSEPH

AUDITORS**M/S THAKKER & SANGHANI**

Chartered Accountants
117-A, West Bashyakaralu Road,
R.S. Puram, Coimbatore - 641 002.

BANKERS

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

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
Kanapathy Towers, 3rd Floor
1391/A-1, Sathy Road,
Ganapathy,
Coimbatore – 641 006

CONTENTS

Page No.

Notice to Shareholders	2
Directors' Report	3
Management Discussion & Analysis Report	8
Corporate Governance Report	11
Auditor's Report	19
Accounts	22-39
Cash Flow Statement	40

NOTICE TO SHAREHOLDERS :

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Company will be held on **Wednesday, the 12th day of September, 2012 at 3.30 PM** at the Conference Hall, Sree Coimbatore Gujarati Samaj, 662, Mettupalayam Road, Post Box No 1164, R.S. Puram, Coimbatore - 641 002 to transact the following business :

A G E N D A

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Profit & Loss Account for the year ended 31st March, 2012 and the Balance Sheet as at that date and the Auditor's Report thereon.
2. To appoint a Director in the place of Sri Ullas R Sanghvi, a Director who retires by rotation and being eligible seeks re-appointment.
3. To appoint Auditors and fix their remuneration.

NOTE :

1. 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.
2. Proxies must be received at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the company will remain closed from 3-9-2012 to 12-9-2012 (both the days inclusive)
4. Share Transfer documents and all correspondence relating thereto, should be addressed to the Registrar and Share Transfer Agents of the Company.
5. Members who hold shares in physical form are requested to notify immediately any change in their address to the Registrar and Share Transfer Agents of the Company. Similarly, members holding shares in Demat Form shall intimate the change of address, if any, to the respective Depository Participants. (DP).

6. During the financial year 2011-12, unclaimed dividend of Rs 1,30,765 / declared for the financial year 2003-04 has been transferred to the Investors' Education & Protection Fund on 23-12-2011. Shareholders who have not encashed their dividend warrants for the years 2004-05, 2005-06 and 2006-07 are requested to write to the Secretary of the Company at Old No 42, New No 35, Robertson Road, R.S.Puram, Coimbatore - 641 002.

7. Members who have not provided their E.Mail Id are requested to provide the same with the company forthwith to enable the company to forward the documents / Annual Report etc through electronic mode in future in terms of Circular No 18 / 2011 dated 29-4-2011 issued by Ministry of Corporate Affairs regarding Green Initiative in the Corporate Governance.

8. The particulars of Directors retiring by rotation eligible for re-appointment and seeking re-election pursuant to clause 49 of the Listing Agreement are furnished hereunder.

Name of the Director	Sri.Ullas R Sanghvi
Date of Appointment	7-5-2009
Expertise in specific functional Areas	He is a Chartered Accountant and has got vast knowledge in Accounts. He has thorough knowledge in Software Development.
List of other Directorship held	He is a Director in Churchgate Investments & Trading Pvt. Ltd.,
Chairman / Member of Committees of other companies in which he is a Director.	NIL

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

Coimbatore
29-5-2012

MANOJ KUMAR TIBREWAL
MANAGING DIRECTOR

DIRECTORS' REPORT TO SHAREHOLDERS

Ladies and Gentlemen,

Your Directors present the 23rd Annual Report of the Company along with the audited statement of accounts for the year ended 31st March 2012.

FINANCIAL RESULTS

(in Rs)

PARTICULARS	31.03.2012	31.03.2011
Sales Turnover	1,61,73,01,006	2,08,38,44,560
Profit before interest, depreciation and tax	5,30,07,417	30,79,78,783
Less: Interest	26,78,25,730	23,37,65,207
Depreciation	18,61,96,709	18,31,69,238
Impairment of Assets	3,80,76,132	----
Net Profit / loss for the year before Tax	(43,90,91,154)	(10,89,55,662)

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, high interest rate and depressed finished goods realization. The performance during the year under review, the conditions in the industry as a whole, various favourable and unfavourable factors are being discussed in detail in the management discussion and analysis.

DIVIDEND

In view of the carry forward loss being more than 50% of the net worth of the company, the Directors are not in a position to recommend any dividend for the financial year ended 31st March 2012.

PROJECT

The project as it was envisaged has been more or less completed. In view of the financial constraints, there has been a change in the project and to the extent to which advances are available with the machinery suppliers, the

project is being re-designed so that there is no additional outflow on the score of project implementation.

