

24th
Annual Report
2012- 2013

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. R.P.JOSHUA
Nominee Director of State Bank of India

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

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

Sri.A.VENKATASUBRAMANIAN
Nominee Director of Canara Bank
(Upto 29.05.2012)

Sri. P. VENUGOPAL
Nominee Director of Canara Bank
(w.e.f 29.05.2012)

COMPANY SECRETARY

Sri. MAXIM JOSEPH

AUDITORS**M/S THAKKER & SANGHANI**

Chartered Accountants
No.47, West Periyasamy 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

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NOTICE TO SHAREHOLDERS :

NOTICE is hereby given that the Twenty Forth Annual General Meeting of the company will be held on **Friday, the 26th day of July, 2013 at 3.30 p.m** at the A.R. Patel Hall , Coimbatore Sree. Gujarat Samaj, 662, Mettupalayam Road, 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, 2013 and the Balance Sheet as at that date and the Auditors' 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.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification the following resolution 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 including any statutory modification or re-enactment thereof for the time being in force and subject to such consents, approvals and permission that may be necessary from time to time, consent of the company be and is hereby accorded to the payment of remuneration to Sri. Mohanlal Tibrewal, Executive Director of the company for the period from 1-4-2014 to 31-3-2016 as recommended by the Remuneration Committee of the company as detailed hereunder.

REMUNERATION

a) **Salary** : 5 % on the Net Profit of the Company computed under the relevant provisions of the Companies Act, 1956.

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

Minimum Remuneration

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of the tenure of Sri. Mohanlal Tibrewal, Executive Director, the Company has no profit or the profits of the company are inadequate, the company will pay remuneration to Sri. Mohanlal Tibrewal, Executive Director equivalent to the ceiling amount prescribed in terms of paragraph 1 (A) of Section II in Part II of Schedule XIII of the Companies Act, 1956.

The Executive Director during the tenure of his office as Executive Director shall not be liable to retire by rotation.

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

RESOLVED that based on the Audited Balance Sheet of the company for the financial year ended on 31st, March 2013 the Board of Directors form an opinion that the Accumulated losses of the company as at 31.03.2013 amounting to Rs 23506.54 Lakhs exceed the entire net worth of the company as on the same date, which amounts to Rs 15501.99 Lakhs and in view of the same the Company has become a

sick industrial company as defined under Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and a reference be made to the Hon'ble Board for Industrial and Financial Reconstruction to seek determination of measures which would be adopted as required under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985."

"RESOLVED FURTHER that Manoj Kumar Tibrewal, Managing Director is hereby authorised to file the reference with Hon'ble BIFR and to submit any other information in any form and manner as may be required by the said Board and to appoint representatives / counsel or authorize any of the employees of the company to the said Board or any other authority in this regard."

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

RESOLVED that pursuant to the provisions of Section 391 and all other applicable provisions of the Companies Act, 1956 and other applicable Laws, Regulations, Listing Agreements and Guidelines issued by any Regulatory Authorities, if any and subject to the approval of Hon'ble High Court of Judicature at Chennai or any other appropriate Authorities, the Scheme of Arrangement with Secured Creditors (Banks) with respect to the outstanding loan amount borrowed from them be and is hereby approved.

RESOLVED FURTHER that Sri. Manoj Kumar Tibrewal, Managing Director and Sri. Mohanlal Tibrewal, Executive Director be and are hereby authorised severally to make such alterations, modifications or amendments therein as may be expedient and necessary for complying with the requirements or conditions imposed by the Hon'ble High Court of Judicature at Chennai or any other appropriate Authorities.

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

Subject No 4 of the Agenda

Sri. Mohanlal Tibrewal was appointed as an Executive Director of the company for a period of five years commencing from 1-4-2011 to 31-3-2016 in the 22nd Annual General Meeting held on 23-9-2011 and the remuneration payable to him was initially fixed by the Remuneration Committee for a period of three years commencing from 1-4-2011 to 31-3-2014.

