

GEM SPINNERS INDIA LIMITED

TWELFTH ANNUAL REPORT

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2001 - 2002

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BOARD OF DIRECTORS

Mr. R. VEERAMANI

Chairman & Managing Director

Mr. S. R. ASAITHAMBI

Wholetime Director

Directors

Mr. S. R. KUMAR

Mr. P.P. DODDANAVAR

Mr. S. T. GANAPATHY MUDALIAR

Nominee Directors

Mrs. JAYASHREE MAHESH, - ICICI

Mr. J. KIRUBAHARAN BASKAR - IDBI

Executive Director

Mr. A. M. DURAIRAJ

Company Secretary

Mr. S. VASUDEVAN

AUDITORS

M/s. VIJAI SARATHY & CO.

Chartered Accountants

18 - A, Rajamannar Street

Chennai - 600 017.

COST AUDITOR

M/s. R. KRISHNAN & CO.

Kovaipudur

Coimbatore.

BANKERS

INDIAN OVERSEAS BANK

STATE BANK OF INDIA

REGISTERED OFFICE & MILLS

14, Mangalam Village

Madhuranthagam Taluk

Kancheepuram District

Tamil Nadu - 603 107.

CORPORATE OFFICE

78, 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.

GEM SPINNERS INDIA LIMITED**NOTICE TO SHAREHOLDERS**

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of GEM SPINNERS INDIA LTD, Chennai will be held on Monday, the 30th September 2002 at 11.00 a.m at 14 Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamilnadu to transact the following business.

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March 2002, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Sri. P.P. Doddanavar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Sri S.T. Ganapathy Mudaliar who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Vijai Sarathy & Co. Chartered Accountants, Chennai as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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 27.09.2002 to 30.09.2002 (Both days inclusive)
5. Members are notified that the Stickers carrying intimation of reduced face/paid up value of Rs.5/- each is being sent consequent to the BIFR order which should be affixed over the Share Certificate in the existing place wherever the "face/paidup" value of Rs.10/- appears in the Share Certificate.
6. Members are requested to note that the Company's request for dematerialisation of our shares through CDSL and NSDL was deferred due to negative networth and hence the members are requested to continue in the physical form of trading.

By Order of the Board
For GEM SPINNERS INDIA LTD

PLACE : CHENNAI
Date : 12.08.2002

S.VASUDEVAN
COMPANY SECRETARY

GEM SPINNERS INDIA LIMITED

DIRECTORS' REPORT FOR THE YEAR 2001-2002

Your Directors have pleasure in presenting the 12th Annual Report on the affairs of your Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2002.

Financial Results

	2001-02 (Rs.in Lacs)	2000-01 (Rs.in Lacs)
Sales	3151.48	5088.08
Export		
Domestic	858.49	1154.24
Total	4009.97	6242.32
Operating Profit	705.51	875.65
Less: Financial Charges	480.86	2859.91
Gross Profit	224.65	(1984.26)
Less Depreciation	345.94	337.63
Net Loss for the year	(121.29)	(2321.88)

Business Operations

Revenues generated are principally from sale of cotton yarn in International market and a minimal share from domestic market.

The Company has during January 2002 strengthened its preparatory section to have flexibility in the pattern of counts to meet the market demands in all seasons.

The company has practically stopped its trading activities during the year under report due to quality problem in trading other mill yarn. Further, we have decided to focus our own product and we have also good range of counts.

Your Company will be accredited with ISO 9001 certification under 2000 version during August 2002 as all the preliminary formalities including certification audit is completed. Under this version, continual improvement and customer satisfaction will be the main focus of the Company. As a result of all this, we expect an improvement both in turnover and profitability during the current financial year.

The Restructuring and Rehabilitation Scheme of the mill has been sanctioned by BIFR, as recommended by Operating Agency Viz.IDBI (as circulated in our last Annual Report). The Scheme is being implemented in toto.

Review of Operations

	2001-02 (Rs.in Lacs)	2000-01 (Rs.in Lacs)
Export and Domestic	3955.62	3911.83
Sales of our Mill Production		
Trading	54.35	2330.49
Total	4009.97	6242.32

Marginally, we have performed better with our own manufacturing activities in our mill.

