

GEM SPINNERS INDIA LIMITED

FOURTEENTH ANNUAL REPORT

2003-2004



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BOARD OF DIRECTORS

Mr. R. VEERAMANI
Chairman & Managing Director

Mr. S. R. ASAITHAMBI
Whole-time Director

Directors

Mr. S. R. KUMAR

Mr. P. P. DODDANAVAR

Mr. S. T. GANAPATHY MUDALIAR

Nominee Directors

Mr. R. KANNAN - ICICI

Mr. J. KIRUBAHARAN BASKAR - IDBI

Mr. K. M. LAL - BIFR

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 AUDITORS

M/s. R. KRISHNAN & CO.

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

CAMEO CORPORATE SERVICES LTD.

"Subramanian Building", 1, Club House Road,
Chennai - 600 002.



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fourteenth Annual General Meeting of the shareholders of GEM SPINNERS INDIA LTD., Chennai will be held on Wednesday, the 25th August, 2004 at 11.30 a.m. at No.14 Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu to transact the following business.

Ordinary Business

1. To consider and adopt the Balance Sheet as at 31st March, 2004, the 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 Mr. S.T. Ganapathy Mudaliar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in the place of Mr. S.R. Kumar who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution.

"Resolved that M/s. Vijai Sarathy & Co., Chartered Accountants, Chennai, be and are hereby appointed as Auditors of the Company who will hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and the Board of Directors shall fix their remuneration."

5. SPECIAL BUSINESS

To consider and if thought fit to pass with or without modification the following resolution as ordinary resolution.

- a) RESOLVED that in accordance with the provisions of Section 198,269,309,310,314 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956, Mr. S.R. Asaithambi be and is hereby reappointed as the Whole-time Director of the Company subject to the approval of the financial institutions, for a period of three years with effect from 1.10.2004 as per the terms and conditions laid down in the Explanatory Statement annexed hereto subject to retirement by rotation at the expiry of his tenure.
- b) Further Resolved that the authority be and is hereby granted to the Board of Directors to alter and vary

the terms and conditions of the said appointment and/or agreement including authority, from time to time, to determine the amount of salary and commission as also the type and amount of perquisites and other benefits payable to Mr. S.R. Asaithambi, Whole-time Director, on such terms and manner as may be agreed to between the Board of Directors and Mr. S.R. Asaithambi provided, however, that the remuneration payable to him shall not exceed the limits prescribed under Schedule XIII to the Companies Act 1956, including any amendment, modification, variation or re-appointment thereof.

- c) Resolved Further that the Board be and is hereby authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any committee of directors or director(s) to give effect to the aforesaid resolutions.

By Order of the Board
For GEM SPINNERS INDIA LTD.

Place : Chennai
Date : 14.06.2004

S. VASUDEVAN
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members of the Company shall remain closed from 13.08.2004 to 25.08.2004 (Both days inclusive)
3. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms a part of this notice.
4. Details of Directors seeking appointment/re-appointment is enclosed.
5. The shares of the Company have been admitted for dematerialisation with Central Depository Services (India) Limited with effect from 12th February 2003. Members of



the Company desirous of getting their shares dematerialized can approach a depository participant registered with Central Depository Services (India) Limited

6. Members are requested to notify any change in their address to the Registrar and Share Transfer Agents of the Company, M/s. Cameo Corporate Services Limited,

Subramanian Building, No.1, Club House Road, Chennai - 600 002.

By Order of the Board
For **GEM SPINNERS INDIA LTD.**

Place : Chennai
Date : 14.06.2004

S. VASUDEVAN
Company Secretary

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No.5

The tenure of Mr. S.R. Asaithambi, Whole-time Director expires on 30th September 2004. The resolution is to seek the approval of members for his reappointment for a period of three years with effect from 1.10.2004. The terms of appointment remain unaltered:

- a. Salary: Rs.50,000 p.m.
- b. Contribution to Provident Fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

- c. Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

- d. Encashment of leave at the end of the tenure.

Further the above terms of appointment have been approved by the Remuneration Committee at their meeting held on 25.5.2004.