PROSPECTS

Textile Industry continues to reel under severe crisis and mounting cash losses mainly due to under utilization of machinery and the economic slow down in importing Countries particularly United States and Europe though the condition has been slightly improved in United States. The alarming shortage in power supply due to scheduled and unscheduled stoppages by the Tamil Nadu Electricity Board coupled with slow down in the yarn market have forced Textile Mills to under- utilize their capacity to the maximum extent. This has hit the production as well as the delivery schedule very badly.

With the crude oil prices going up, operating with captive Diesel / Furnace Oil Generators are proving to be totally un-economical. Though the Company has its own Wind Energy Generators, the power generated has to be fed into the central 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.

Free imports of Yarn, Fabric and Garments has led to the flooding in the domestic market thereby slackening the demand for the Company's products. In spite of these impediments, your Company is making every effort to keep production at the maximum possible level, if not at the optimum level.

POWER GENERATION PLANT

During the year under review, the company impaired the Power Generation Plant at unit 4, Udumalpet, valued at Rs.380.75 Lakhs. In view of the higher price of furnace oil it would not be viable to run the unit and hence the unit had not been functioning for the last few years. Considering the present situation and the company as a whole, it would not be possible to make the unit as a profitable venture and hence the decision to impair was taken, after following the due exercise.

FINANCE

As the members were informed in the previous year's report, the company had arrived at a debt restructuring. With the fortune of the industry going against the company, there was no option for the company than to approach the bankers for revised restructuring so that the burden of the company in terms of cash outflow will be reduced to manageable limits. In spite of that, the company is finding it extremely difficult to meet its commitments. During the year under review, due to insufficient Working Capital, the Company's performance was far below the optimum level.

The Directors have come to the conclusion that long term solution for the company's problems lies only in reducing the debt burden thereby reducing the interest burden as well. The Directors have therefore decided to dispose off some of the assets and reduce the debt burden. Parallely, discussions are also going on with the bankers for a possible one time settlement of debts due.

During the year under review, the company has effected the sale of three Wind Mills for a consideration of Rs 21.60 crores, vacant land admeasuring 26.49 ½ acres of land situated at Munduvelampatty Village for a consideration of Rs 90.48 lakhs and vacant land anmeasuring 1.62 acres of land situated at Kalappaty Village for a consideration of Rs 1.82 crores. These amounts have been utilized for the repayment of Term Loan obtained from the Banks. The company is also in the process of sale of Weaving & Processing unit at Perundurai and the Spinning Unit at Udamalpet.

With the present limits of working capital funding, the Company finds it difficult to carry out its operations even at low utilisation levels.

It would be extremely impractical to carry out the operation unless the working capital limit is enhanced by the Banks/ lenders.

DEPOSITS

There are no deposits outstanding as on 31st March 2012 remaining unclaimed or unpaid. The company has complied with all the requirements of Sec.58A of the Companies Act and the rules there under in so far as the deposits which were in existence during the earlier period is concerned.

CORPORATE GOVERNANCE

A separate Report on the Corporate Governance is enclosed as part of this Annual Report. The Auditors of the Company have also given their certificate relating to compliance of Corporate Governance and this report is annexed to the report of Corporate Governance as is required by the Listing Agreement.

LISTINGS

The company's shares are listed both in National Stock Exchange of India Ltd and Bombay Stock Exchange Ltd. The company has paid listing fee to both the exchanges.

The company has already applied for de-listing of its equity shares to Calcutta Stock Exchange Association Ltd and Coimbatore Stock Exchange Ltd. Though all the formalities have been completed and reminders have been sent, reply from these two stock exchanges are awaited. However no listing fee has been paid to these two stock exchanges.

DIRECTORS RESPONSIBILITY STATEMENT

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

- 1) that in the preparation of Annual Accounts, the applicable Accounting Standards have been followed;
- 2) 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, 2012 and of the profit / loss of the Company for that year;
- 3) 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;
- 4) that the Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS

Mr.Ullas R Sanghvi, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

AUDITORS

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) of the Companies Act, 1956. They are entitled to be re-appointed.

GENERAL

There are no employees falling under Section 217 (2A) of the Companies Act, 1956. The information pursuant to the Company (disclosure to particulars in the report of Board of Directors) Rules 1988 to the extent applicable is attached.

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 co-operation, 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 and Shareholders who have stood by the Company in these testing times.