Your Company has achieved an operating profit at a low level of Rs.705.51 lakhs as compared to the previous year level of Rs.875.65 lakhs.

Though the operating profit has reduced by around 20%, the main reason happens to be that for about two months during the implementation of new scheme, the mill could not function to its full capacity. In addition, the cotton prices had gone up to about Rs.2000 per ton on an average and along with this cost of power has also increased due to tariff and diesel hike.

The Financial charges of Rs.480.86 lakhs (Rs.2859.91 Lakhs) for the year are based on the revised restructured interest rates as per the Scheme. Consequently, the net loss for 2001-02 was Rs.121.29 lakhs as against the corresponding year figure of Rs.2321.88 lakhs.

Status of the Industry

The Industrial Scenario in textile sector at the macro level witnessed one of the worst years in recent past. The slow down in the US economy accelerated by the events of September 11, led to low level of demand and reduced movement of yarn in various countries. The September 11 tragedy in U.S had a serious cascading effect in many countries' economy as reported earlier. However, the situation has not significantly improved. The year under review was the eighth consecutive year of recession in textile mill industry. Added to this, the industry is under the trial of WTO and it is to be seen how the industry is going to meet the global challenging competition. Despite the fact that the slow down of the industry continues for the successive eighth year, the Government is yet to focus on this sector which is very vital for strengthening total integrated textile sector from yarn to made-ups.

Further, as per WTO, quota regime will be eased out within next three years and in such a scenario, the Indian industry needs full cooperation from Central Government to give spinning sector maximum support to be competitive in all factors in the global marketing.

Statutory Statements:

As per the requirements of Sec.217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure to this report.

Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956

There were no employees drawing remuneration exceeding the limits specified in Section 217(2A) of Companies Act 1956.

As required under Section 217(2AA) of the Companies Act 1956, the Directors' Responsibility Statement is Annexed to this Report.

Directors

Under Article 110 of the Articles of Association of the Company, Shri.P.P.Doddanavar and Shri.S.T.Ganapathy Mudaliar retire by rotation and being eligible, offer themselves for reappointment.

Deposits

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

Auditors

M/s.Vijai Sarathy & Co., Auditors of the company retire at this Annual General Meeting and being eligible, offer themselves 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 : 12.08.2002

R.VEERAMANI
Chairman & Managing Director

CEM SPINNERS INDIA LIMITED**ANNEXURE TO THE DIRECTORS' REPORT**

Additional Information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

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.
- v) Optimised compressor pressure setting
- vi) Energy Audit conducted.
- vii) Usage of servo Energy Efficient EE10 spindle oil.
- viii) In Autoconer Invertor with Autosux unit was fixed and 11 KW suction Motor speed controlled depending upon suction pressure required.
- ix) 40 Watts tube light fittings was replaced with E+Energy Efficient tube lights 1250 nos.

b. Additional investments and proposals, if any, being implemented for reduction of consumption of energy;

Appointed Consultants to implement energy conservation in humidification plants.

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 addresses of prospective buyers.
- ii) Visits by Directors and executives abroad to build up new contacts

4. Total foreign exchange used and earned:

	2001-02	2000-2001
	(Rs.in Lakhs)	
i) CIF value of imports (Rawmaterial, Spares & Capital goods)	881.20	400.53
ii) Expenditure in foreign currency (Travel and Commission)	56.98	96.82
iii) Foreign exchange earned	3023.93	4469.32

On behalf of the Board

Place : Chennai

R.VEERAMANI

Date : 12.08.2002

Chairman & Managing Director

DIRECTORS' RESPONSIBILITY STATEMENT

(Pursuant to Section 217(2AA) of the Companies Act, 1956)

Your Directors report that :

- ☛ in the preparation of the annual accounts, the applicable accounting standards had been followed and that there were no material departures.
- ☛ the accounting policies selected have been applied consistently, judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2002 and loss of the Company for that period.
- ☛ they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- ☛ the annual accounts have been prepared on a going concern basis.

