

GEM SPINNERS INDIA LIMITED

TENTH ANNUAL REPORT

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1999 - 2000



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BOARD OF DIRECTORS

Mr. R. VEERAMANI
Chairman & Managing Director
Mr. S. R. ASATHAMBI
Wholtime Director
Directors
Mr. S. R. KUMAR
Mr. VINOD K. GOENKA
Mr. P.P. DODDANAVAR
Mr. S. T. GANAPATHY MUDALIAR
Nominee Directors
Mr. S. SRINIVASAN, IDBI
Mr. N.D. PINGE, ICICI

Executive Director
Mr. A. M. DURAIRAJ
Company Secretary
Mr. S. V. RAGHAVAN

AUDITORS
M/s. VIJAI SARATHY & CO.
Chartered Accountants
18 - A, Rajamannar Street
Chennai - 600 017.

BANKERS
INDIAN OVERSEAS BANK
STATE BANK OF INDIA

REGISTERED OFFICE & MILLS
14, Mangalam Village
Madhuranthagam Taluk
Kancheepuram District
Tamil Nadu - 603 107.

CORPORATE OFFICE
58, Cathedral Road
Chennai - 600 086.

REGISTRARS & TRANSFER AGENTS
HI-TECH SHARE REGISTRY PRIVATE LIMITED
81, Greams Road, (Ground Floor),
Murugesu Naicker Complex, Chennai - 600 006.



NOTICE TO SHAREHOLDERS

Notice is hereby given that the Tenth Annual General Meeting of the shareholders of GEM SPINNERS INDIA LTD, Chennai will be held on Friday, the 29th September 2000 at 10.00 a.m at 14 Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamilnadu to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2000 and the Profit & Loss Account for the year ended on that date, the Auditors' report and Directors' report thereon.
2. To appoint a Director in the Place of Sri P.Doddanavar who retires from office of Directorship by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration. M/s. Vijai Sarathy & Co. Chartered Accountants, Chennai who retire at this meeting, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following Resolution as an Ordinary Resolution.
"RESOLVED THAT according to section 256 and other applicable provisions of the Company's Act, 1956 Mr. Vinod K. Goenka who opted not to stand for re-election as Director and the vacancy caused shall not be filled.
RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to give effect to this resolution."

on behalf of the Board

Place : Chennai
Date : 15.07.2000

R.VEERAMANI
Chairman & Managing Director

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 AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORMS, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE ANNUAL GENERAL MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THIS MEETING. THE PROXY FORM IS ENCLOSED.
2. Members are requested to bring their copies of the Annual Report to the meeting.
3. Members are requested to notify immediately any change in their address to the Company's Registered Office.
4. The Register of Members of the company shall remain closed from 23.09.2000 to 29.09.2000 (Both days inclusive)

Explanatory statement pursuant to Section 173(2) of the Companies Act 1956:

Mr. Vinod K. Goenka has been appointed as director with effect from 21st December 1998. Mr. Goenka has expressed his unwillingness to be reappointed as Director due to pre-occupation and hence Mr. Vinod Goenka opted not to be reappointed as director.

DIRECTORS' REPORT FOR THE YEAR 1999-2000

Your Directors have pleasure in presenting the 10th Annual Report on the affairs of your company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2000.

Financial Results	1999-2000 (Rs.in Lacs)	1998-1999 (Rs.in Lacs)
Sales	5,975.21	4,192.36
Profit/(Loss) before interest and Depreciation	492.80	286.08
Less : Interest & Finance charges	1,965.33	1,584.45
Loss before Depreciation	1,472.23	1,298.37
Less : Depreciation	609.68	430.22
Loss for the year	2,082.21	1,728.60
Loss Carried to Balance Sheet	2,082.21	1,728.60

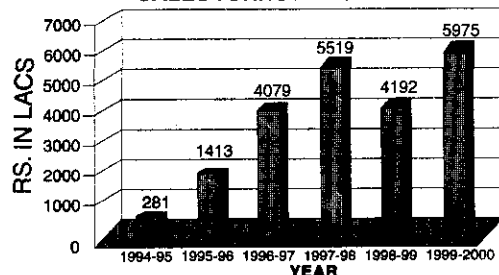
Operations and Outlook for the current year :

The company has done a Turnover of Rs. 59.75 crores in the year under review as against Rs.41.92 crores in the previous year. Stable prices of yarn and lower prices of cotton has resulted in higher operating profit from Rs. 286.07 lacs in the previous year to Rs.492.80 lacs in the current year.

It is significant to note that the 13.39% increase in the loss before depreciation is mainly due to increased penal interest and liquidated damages charged on the institutional loans. Similarly the increase in depreciation is due to the working of 3 shifts in the current year as against 2 shifts in the previous year since the continuous operation of the mill beyond 95 % capacity.