The Board of Directors in their meeting held on 23-5-2013 have considered and decided to refer to the Remuneration Committee the remuneration payable to Sri. Mohanlal Tibrewal, Executive Director for the remaining period of two years commencing from 1-4-2014 to 31-3-2016. The Remuneration Committee after considering the various aspects which it is expected to consider, has recommended the remuneration payable to Sri. Mohanlal Tibrewal, Executive Director as stated in the body of the resolution.

The Board is now placing the resolution for the payment of remuneration to the Executive Director Sri. Mohanlal Tibrewal for the period from 1-4-2014 to 31-3-2016 as recommended by the Remuneration Committee for the approval of the Members.

Minimum Remuneration

The resolution also provides for the payment of minimum remuneration to the Executive Director in case of absence or inadequacy of profit in any Financial year. The minimum remuneration has been stipulated as the amount fixed as a ceiling prescribed paragraph 1 (A) of Section II in Part II of Schedule XIII of the Companies Act, 1956.

Memorandum of Interest under section 302 of the Companies Act 1956, Sri. Mohanlal Tibrewal may be deemed to be interested or concern in the subject matter of the resolution to the extent of the benefits accruing to him by way of remuneration and perquisites.

Sri. Manoj Kumar Tibrewal Managing Director, being the younger brother of Sri. Mohanlal Tibrewal may also deemed to be interested or concerned in the subject matter of the resolution. None of the other Directors are interested or concerned in the subject matter of the resolution.

Subject No 5 of the Agenda

Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 provides that where an Industrial Company has become a Sick Industrial Company, the Board of Directors of the Company, shall, within 60 days from the date of finalisation of the duly audited accounts of the Company for the financial year as at the end of which the company has become Sick Industrial Company, make a reference to the Board for Industrial and Financial Reconstruction (BIFR) for determination of measures which shall be adopted with respect to the Company.

The loss of the company for the financial year ended 31st March, 2013 have resulted in erosion of entire Net Worth of company and the company is to make a reference to Board for Industrial and Financial Reconstruction (BIFR).

The main reasons for the loss are as under.

1. More than 60 % Power Cut in the state of Tamil Nadu.
2. Poor capacity utilisation.
3. Insufficient Working Capital to run the entire industry.
4. High cost borrowings & Tight liquidity condition.
5. Imbalanced Capex in respect of the project undertaken.
6. Unremunerative price in open end divisions.

In view of the accumulated loss having eroded the Net Worth, the Company is a Sick Company within the meaning of Section 3(1) (o) Sick Industrial Company (Special Provisions) Act, 1985.

Members are requested to authorize the Board of Directors or its Committee for making reference to Board for Industrial and Financial Reconstruction and further taking all necessary, desirable, proper and expedient steps or actions and to execute such deeds, documents, agreements etc as may be required in this regard.

None of the Directors is interested in subject matter of the resolution.

Subject No 6 of the Agenda

M/s State Bank of India, Stressed Assets Management Branch, Chennai has issued Notice under Section 13 (2) of the SARFAESI Act, 2002 on 4-12-2012 demanding the outstanding loan amount of Rs 360,24,15,321 in aggregate due and owing to consortium banks excluding the dues of IDBI Bank Ltd as on 15-11-2012. The company has offered One Time Settlement by disposing of Weaving & Processing Unit (Unit- 8) at Perundurai and Spinning Unit (Unit-4 and Unit- 9) at Udamalpet and it was not accepted by State Bank of India. Now, keeping in mind the interest of the families of more than 1000 Employees and to repay the loan amount, the Company has proposed to seek all possible Legal Remedy. Accordingly, a Scheme of Arrangement under Section 391 of the Companies Act, 1956 will be filed before the Hon'ble High Court of Judicature at Chennai. When the subject was brought before the Board Meeting held on 23.05.2013, the Nominee Directors wanted to study the proposal in detail and deferred the subject. However, as an enabling resolution this is being brought for your approval.

None of the Directors is interested in subject matter of the resolution.

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, in order to be effective 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 Friday the 19th day of July 2013 to Friday, the 26th day of July, 2013 (both the days inclusive) for the purpose of Annual General Meeting.