On behalf of the Board

Place : Chennai

R.VEERAMANI

Date : 12.08.2002

Chairman & Managing Director

GEM SPINNERS INDIA LIMITED**FORM A****Form for Disclosure of particulars with respect to conservation of Energy**

2001-2002 2000-2001

A. Power & Fuel**Consumption****1. Electricity****a. Purchased**

Units	17419560	11836830
Total amount (Rs)	70326351	48845497
Rate/Unit Rs	4.04	4.13

b. Own generation**i) Through Diesel Generator**

Units	708400	5605274
Units per litre of Diesel oil	3.39	3.93
Cost per Unit(Rs)	3.35	3.21

ii) Through Steam**Turbine/Generator**

Units		
Units per litre of fuel oil/gas		
Cost per Unit (Rs)		

2. Coal**Quantity(tonnes)****Total Cost****Average Rate****3. Furnace oil/L. S. H. S****Quantity (KI)****Total Cost****Average Rate****4. Other/Internal****Generation****Quantity (tonnes)****Total Cost****Average Rate****B. Consumption per unit of production****1. Electricity (KWH) 8.57 8.75****(Yarn & Knitted Fabric (per KG))****2. Furnace oil/L. S. H. S****Yarn (per Kg)****3. Coal (M. T)****Yarn (per Kg)****4. Others per Kg**

On behalf of the Board

Place : Chennai

Date : 12.08.2002

R.VEERAMANI

Chairman & Managing Director

FORM -B**Form for Disclosure of particulars with respect to Technology Absorption****Research & Development (R & D)****1. Specific areas in which R & D carried out by the company**

Fibre and Yarn

2. Benefits derived as a result of the above R & D

Optimum Utilisation of fibre and its parameters

3. Future plan of action

Extension of R & D activities till Knitted fabrics to ensure saving of rawmaterials,machinery usage and energy.

4. Expenditure on R & D

Separate account has not been maintained

Technology Absorption ,Adoption and Innovation**1. Efforts in brief made towards Technology Absorption and Innovation**

Technology which was obtained from world leaders on machinery design, has been fully absorbed

2. Benefits derived as a result of the above.

1. Optimum use of rawmaterial

2. Ability to spin Yarn of international standard

3. Safety for the workers and better environment with reference to noise and pollution

3. Details about import of technology during the last five years

Not applicable

On behalf of the Board

Place : Chennai

Date : 12.08.2002

R.VEERAMANI

Chairman & Managing Director

GEM SPINNERS INDIA LIMITED**CORPORATE GOVERNANCE****1. A brief statement on company's philosophy on code of governance.**

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable companies to perform efficiently and thereby maximise long term value for shareholders, while respecting the aspect of multiple stakeholders. Your Company has been practicing the principle of good corporate governance since inception, not on account of regulatory requirements but on account of sound management practices for enhancing customer satisfaction and value for shareholders.

The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealings with the shareholders, employees, the Government and other parties.

2. BOARD OF DIRECTORS**Composition of the Board**

Name of the Director	Category	No. of Other Directorships and Committee Memberships (including this Company) in domestic public companies		
		Other Directorship	Committee Membership	
		As Chairman	As Chairman	As Member
Mr.R.Veeramani	Chairman & Managing Director	3	Nil	1
Mr.S.R.Asaitambi	Whole time Director	Nil	Nil	1
Mr.S.R.Kumar	Non-Executive Director	Nil	Nil	1
Mr.P.P.Doddanavar	Non-Executive Director	Nil	1	Nil
Mr.S.T.Ganapathy Mudaliar	Independent Director	Nil	Nil	1
Mrs.Jayashree Mahesh	Nominee Director	Nil	Nil	Nil
Mr.J.Kirubakaran Baskar	Nominee Director	Nil	Nil	1

Attendance Record of the Directors

Director	No. of Meetings held		Attended last AGM on 14th Dec 2001
	held	Attended	
Mr.R.Veeramani	4	3	Yes
Mr.S.R.Asaitambi	4	3	Yes
Mr.S.R.Kumar	4	4	Yes
Mr.P.P.Doddanavar	4	2	Yes
Mr.S.T.Ganapathy Mudaliar	4	4	No
Mrs.Jayashree Mahesh	4	4	No
Mr. S. Srinivasan	4	2	No
Mr.M.M.Yesaw	-	1	No