Exports are done to Far Eastern countries like Japan, Korea, Taiwan, China, Hongkong, middle east countries like Israel, Egypt and West European countries like Germany, Italy, Spain, Austria, Portugal and Switzerland during this year. We are also receiving repeat orders from our buyers who expect very high stringent quality standards.

SALES TURNOVER COMPARISON



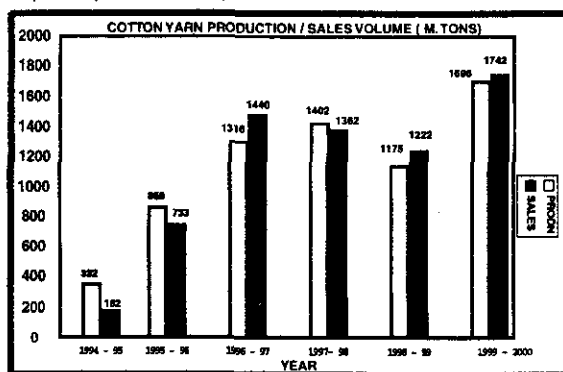


Our quality is regarded as one of the best yarn in the world as our GEM brand has established world high quality standards. In view of the high quality of our yarn the same is consumed for making branded shirts, fabrics and knitted garments. In fact due to our very high image established by the continuous quality upgradation, we are in a quality market and we can promote more counts in many countries increasing the volume.

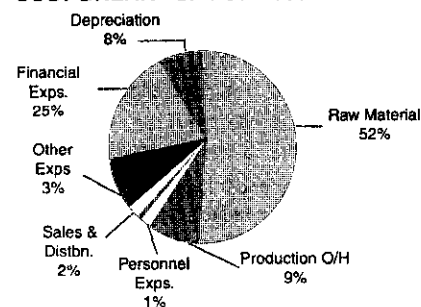
Global Scenario

The Textile Industry has started showing signs of improvement in demand but however the unit prices have not increased and we hope in the coming year that will stabilise. Still there is some sluggishness in the market. The Government of India has sanctioned Textile Upgradation Fund for the modernisation of the industry encouraging the old mills to improve their technology and thereby better their competitiveness in the export markets. Though the scheme had not come to the rescue of the modern mills, who need support for financing for additional requirements of machines for expansion, due to the conditions of fulfilling the eligibility norms like non NPA, etc. It is being represented in many forums urging the government for liberalising the conditions. If this is done, many more units, which are affected by the worst textile global recession, can turn the corner.

Demand from Countries like Japan, Korea, Taiwan, and Hongkong is modestly picking up compared to the last year. European countries like Switzerland, Germany, Israel and Italy continues to be slow and offers low prices. The demand for finer counts of yarn is not increasing. Among the stiff competition only the old mills which are having less depreciation and Nil term loans are able to make profit because of their low cost of production. This year we have produced all ranges of yarn counts. We have also manufactured and exported knitted fabrics. Gross profitability has improved due to the marketing of more quantity and stable prices of cotton.



COST BREAK - UP FOR 1999 - 2000



Future outlook of the company

Your management has consulted various experts in the field who suggested the following:

- 1) Produce coarser counts
- 2) Improve the installed capacity and add suitable preparatory machines and spindleage.
- 3) Sell more volume.
- 4) Reach a viable financial proposition with IDBI, ICICI on a timebound schedule, bringing down the total liability and reduce the interest rate to atleast to the rate of textile upgradation fund.

The market for coarser counts is widespread and is also not very quality restrictive as existing in finer counts. This will give better flexibility for marketing and increase the turnover and profit margins. To achieve this target we need some investment for adding preparatory machines.

We have already established certain facilities like humidification, electrical installations, buildings etc. which is sufficient for converting the existing 25000 spindles into coarser counts. Of course, we have to add certain preparatory equipments like Cards, Lap Former, Combers etc. In this regard, We have already worked out a scheme with Indian Overseas Bank for an arrangement through which a sum of Rs. 500 lacs is sanctioned for which the promoters take the responsibility of repayment. In brief the promoters are bringing additional Rs. 500 lacs for the viability of the company.

Market for yarn

The prices offered by the overseas buyers were comparatively stable and better for cotton yarn during this year. If the trend continues for some more periods the sick mills who have suffered losses despite of their best investment in imported machines will turn the corner and start making profits. Due to the stability prevailing in yarn prices, we could get higher margins by operating machines at maximum capacity utilisation.



Your company has exported to the tune of Rs. 22.36 crores during the first three months of the current financial year as against Rs.10.35 crores in the corresponding period of previous year. We hope to complete the year with Rs.75 crores of turnover, if not more provided the same trend continues.

Your company employs the best labour at economical costs compared to the industry and follows a frugal, stringent policy in spending. With improved performance, better market conditions and restructuring of Long term loans, your company hopes to make profit in the coming years.