Except Mr. S.R. Asaithambi himself and Mr. R. Veeramani and Mr. S.R. Kumar, none of the Directors is interested in the above resolution.

By Order of the Board
For **GEM SPINNERS INDIA LTD.**

Place : Chennai
Date : 14.06.2004

S. VASUDEVAN
Company Secretary

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Details of reappointment of Directors as per clause 49 of the Listing Agreement

Mr. S.R. Kumar and Mr. S.T. Ganapathy Mudaliar are retiring by rotation and being eligible offer themselves for reappointment. The tenure of office of Mr. S.R. Asaithambi as Whole-time Director expires on 30.9.2004. The approval of members is sought for his reappointment.

The information/details to be provided in respect of the above said Directors under Corporate Governance code are as under:

Name	Qualification	Brief Resume and Area of Expertise	Other Directorship	Company Name
1. Mr. S.R. Kumar	Matric	He has got wide experience in the granite industry. He has also got high pragmatic exposure on present trends in textile industry.	8	1. Gem Holiday Resorts Limited 2. Stone Wonders (India) Limited 3. Gem Global Trade Limited 4. Gem Energy Industries Pvt. Limited 5. Imperial Granites Pvt. Limited 6. Gem Granites Pvt. Limited 7. Gem Stone Beach Resorts Pvt. Limited 8. Celia Leathers Pvt. Limited
2. Mr. S.T. Ganapathy Mudaliar	Matric	He has got wide experience in this industry. He has also got high pragmatic exposure on present trends in textile industry.	Nil	Nil
3. Mr. S.R. Asaithambi	Matric	He has got wide experience in the granite industry. He has also got high pragmatic exposure on present trends in textile industry.	13	1. Stone Wonders India Limited 2. Gem Global Trade Limited 3. Pronet Systems Limited 4. Gem Agro Industries Limited 5. Gem Energy Industry Limited 6. Shiva New Terrain Agro Limited 7. Imperial Granites Pvt. Limited 8. Gem Granites Pvt. Limited 9. Gem Stone Beach Resorts Pvt. Limited 10. Celia Leathers Pvt. Limited 11. Gem Graphites Pvt. Limited 12. Balaji Bonded Brake Linings Pvt. Limited 13. Gem Holiday Resorts Limited



DIRECTORS' REPORT FOR THE YEAR 2003-2004

Our Directors have pleasure in presenting the 14th Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2004.

Financial Results	2003-04	2002-03
	(Rs.in lakhs)	(Rs.in lakhs)
Sales - Export	2905.48	2989.06
- Domestic	2211.83	1386.68
- Waste	438.71	286.73
Total	5556.02	4662.47
Operating Profit	775.39	769.78
Less: Financial Charges	493.62	470.63
Gross Profit	281.77	299.15
Less: Depreciation	363.90	366.75
Net Loss for the year	(82.13)	(67.60)

Review of Operations

Our Company has achieved a Turnover of Rs.55.56 crores (Trading Rs.3.68 crores) during the year under review as against Rs.46.62 crores (Trading Rs.1.34 crores) in the previous year. In an effect, the turnover has increased by 19.18% as compared to the previous year. The Operating Profit has touched the level of Rs.7.75 crores as compared to the previous year mark of Rs.7.70 crores. The overall performance for the year under review was encouraging.

However, the financial performance had ended up with a marginal negative figure of Rs.0.82 crores (Rs.0.68 crores) for the year 2003-2004 after Financial Charges to the tune of Rs.4.94 crores (Rs.4.71 crores) and Depreciation of Rs.3.64 Crores (Rs.3.67 crores).

The loss in exchange rate due to weakening of US Dollar has contributed a lot for the negative performance of our Company to the extent of Rs.65.00 lakhs and the frequent fluctuation in Euro - Rupee rates have also added to the poor performance. Cotton rates have shoot up to Rs.70.15 per Kg during the year under review as against Rs.58.82 per Kg resulting an increase of 19.26% in raw material cost. There was no matching increase in the yarn selling price as compared to cotton prices. The Tamil Nadu Electricity Regulatory Commission has dismissed our petition. Hence, we are deprived of the concession and relief.

