

GEM SPINNERS INDIA LIMITED

FIFTEENTH ANNUAL REPORT

2004-2005



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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

Nominee Directors

Mr. R. KANNAN - 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 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 Fifteenth Annual General Meeting of the shareholders of GEM SPINNERS INDIA LTD., Chennai will be held on Friday, the 23rd September, 2005 at 11.00 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, 2005, 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. P.P. Doddanavar, who retires by rotation and being eligible, offers himself for re-appointment.

3. 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 for the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors."

4. SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED that Mr. K.M. Lal be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board
For GEM SPINNERS INDIA LTD.

Place : Chennai - 86
Date : 24.08.2005

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 Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all the material facts in respect of Item No.4 of the Notice is annexed to and forms part of the Notice.
3. The Register of Members of the Company shall remain closed from 15.09.2005 to 23.09.2005 (Both days inclusive)
4. Details of Directors seeking appointment / re-appointment is enclosed.
5. The shares of the Company have been admitted for dematerialization 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. The ISIN No. is INE165F01020.
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.
7. Members are requested to bring their copies of the Annual Report to the meeting.
8. The Members/Proxy holders are requested to bring the attendance slip sent herewith duly filled for attending the meeting. Members/Proxy holders in respect of dematerialized shares are requested to bring their DP id and Client id for recording their attendance.

By Order of the Board
For GEM SPINNERS INDIA LTD.

Place : Chennai - 86
Date : 24.08.2005

S. VASUDEVAN
Company Secretary



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

Item No.4

Notice in writing under Section 257 of the Companies Act, 1956 has been received from a Shareholder of the Company signifying his contention to propose Mr. K.M. Lal as a candidate for the office of the Director who is an IAS (Retd.) from Government of India having vast experience in the Economic, Administrative, Planning and Public Finance. He has also widely travelled abroad as a delegate and also on deputation.

Except Mr. K.M. Lal none of the Directors is interested in the above resolution.

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

Place : Chennai - 86
Date : 24.08.2005

S. VASUDEVAN
Company Secretary

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

Mr. P.P. Doddanavar is retiring by rotation and being eligible offer himself for reappointment.

The candidature of Mr. K.M. Lal has been proposed as an independent Director.

The approval of members is sought for their reappointment / appointment.

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. P.P. Doddanavar	Matric	He has got wide experience in the Mining and Textile industry for more than three decades.	Nil	Nil
2. Mr. K.M. Lal	IAS (Retd.)	He has got wide knowledge and experience in Economic, Administrative, Planning and Public Finance. He has also widely travelled abroad as a Delegate and on Deputation.	1. Panaca Biotech Ltd. 2. Hindustan Wire Ltd. 3. SIMOCO Telecommunication Ltd. 4. SREI Capital Ltd.	Nil

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DIRECTORS' REPORT FOR THE YEAR 2004-2005

Your Directors have pleasure in presenting the 15th Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2005.

Financial Results	2004-05	2003-04
	(Rs.in lakhs)	(Rs.in lakhs)
Sales - Export	3641.46	2905.48
- Domestic	1785.68	2211.83
- Waste	467.39	438.71
Total	5894.53	5556.02
Operating Profit	740.15	775.39
Less: Financial Charges	465.98	493.62
Gross Profit	274.17	281.77
Less: Depreciation	370.08	363.90
Net Loss for the year	95.91	82.13

Review of Operations

Your Company has achieved a Turnover of Rs.5894.53 Lacs (Trading Rs.784.00 Lacs) during the year under review as against Rs.5556.02 Lacs (Trading Rs.368.00 Lacs) in the previous year. In an effect, the turnover has increased by 6.08% as compared to the previous year. The Operating profit has touched the level of Rs.740.15 Lacs as compared to the previous year mark of Rs.775.39 Lacs.

However, the financial performance had ended up with a marginal negative figure of Rs.95.91 Lacs (Rs.82.13 Lacs) for the year 2004-2005 after Financial Charges to the tune of Rs.465.98 Lacs (Rs.493.62 Lacs) and Depreciation of Rs.370.08 Lacs (Rs.363.90 Lacs).