Co-operation and support of the Promoters and Directors

From the inception of the company the Chairman and Managing Director and other Directors have not availed any salary or perks nor even provided with any facilities.

BIFR Reference

You are aware that your company has submitted viability proposals to the Operating Agency M/s.IDBI Mumbai. We have submitted all the detailed facts and figures to Operating Agency/IDBI in the meeting convened by them followed by our clarifications during our personal visits. We sincerely hope that a helpful, co-operative and supportive package will be coming from IDBI and ICICI for the company to turn the corner.

Assuming that 10% interest package will be given by M/s.IDBI and ICICI in the BIFR proceedings, the current year results would reflect as follows.

	1999-2000 (Rs.in Lacs)	1998-1999 (Rs.in Lacs)
Sales	5,975.21	4,192.36
Profit/(Loss) before interest and Depreciation	492.80	286.08
Less :Interest & Finance charges	529.65	1,584.45
Loss before Depreciation	36.85	1,298.37
Less :Depreciation	609.68	430.22
Loss for the year	646.53	1,728.60
Loss carried to Balance Sheet	646.53	1,728.60

In fact M/s.IDBI has submitted before BIFR about the quality standards, work culture, marketing skill etc. of your company. Therefore your company will turn the corner once an amicable, economical, supportive package is arranged with the institutions along with the increase of the capacity by adding some more preparatory machines. The company is waiting for the approval from the Operating Agency for implementing the rehabilitation proposal by converting the mill into a coarser count producing one.

Compliance of Y2K Problem

Your company had a smooth sailing of Y2K problem. It has taken all steps to make all the computer hardware, system software and computer aided machines Y2K compliant. This process was completed by November 1999. The cost for replacements / modifications was not significant. The company has not faced any disruption in its activities and consequently the assumption of going concern also has not got vitiated due to Y2K issues. Contingency plans are being put in place, wherever relevant.

Particulars of Employees, Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

A Statement pursuant to Sec 217 (1)(e) containing the above details is annexed to this report. Statement required to be furnished U/s 217(2A) of the Company's Act is not applicable to the company as no employee was in receipt of remuneration in excess of Rs.50,000/- per month.

Deposits

Your company has not accepted any deposit from the Public during the year under review.

Directors

Shri P.P.Doddanavar is due to retire during this Annual General Meeting and being eligible, offer himself for reappointment.

Shri Vinod K.Goenka is due to retire during this Annual General Meeting and has not offered himself for re appointment. The Board decided not to fill the vacancy arising on his retirement.

Auditors

M/s.Vijai Sarathy & Co., Auditors of the company retire at this Annual General Meeting and are eligible, for reappointment.

Acknowledgement

The Directors wish to place on record their appreciation for the assistance received from IDBI, ICICI, SBI, IOB, MEPZ, TNEB, State and Central Government Authorities. The Directors also wish to acknowledge the active co-operation extended by workers and staff at all levels.

on behalf of the Board

Place : Chennai.
Date : 15.07.2000

R.VEERAMANI
Chairman & Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

Additional Information as required under the companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.[Sec. 217 (1) (e)]

1. A. Conservation of Energy

a. Energy conservation measures taken :

The measures taken by the company includes the following :

- i) Using electronic timers for streetlights.
- ii) Arranging lighting of different lux levels in various departments
- iii) Provided Energy saving devices in lighting circuits
- iv) Fan Motors for various machinery is being operated at intervals instead of continuous running.

b. Additional investments and proposals, if any, being implemented For reduction of consumption of energy : NIL

c. Impact of measures at A and B for reduction of energy consumption and consequent impact on cost of production of goods:

The measures taken go to reduce the power consumption

d. Total energy consumption and consumption per unit of production In the prescribed Form 'A' Annexed.

1. B. Technology Absorption

a. Efforts made in technology absorption:

Details furnished in Form "B" - Annexed.

2. Foreign Exchange Earnings and Outgo

a. i) Activity relating to exports:

Cotton Yarn and Knitted Fabric exports

ii) Initiative taken to increase exports:

- * Being in constant touch with the foreign buyers and their agents
- * Arranging for the visits of the buyers to the mills to convince them about the most modern machines installed.

3. Development of new export markets for products and services :

- i) The company is corresponding with Indian embassies and trade bodies abroad to get the addressees of prospective buyers.
- ii) Visits by directors and executives abroad to build up new contacts

4. Total foreign exchange used and earned:

	1999-2000 (Rs.in Lakhs)	1998-99 (Rs.in Lakhs)
i) CIF value of imports (Rawmaterial, Spares & Capital goods)	591.40	420.09
ii) Expenditure in foreign currency (Travel and Commission)	72.68	56.28
iii) Foreign exchange earned	5,125.33	3,542.80

Place : Chennai

Date : 15.07.2000.

on behalf of the Board

R.VEERAMANI

Chairman & Managing Director