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 2012-13, unclaimed dividend of Rs 1,08,813 /declared for the financial year 2004-05 has been transferred to the Investors' Education & Protection Fund on 19-2-2013. Shareholders who have not en-cashed the dividend warrants for the years, 2005-06 and 2006-07 are requested to write to the Secretarial Department of the Company at Old No 42, New No 35, Robertson Road, R.S.Puram, Coimbatore - 641 002.

7. 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
23-5-2013

MANOJ KUMAR TIBREWAL
MANAGING DIRECTOR

DIRECTORS' REPORT TO SHAREHOLDERS

Ladies and Gentlemen,
Your Directors present the 24th Annual Report of the Company along with the audited statement of accounts for the year ended 31st March 2013.

FINANCIAL RESULTS

(in Rs)

| PARTICULARS | 31.03.2013 | 31.03.2012 |
|---|-----------------|----------------|
| Sales Turnover | 86,62,61,319 | 1,61,73,01,006 |
| Profit/Loss before interest, depreciation and tax | (2,38,34,410) | 5,30,07,417 |
| Less: Interest | 31,35,08,967 | 26,78,25,730 |
| Depreciation | 18,03,39,897 | 18,61,96,709 |
| Extraordinary Items | 56,67,64,212 | 3,80,76,132 |
| Net Profit / loss for the year before Tax | (108,44,47,486) | (43,90,91,154) |

PERFORMANCE

There has been no improvement in the adverse power scenario prevailing in the State of Tamil Nadu. The power position in the State remains of shortage and effective power availability is only 33 % and that too an un-scheduled one. Moreover, the un-scheduled tripping without any prior notice by TNEB is causing heavy damage to the quality of yarn and machines. Hence, the performance of the Company was badly affected due to severe power cut, low Plant utilization, meagre Working Capital availability and low finished goods margin in open end division. 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.

REFERENCE TO BIFR :

Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985 provides that where an Industrial Company has become a Sick Industrial Company, the Board of Directors of the Company, shall, within 60 days from the date of finalisation of the duly audited accounts of the Company for the financial year as at the end of which the company has become Sick Industrial Company, make a reference to the Board for Industrial and Financial Reconstruction (BIFR) for determination of measures which shall be adopted with respect to the Company. It is observed that as per the audited accounts of the company as on 31-3-2013, the accumulated loss have

exceeded the entire Net Worth of the company and it has become necessary for the company to make reference such erosion to Board for Industrial and Financial Reconstruction (BIFR). Necessary resolution authorizing the Board of Directors to refer to BIFR is included in the Notice convening the 24th Annual General Meeting of the company.

The main reasons for the loss are as under.

1. More than 60 % Power Cut in the state of Tamil Nadu.
2. Poor capacity utilisation.
3. Insufficient Working Capital to run the entire industry.
4. High cost borrowings & Tight liquidity condition.
5. Imbalanced Capex in respect of the project undertaken.
6. Unremunerative price in open end divisions.

In view of the accumulated loss having eroded the Net Worth, the Company is a Sick Company within the meaning of Section 3(1) (0) Sick Industrial Companies (Special Provisions) Act, 1985.

DIVIDEND

In view of the huge loss incurred by the company during the year, the Directors are not in a position to recommend any dividend for the financial year ended 31st March, 2013.

PROJECT

The project as it was envisaged has been partially 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.

In fact, the projected turnover could not be achieved because of the imbalanced Capex. The land as detailed in the project have been acquired and the Building also as projected have been built –up. But the machineries as projected could not be procured and installed because of cost escalation during the initial stage of implementation of the project, non-adherence of delivery schedule by the supplier. Consequently, there was shortage of Working Capital and all the units were to be managed with the available Working Capital.

The difficult situation prevailing in the Textile Industry in the State of Tamil Nadu continued during the year under review owing to various factors such as huge shortage of power and skilled manpower. There was no improvement in the power position also as the average power shut down per day touched up to 12-14 hours. This has affected the production schedule very badly and in fact only 33 % production was achieved with the available power which has made the Industry difficult to run. In so far as the improvement in power position is concerned, the solution appears to far away as almost all the Power Generating Units in the State are under renovation and also due to failure of both the South – West and North-East monsoons. Operating with captive Diesel / Furnace Oil Generators are proving to be totally un-economical. Having Wind Mill is giving huge respite as far as some part of the year the company becomes entitled to run during peak hour.