NATURE OF DIRECTORSHIP IN OTHER COMPANIES BOARD / COMMITTEE

Director	Relation with other Director	Business Relationship with the Co. if any	Remuneration paid During Apr 01 - March 2002			
			Sitting Fees	Salary & Perks Commn.	Commn. Paid	Total
Mr.R.Veeramani	} Brothers	Promoter				
Mr.S.R.Asaitambi		Promoter				
Mr.S.R.Kumar		Promoter				
Mr.P.P.Doddanavar	Nil	Independent	1000	NIL	NIL	1000
Mr.S.T.Ganapathy Mudaliar	Nil	Independent	2000	NIL	NIL	2000
Mrs.Jayashree Mahesh	Nil	Nominee	2000	NIL	NIL	2000
Mr.S.Srinivasan (Till 1.08.2001)	Nil	Nominee	500	NIL	NIL	500
Mr.M.M.Yesaw (from 2.8.01)	Nil	Nominee	1000	NIL	NIL	1000

Number of Board Meetings held, dates on which held :

Date of Board Meeting	Place/City	No. of Directors present
30.04.2001	CHENNAI	5
23.07.2001	CHENNAI	5
19.10.2001	CHENNAI	7
28.01.2002	CHENNAI	6

GEM SPINNERS INDIA LIMITED

3. Audit Committee

The Audit Committee consists of Mr.P.P.Doddanavar as Chairman and Mr.S.T.Ganapathy Mudaliar and Mr.M.M.Yesaw as Members and Mr.S.Vasudevan was appointed as the Member Secretary.

Date of Meetings:

19.10.2001

28.01.2002

28.02.2002

ATTENDANCE:

S/Shri		Present	Absent
P.P. Doddanavar	Chairman	2	1
S.T. Ganapathy Mudaliar	Member	3	
M.M. Yesaw	Member	3	
S. Vasudevan	Secretary	3	

The audit committee of the Company provides assurance to the Board on the adequacy of the internal control systems and financial disclosures. This is done at meetings of the committee wherein the statutory auditor, internal auditor and the senior management are present. All the Directors forming part of the committee are independent directors. The Committee met on 19.10.2001, 28.1.2002, 28.2.2002. While the first and second meetings were attended by all the members and the third meeting was attended by Mr.S.T.Ganapathy Mudaliar and Mr.M.M.Yesaw.

4. Remuneration Committee

No such Committee so far formed since none of the Directors were drawing any remuneration during the year under review.

5. Shareholders Committee

Name of Non- executive Director heading the Committee

1. S.R. Kumar Chairman – Non Executive Director
2. S. Vasudevan Compliance Officer

Number of Share Complaints received so far - 155

Number of Complaints not solved to the satisfaction of shareholders - Nil

Number of pending share transfers - Nil

6. General Body Meetings

Date of Last three AGM and location:

Friday, the 14th December 2001

14 Mangalam Village

Maduranthagam Taluk

Kancheepuram Dist. Tamilnadu

Friday, the 29th September 2000

14 Mangalam Village

Maduranthagam Taluk

Kancheepuram Dist.

Tamilnadu

Wednesday, the 15th December 1999

14 Mangalam Village Maduranthagam Taluk

Kancheepuram Dist.

Tamilnadu

No special resolution was put through postal ballot.

7. Disclosures

a) Related party transaction :

- a) Payment of Advance of Rs.2 Lakhs towards Purchase of fixed assets (Software) from M/s.Pronet Systems Ltd wherein M/s.R.Veeramani, S.R.Asaithambi and S.R.Kumar are Directors.

- b) There was no non-compliance by the Company for which penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital markets during the last three years.

8. Means of communication

Half yearly and quarterly results:

- Financial reporting for the quarter ending June 30, 2001 : 23.07.2001
- Financial reporting for the half year ending Sep 30, 2001 : 19.10.2001
- Financial reporting for the quarter ending Dec.31, 2001 : 28.01.2002
- Financial reporting for the quarter ending Mar 31, 2002 : 29.04.2002
- Annual General Meeting for the year ending Mar 31, 2002 : 30.09.2002
- The quarterly results are published in : News Today and Malai Sudar