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

MANOJ KUMAR TIBREWAL
MANAGING DIRECTOR

Coimbatore
29-5-2012

MOHANLAL TIBREWAL
EXECUTIVE DIRECTOR

ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

FORM A

(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2011 - 2012	PREVIOUS YEAR 2010 - 2011
A) Power and Fuel Consumption		
1. Electricity		
a) Purchased Unit (KWH)	2,81,92,292	3,87,69,832
Total Amount (in Rs.)	14,88,70,401	19,11,99,770
Rate / Unit (Rs.)	5.28	4.93
b) Own Generation		
Through Diesel Generator- Cotton Yarn		
Unit (KWH)		
Units / Ltr of Diesel of Oil	12,36,570	33,49,807
Cost / Unit	3.76	3.69
	12.07	11.11
c) Own Generation		
Through Diesel Generator- Fabrics		
Unit(KWH)	17,03,960	22,42,616
Units/Ltr of Diesel of Oil	3.71	3.76
Cost/Unit	9.08	9.40
d) Own Generation		
Through Diesel Generator (Garments)		
Units	44,583	28,854
Units/Ltr of Diesel	3.23	2.97
Cost/Unit	15.66	14.97
e) Own Generation Through Windmill		
Units	1,72,75,001	2,01,45,382
Cost/Unit	3.36	4.22
2 Fuel Consumption		
b) Furnance Oil (Garments)		
Quantity (Kilo Litre)	67	99
Total Cost (in. Rs.)	28,26,543	31,43,099
Average Rate	42.14	31.80
B) Consumption per unit of production standards (if any)		
Product - Cotton Yarn (Kgs)	80,11,443	1,12,27,583
Consumption (units)	2.38	2.51
Product - Garments (Kgs)	2,47,778	2,42,942
Consumption (units)	1.00	1.20
Product - Fabrics (Mtrs)	54,92,898	80,71,443
Consumption (units)	2.16	1.98

FORM B
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

Research and Development (R & D)

- I. No research and development is pursued in-house. However, Research and Development is carried out by Southern India Textile Research Association (SITRA), of which company is a member. Suitable measures suggested by SITRA are adopted.
- II. Benefits derived as a result of the above are,
 - (a) Improvement in production efficiency and product quality
 - (b) Higher market shares for company's product
 - (c) Effective realisation of indigenous technology
- III. Existing arrangements being comfortable for the company and the same may be continued for future operations as well.
- IV. There is no expenditure on R & D

Technology absorption, adoption and innovation

- (a) There is no technology development at spinning sector. Spinning technology developed by textile machinery sector alone adopted at the spinning sector.
- (b) Spinning technology developed by textile machinery sector and absorbed and adopted by the company has the positive effect on product improvement, cost reduction, product development and import substitution.
- (c) Indigenous technology alone used.

Foreign Exchange Earnings and Outgo

In Rs.

Foreign Exchange Earnings and Outgo	Current Year 2011 - 2012	Previous Year 2010 - 2011
1 Foreign exchange earned through Direct Export	-	13,44,231
2 Expenditure in Foreign Currency		-
a. On Business Travel	-	-
b. On Capital Goods	-	93,77,889
c. On Stores & Spares	67,85,730	-
d. On Raw materials	25,23,084	

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

MANOJ KUMAR TIBREWAL
Managing Director

Coimbatore
29-5-2012

MOHANLAL TIBREWAL
Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development :

Yarn Spinning Industry, which is the core of the Company's activity, continued to pass through very difficult phase during the year under review due to general economic slow down and demand recession, not only in the domestic market but also in the export market.

Lack of modernization, the ever increasing cost of inputs and stiff competition from the neighbouring Countries have forced many Spinning Units turning sick and forced to close down. The highest price volatility in cotton prices in the past 150 years followed by a collapse in April, 2011 had immediate repercussions in the domestic market. (Cotton yarn production is down by 15 % and Fabric production is down by 19 % in the April- October, 2011 period over the previous year). Textile Mills faced with high priced cotton inventories could not pass through the prices in to yarn and fabric as the price decline came suddenly in the month of April, 2011. This has led to a slow down in production and reduced utilization capacity.

The company has effected sales turnover of Rs 77.31 crores as against Rs 100.02 crores last year in respect of yarn and Rs 15.44 crores as against Rs 14.70 crores last year in respect of Ready made Garments and Rs 60.96 crores as against Rs 84.47 crores last year in respect of Fabric . In spite of an unfavourable condition prevailing in the Textile Industry, the company was able to perform well during the year under review by efficient administration in respect of yarn division. The performance of the Weaving & Processing Unit at Perundurai was not at all encouraging in view so many hurdles faced by the company. Though the demand for Fabric was good, delivery schedule could not be kept up due to severe power-cut and the labour problem. The workers of this unit have gone on strike with effect from 24-1-2012 demanding the wage revision on the higher side and the unit is not working since then. The Company has undertaken the job work of Dyeing in addition to the regular production of Fabrics and collected charges for the dyeing to the extent of Rs 6.65 crores during the year under review as against Rs 7.96 crores previous year.