The Labour scenario is also not encouraging At all levels and in all categories, locating and retaining capable hands has become a real issue.

FINANCE

During the year under review, the Company has been served with Notice u/s Section 13(2) of Securitisation and Reconstruction of Financial Assets and 'Enforcement of Security Interest Act, 2002 (SARFAESI ACT) on 4-12-2012 and subsequently an amended Notice dated 4-4-2013 calling upon the Company to repay the outstanding liabilities of Rs 360,24,15,321/- (Rupees

three hundred sixty crores twenty four lakhs fifteen thousand three hundred and twenty one only) excluding IDBI Bank as on 15-11-2012 with further interest and incidental expenses. The Company has sent its objection on 2-2-2013 to the above Notice through M/s Dhir & Dhir, a Legal Forum in New Delhi and a reply has been received from M/s State Bank of India ,Stressed Assets Management Branch, Chennai vide their letter dated 8-2-2013 rejecting the entire objection .

The Board of Directors in their meeting held on 14-2-2013 have reviewed the above said SARFAESI Notice and recorded the same. As already informed, the Company proposed to sell the Weaving & Processing Unit at Perundurai (Unit 8) and the Ring Spinning Unit at Pushpattur (Unit 4 and Unit 9) and settle the outstanding loan with the amount realized as One Time Settlement (OTS) .

The Company has offered an One Time Settlement proposal and the same was rejected by the Lenders and they have preferred to file a case in the Debt Recovery Tribunal . (DRT) The Company will file counter as and when summon is received from DRT.

DEPOSITS

There are no deposits outstanding as on 31st March 2013 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 Mumbai 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, 2013 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.

Reply to the Qualifications / Observations of the Statutory Auditors:

- a) Due action is being taken by the Management to recover the dues / confirmation.
- b) Relating to the transaction of Job Work at Unit- 3, Unit-4 and Unit- 9 efforts being initiated to obtain the concurrence of the Lenders as per the guidance given by the Board of Directors.
- c) In spite of the Company being out of CDR Package, the company is awaiting necessary confirmation / demand of the Interest from the Bank. As soon as the same is received, the higher provision of Interest will be made in the accounts.
- d) Due to financial and other resource constraints, the Management had a temporary set back and every earnest effort is being made to set right the Internal Control.

DIRECTORS

Mr.Ullas R Sanghvi, Director is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers 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. 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**

MANOJ KUMAR TIBREWAL
MANAGING DIRECTOR

Coimbatore
23-5-2013

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 2012 - 2013 | PREVIOUS YEAR 2011 - 2012 |
|-------------|---|-------------------------------------|--------------------------------------|
| A) | Power and Fuel Consumption | | |
| 1 | Electricity | | |
| a) | Purchased Unit (KWH) | 1,57,92,039 | 2,81,92,292 |
| | Total Amount (in Rs.) | 11,88,79,186 | 14,88,70,401 |
| | Rate/Unit (Rs.) | 7.53 | 5.28 |
| b) | Own Generation | | |
| | Through Diesel Generator- Cotton Yarn | | |
| | Unit(KWH) | 18,70,902 | 12,36,570 |
| | Units/Ltr of Diesel of Oil | 3.51 | 3.76 |
| | Cost/Unit | 14.13 | 12.07 |
| c) | Own Generation | | |
| | Through Diesel Generator- Fabrics | | |
| | Unit(KWH) | 2,903 | 17,03,960 |
| | Units/Ltr of Diesel of Oil | 3.50 | 3.71 |
| | Cost/Unit | 13.74 | 9.08 |
| d) | Own Generation | | |
| | Through Diesel Generator- Garments | | |
| | Units | 48,472 | 44,583 |
| | Units/Ltr of Diesel | 3.29 | 3.23 |
| | Cost/Unit | 17.58 | 15.66 |
| 2 e) | Own Generation thro Windmill | | |
| | Units | 78,69,224 | 1,72,75,001 |
| | Cost/Unit | 4.82 | 3.36 |
| | Fuel Consumption | | |
| | Furnance Oil (Garments) | | |
| | Quantity (Kilo Litre) | 14 | 67 |
| | Total Cost (in Rs.) | 7,05,808 | 28,26,543 |
| | Average Rate | 51.39 | 42.14 |
| B) | Consumption per unit of production standrads (if any) | | |
| | Products- Cotton Yarn (Kgs) - Own production | 65,91,784 | 80,11,443 |
| | Products- Cotton Yarn (Kgs)- Job work production | 15,83,956 | - |
| | Consumption (units) | 2.12 | 2.38 |
| | Products- Garments (Kgs) | 2,23,794 | 2,47,778 |
| | Consumption (units) | 1.10 | 1.00 |
| | Products- Fabrics (Mtrs) | - | 54,92,898 |
| | Consumption (units) | - | 2.16 |