The exchange loss due to further weakening of US Dollar as compared to last financial year has contributed this year also the negative performance of our company to the extent of Rs.72.50 Lacs (65.00 Lacs).

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 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.200000 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 550000 Equity Share to Industrial Development Bank of India towards conversion of loan into equity and are pending listing.

Directors

Under Article 110 of the Articles of Association of the Company, Mr. P.P. Doddanavar is due to retire at this Annual General Meeting and being eligible, offer himself for reappointment.

During the year under report, since Mr. S.T. Ganapathy Mudaliar could not attend any of the Board meetings due to his ill health, he has opted to resign from the Board. The Board wishes to place on record the yeoman services rendered by Mr. S.T. Ganapathy Mudaliar during his tenure.

Consequent upon his attaining the age of 65 years, The Board for Industrial and Financial Reconstruction has withdrawn Mr. K.M. Lal from the Board of your Company as Special Director. The Board wishes to place on record the yeoman services rendered by Mr. K.M. Lal during his tenure as Special Director.

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 - 86

Date : 27.06.2005

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

By Implementing energy conservation measured actual UKG was reduced from 7.99 to 7.44 units compared to 2003-2004, which is 6.88% reduction in overall power consumption.

- In one Compressor 55 KW Inverter Installed and operated with one Compressor without inverter and reduced operating pressure to 6.75 kg/cm² from 7.5 kg/cm² constantly. Savings achieve per year is 20740 units.
- In Humidification Plant-I, by diversion of pre-filter suction to Carding Waste collection suction fan stopped one 11 KW pre-filter suction fan. Savings achieved per year is 34580 units.
- In Humidification Plant-II replaced existing 15 KW pump with 5.5 KW pump motor. Savings per year is 5520 units.
- In Humidification Plant-III water pump of capacity 22 KW replaced existing 11 KW water pump motor. Savings per year is 6000 units.

B. Technology Absorption, Adoption and Innovation

- Efforts made towards Technology Absorption and Innovation:**
Technology, which was obtained from world leaders on Machinery design, has been fully absorbed.
- Benefits derived as a result of the above:**
 - Optimum use of Raw Material
 - Ability to spin yarn of international standard
 - Safety for the workers and better environment with references to noise and pollution.
- Details about import of technology during the last five years**
Not Applicable

2. Foreign Exchange Earnings and Outgo

- Activity relating to exports:
Cotton Yarn and Knitted Fabric exports.
- 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

- The Company is corresponding with Indian Embassies and Trade Bodies abroad to get the addressees of prospective buyers
- Visits by Directors and executives abroad to build up new contacts

4. Total Foreign Exchange Used and Earned

	2004-05	2003-04
	(Rs in lakhs)	
i) CIF value of imports (Raw Materials, Spares & Capital Goods)	168.84	475.52
ii) Expenditure in foreign currency (Travel and Commission)	25.10	74.20
iii) Foreign exchange earned	3401.18	2794.91

On behalf of the Board

Place : Chennai - 86

R. VEERAMANI

Date : 27.06.2005

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 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, 2005 and of the profit or loss of the Company for the year ended 31st March, 2005.
- ✧ 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 - 86

R. VEERAMANI

Date : 27.06.2005

Chairman & Managing Director

**FORM A**

Form for Disclosure of Particulars with Respect to Conservation of Energy

A. Power & Fuel 2004-2005 2003-2004
Consumption

1. Electricity**a. Purchased**

Units	19975710.00	20420130.00
Total amount (Rs.)	83666669.00	86003207.00
Rate/Unit (Rs.)	4.19	4.22

b. Own Generation**(i) Through Diesel Generator**

Units	208210.00	204693.00
Units per litre of diesel oil	3.02	3.09
Cost per Unit (Rs.)	6.50	5.49

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. Others/Internal Generation

Quantity (tonnes)	—	—
Total Cost	—	—
Average Rate	—	—

B. Consumption per Unit of Production

1. Electricity (KWH)	7.44	7.99
[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 - 86
Date : 27.06.2005

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 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 - 86
Date : 27.06.2005

R. VEERAMANI
Chairman & Managing Director