OPPORTUNITIES AND THREATS

At present, the opportunity for Cotton Textile Industry seems to have taken a reverse turn. However, every effort has been made to meet the changing scenario of the consumers. The fact of the Cotton prices going through roof has made the whole industry unviable. The power has become a perennial problem and it has hit the Industry very badly for the past three months. 40 % power-cut on the base demand was imposed to all H.T Industries with effect from 27-2-2012. There was restriction to use the power only 10 % level of the quota demand during the evening hours of 6.00 PM to 10.00 PM. Besides there was around 6 to 8 hours unscheduled load shedding though it is only two hours as per existing measures. . In addition to all the above, there was a declaration of two power holidays on one notified day and on all Sundays with effect from 1-3-2012. Worst of all the above, the State Government has hiked the Power Tariff substantially with effect from 1-4-2012 by which the entire Industries will be affected very badly in the coming years.

Because of unscheduled load shedding it became difficult for the Industries to plan their production schedule thus leading to payment of idle wages to the labour force as they have no work to do in such condition. Thus the entire State has been experiencing frequent and intermittent power shut downs . This not only affects the production but also affects the quality of the product.

Labour scenario is not giving any comfort. There are many units which are being run on partial capacity for want of adequate skilled labour. The money market which was very liquid and easy in the past is witnessing continuous increase in the interest rates and the company being a heavy borrower, the interest charges have become one of the major elements.

To summarise on the one side, good quality cotton is not available, the price of cotton is highly prohibitive, the power supply is erratic, as a result of which the productivity and quality suffers and consequent upon excessive supply of yarn and cloth either there is stock piling or there is distress sale in order to raise liquid resource.

FINANCIAL PERFORMANCE AND ANALYSIS

in Rs.

PARTICULARS	2011 - 2012	2010 - 2011	Change Increase (+) Decrease(-)	%
Turnover	1,61,73,01,006	2,08,38,44,560	-46,65,43,554	-22.39
Other Income	4,07,17,400	3,97,44,005	9,73,395	2.45
Gross Revenue	1,65,80,18,406	2,12,35,88,565	-46,55,70,159	-21.92
PBIDT	5,30,07,417	30,79,78,783	-25,49,71,366	-82.79
Interest	26,78,25,730	23,37,65,207	3,40,60,523	14.57
PBDT	(21,48,18,313)	7,42,13,576	-28,90,31,889	-389.46
Depreciation	(18,61,96,709)	18,31,69,238	30,27,471	1.65
Impairment of Assets	(3,80,76,132)	---	(3,80,76,132)	100.00
Net Profit / Loss for the year Before Tax	(43,90,91,154)	(10,89,55,662)	(33,01,35,492)	-303.00

SEGMENTWISE OR PRODUCTWISE PERFORMANCE

The Company continues to deal with in Yarn, Cloth and Garments. In so far as the yarn is concerned the position is fully explained. It is to be further added that during the year under review, due to very sluggish movement of yarn, erratic power situation and non-availability of skilled labour the overall performance of the company is not satisfactory. This is a new phenomena in the history of the company.

The whole Industry is clueless as to how and when the situation will improve for the better. In fact, if the present situation continues, it is quite likely that there would be more closure and more units may be on the block.

FABRIC

The situation in respect of Fabric is the same as in the case of Yarn. The off-take of fabric leaves much to be desired and so is the price. Since the company is negotiating for one-time settlement of the loans borrowed from the Banks, there is every possibility of the Unit which is producing Fabric may be disposed off subject to the offer of better price.

GARMENTS

The company's Garment sales have improved marginally from Rs.14.70 Crores to Rs.15.44 toCrores. The strengthening Rupee during the year and consequential negative realization by the Exporters has forced them to enter into domestic market in a big way. In fact, even branded Readymade Garments are being sold in street corners and at the time of festivals, garments are being sold by weight rather than in numbers. This shows the amount of pressure and competitions that the company is facing in marketing its branded quality material.

WIND ENERGY

During the year under review, the Company has sold three Wind Mills , two situated at Anthiyur Vilage and one situated at Mywadi Vilage in Udamalpet District. The remaining two Wind Energy Generators are producing electricity and the entire production of energy is being consumed by the company for its own requirements. This advantageous the company.