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 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.

(In Rs.)

| Foreign Exchange Earnings and Outgo | Current Year 2012 - 2013 | Previous Year 2011 - 2012 |
|---|-----------------------------|------------------------------|
| 1 Foreign exchange earned through Direct Export | - | - |
| 2 Expenditure in Foreign Currency | | |
| a. On Business Travel | - | - |
| b. On Capital Goods | - | - |
| c. On Stores & Spares | 42,65,831 | 67,85,730 |
| d. On Raw materials | 91,24,748 | 25,23,084 |

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

MANOJ KUMAR TIBREWAL
Managing Director

MOHANLAL TIBREWAL
Executive Director

Coimbatore
23-5-2013

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development :

The recession prevailing in the Textile Industry continued during the year under review owing to various factors such as non-availability of raw material, skilled labour, and poor market demand. There was no improvement in the power position also as the average power shut down per day touched up to 12-14 hours. This has affected the production schedule very badly and in fact only 30% production was achieved with the available power which has made the Industry difficult to meet out the overheads. 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 not encouraging. At all levels and in all categories, locating and retaining capable hands has become a real issue.

The company has effected sales turnover of Rs 63.19 crores as against Rs 77.31 crores last year in respect of yarn and Rs 17.99 crores as against Rs 15.44 crores last year in respect of Ready made Garments. In spite of an unfavourable condition prevailing in the Textile Industry, the company was able to perform to a satisfactory level during the year under review by efficient administration in respect of Ready Made Garments.

The workers of the Weaving & Processing Unit situated at Perundurai have gone for strike with effect from 24-1-2012 demanding the wage revision on the higher side and the unit is not working since then.

OPPORTUNITIES AND THREATS

The opportunity for Indian Yarn Industry seems to better in the coming years in view of China has turned to India for huge purchase of yarns to make Towel, T-Shirts, Jeans etc while production in Pakistan a key supplier for Beijing is down by 30% have taken a reverse turn. The financial year 2012-13 was not a good period for the Apparel Sector both in Domestic and Export Sales which has resulted

poor off-take in the yarn market. However, every effort has been made to meet the changing scenario of the consumers. The Government Policy with regard to Cotton Export has played a significant role for the recession of the Textile Industry. The Textile Ministry is unable to decide on banning Cotton Export and the Ministry is undecided on whether it should ban Exports or release part of the stock held by CCI. The fact of the Cotton prices going through roof has made the whole industry unviable.

Technology Upgradation Fund Scheme for the Textile Sector is one of the few Budget proposals that has been acted upon swiftly as part of Government effort to fast track Industrial recovery. The Government will soon finalise the Scheme which was announced in the Budget to boost modernization of the ailing labour-intensive Textile Sector.

The power has become a perennial problem and it has hit the Industry very badly during the last couple of years. In so far as the improvement in power position is concerned, the solution appears to far away as almost all the Power Generating Units in the State are under renovation and also due to failure of both the South – West and North-East monsoons. Power Ministry's plans to have a single transmission network in the Country by connecting the southern grid with the National grid is likely to be delayed. Unless things are set right in power producing units, power crisis will last for some more time.

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 affect the quality of the product.

Labour scenario also continues to be on the discomfort side. 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.