Statutory Statements

As per the requirements of Section 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 I to this report.

Particulars of Employees Pursuant to the Provisions of Section 217(2A) of the Companies Act, 1956

The particulars required pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company as none of the employees was in receipt of remuneration in excess of Rs.2,00,000 p.m.

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

Listing Status of New Shares

The Company has issued 73,00,200 equity shares to Industrial Development Bank of India and 49,21,790 equity shares to ICICI Bank Ltd. towards conversion of loan into equity and are pending for listing.

Directors

During the year under report, ICICI has nominated Mr. R. Kannan to the Board of Directors in the place of Mrs. Jayashree Mahesh. The Board wish to place on record the yeoman services rendered by Mrs. Jayashree Mahesh during her tenure.

Under Article 110 of the Articles of Association of the Company, Mr. S.R. Kumar is due to retire at this Annual General Meeting and being eligible, offers himself for reappointment.

Mr. S.T. Ganapathy Mudaliar is due to retire at this Annual General Meeting and being eligible, offers himself for reappointment.

The appointment of Mr. S.R. Asaithambi as a Whole-time Director expires on 30.9.2004. Considering the contribution to the day to day affairs of the Company, the Board of Directors recommends his reappointment with effect from 1.10.2004 for



a period of three years subject to retirement by rotation at the expiry of his tenure.

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, 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
For **GEM SPINNERS INDIA LTD.**

Place : Chennai
Date : 14.06.2004

R. VEERAMANI
Chairman & Managing Director

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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 include the following:

1. In humidification Plant No.I, original 11 kw pump motor was replaced with 3.75 Kw pump motor with necessary modification.
 2. In Humidification Plant I, pre filter suction fan 11 kw was by passed by diverting its suction to compactor suction fan.
 3. In Humidification Plant III, original air filter cloth was replaced with 250 microns Nylon filter cloth which increase the department suction pressure because of which one 22 KW supply air fan was stopped.
 4. In Humidification Plant V the original air filter cloth was replaced with 250 microns Nylon filter cloth which increase the department suction pressure because of which 2 nos 22 KW return air fan are stopped.
 5. In Ringframe 25 Nos suction fan impeller were replaced with smaller size impeller which saved 2.33 unit per hour in each machine.
- 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.

B. Technology Absorption

- a. Efforts made in technology absorption:

Details furnished in Form 'B' - Annexed.

2. Foreign Exchange Earnings and Outgo

- 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

	2003-04	2002-03
	(Rs.in lakhs)	
i) CIF value of imports (Raw Materials, Spares & Capital Goods)	475.52	441.31
ii) Expenditure in foreign currency (Travel and Commission)	74.20	76.76
iii) Foreign exchange earned	2794.91	2701.82

On behalf of the Board

Place : Chennai

Date : 14.06.2004

R. VEERAMANI

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 by them 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, 2004 and of the profit or loss of the Company for the year ended 31st March, 2004.
- ✧ 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

Date : 14.06.2004

R. VEERAMANI

Chairman & Managing Director

**FORM A**

Form for Disclosure of Particulars with Respect to Conservation of Energy

A. Power & Fuel Consumption

	2003-2004	2002-2003
1. Electricity		
a. Purchased		
Units	20420130.00	19227362.00
Total amount (Rs.)	86163707.00	78218438.00
Rate/Unit (Rs.)	4.22	4.07
b. Own Generation		
(i) Through Diesel Generator		
Units	204693.00	624390.00
Units per litre of diesel oil	3.09	3.29
Cost per Unit (Rs.)	5.49	4.30
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 (Kl)	—	—
Total Cost	—	—
Average Rate	—	—
4. Others/Internal Generation		
Quantity (tonnes)	—	—
Total Cost	—	—
Average Rate	—	—
B. Consumption per Unit of Production		
1. Electricity (KWH)	7.99	7.86
[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 : 14.06.2004

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 raw materials, 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 raw materials;
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 : 14.06.2004

R. VEERAMANI
Chairman & Managing Director