

GEM SPINNERS INDIA LIMITED

EIGHTEENTH ANNUAL REPORT

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2007-2008



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BOARD OF DIRECTORS

Mr. R.VEERAMANI
Chairman & Managing Director

Directors

Mr. S.R.ASAITHAMBI
Mr. S.R.KUMAR
Mr. P.P.DODDANAVAR
Mr. K.M.LAL

Nominee Directors

Mr. R.KANNAN - ICICI
Mr. SHEKHAR R.RAO-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.

M/s.CNGSN & ASSOCIATES
Chartered Accountants
New No.20, Old No.13, Raja Street
T.Nagar,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 Eighteenth Annual General Meeting of the shareholders of GEM SPINNERS INDIA LIMITED, Chennai will be held on Thursday, the 11th September 2008 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 2008, 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 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 and M/s. CNGSN & Associates, Chartered Accountants, Chennai be and are hereby appointed as Joint 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 Board of Directors."

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modification the following resolution as an **ORDINARY RESOLUTION**:

RESOLVED that pursuant to section 23 of The Sick Industrial Companies Special provisions Act 1985, the company shall file an application with the Board for Industrial Financial and Reconstruction to the effect that more than 50% of its peak net worth is eroded.

By Order of the Board
For Gem Spinners India Ltd

Place : Chennai - 86
Date : 29th July 2008

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.5 of the Notice is annexed to and forms part of the Notice.
3. The Register of Members of the Company shall remain closed from 05.09.2008 to 11.09.2008 (Both days inclusive).
4. Details of Directors seeking 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 Number 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 : 29th July 2008

S. VASUDEVAN
Company Secretary

**Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956****Item No.5**

As per the provisions of Sec.23 of The Sick Industries Special Provisions Act 1985, if the accumulated losses of an industrial company as at the end of any financial year have resulted in erosion of fifty per cent or more of its peak net worth during the immediately proceeding four financial year, the company shall within a period of sixty days from the date of finalisation of the duly audited accounts of the company for the relevant financial year report the fact of such erosion to the Board and hold a general meeting of the shareholders of the company for considering such erosion. As the company's net worth has already eroded 75% of its net worth, the Board of Directors in order to comply the above provisions, have brought the above resolution before the members for their approval.

By Order of the Board
For **Gem Spinners India Ltd**

S. VASUDEVAN
Company Secretary

Place : Chennai - 86
Date : 29th July 2008

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Details of re-appointment / appointment of Directors as per Clause 49 of the Listing Agreement.

Mr. P.P. Doddanavar and Mr.S.R. Kumar are retiring by rotation and being eligible offers themselves for reappointment.

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

Name	Qualification	Brief Resume and Area of Expertise	Other Directorship	Company Name
Mr.P.P.Doddanavar	Metric	He has got wide experience in the granite industry. He has also got high pragmatic exposure on present trends in textile industry.	NIL	NIL
Mr.S.R. Kumar	Metric	He has got wide experience in the granite industry. He has also got high pragmatic exposure on present trends in textile industry.	15	Gem Holiday Resorts Limited Stone Wonders (India) Limited Gem Global Trade Limited Gem Energy Industries Limited Gem Leathers Limited Gem Granites Private Limited Imperial Granites Private Limited Gem Stone Beach Resorts (P) Limited Gem Plantation and Agro Products Pvt Limited Sagap Plantations & Farms Private Limited Gem Ashapura Granites (Gujarat) Private Limited Celia Leathers (P) Limited Gem Granites Gem Granites (Karnataka) Gomatesh Granites



DIRECTORS' REPORT FOR THE YEAR 2007 - 2008

Your Directors have pleasure in presenting the 18th Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2008.

Financial Results

	2007-08 Rs.in lakhs	2006-07 Rs in Lakhs
SALES		
Export	8790.47	7623.80
Domestic	976.60	1584.26
Waste	486.41	390.48
Total	10253.48	9598.54
Operating Profit	623.73	1134.03
Less: Financial Charges	408.55	442.32
Gross Profit	215.18	691.71
Less: Depreciation	392.61	400.10
Less: Fringe Benefit Tax	3.45	2.12
Less: Minimum Alternate Tax	-	15.24
Less: Deferred Tax	12.16	(13.06)
Net (Loss) / Profit	(168.72)	287.31

Review of Operations

Your company has achieved a Turnover of Rs. 10253.48 Lacs (Trading Rs.5083.19 Lacs) during the year under review as against Rs.9598.54 Lacs (Trading Rs.4033.81 Lacs) in the previous year. In this, the turnover has increased by 6.82% as compared to the previous year. The Operating profit was only of the order of Rs.623.73 Lacs as compared to the previous year mark of Rs.1134.03 Lacs.

Your Directors have to report a Net Loss of Rs.168.72 lakhs for the year under report as against a Net Profit of Rs.287.31 lakhs during the previous year.

The negative performance for the year under report was mainly due to the strengthening of rupee against US dollar. If the currency rate would have been maintained as it was in the previous year, your Directors would have presented a better financial report with the profit margin of Rs.559.56 lakhs as against the reported loss of Rs.168.72 lakhs. Besides, the cost of raw material has gone up by 15% as compared to previous year. It may be noted that more than 90% of the textile mills of similar activities are suffering with losses due to reasons beyond their control as stated above.

Dividend

In view of the insufficiency of the profits earned by the Company during the year, your directors have not recommended any dividend.

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.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.

Directors

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

During the year under report, IDBI has nominated Mr. Shekhar R Rao in the place of Mr. R. Anbalagan as their nominee to the Board.

Deposits

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

Auditors

M/s. Vijai Sarathy & Co., and M/s. CNGSN & Associates, 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, 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 - 86
Date : 29.07.2008

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.

1. A. Conservation of Energy

By implementing energy conservation measures actual UKG was reduced from 6.47 in 2006-07 to 5.54 units in 2007-08 which is 14.37% reduction in overall power consumption.

- a. We have conducted Energy Audit through M/s. Systel Energy Solution (India) Pvt. Ltd. by which we have saved 480 Units per day.

B. Technology Absorption, Adoption and Innovation

a. Efforts made towards Technology Absorption and Innovation

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

b. Benefits derived as a result of the above.

- i. Optimum use of Raw Material
- ii. Ability to spin yarn of international standard
- iii. Safety for the workers and better environment with references to noise and pollution.

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

Not Applicable

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

4. Total foreign exchange used and earned:

	2007-08	2006-07
	(Rs. In Lakhs)	
i) CIF value of imports (Raw material, Spares & Capital goods)	71.79	388.33
ii) Expenditure in foreign currency (Travel and Commission)	100.82	67.33
iii) Foreign exchange earned	8233.84	6446.00

On behalf of the Board

Place : Chennai - 86

Date : 29.07.2008

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, judgments 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 2008 and of the profit or loss of the Company for the year 31st March 2008.

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

Date : 29.07.2008

R. VEERAMANI

Chairman & Managing Director



CORPORATE GOVERNANCE

1. A brief statement on the 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 maximize long term value for shareholders, while respecting the aspect of multiple stakeholders. Our 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

Board of Directors of the Company consist of one executive and six non-executive independent Directors as on 31.3.2008.

Name of the Director	Category	No. of Other Directorships and Committee Memberships including Pvt. Ltd. Cos. (Including this Company)			
		Other Directorship		Committee Membership	
		As Chairman	As Member	As Chairman	As Member
Mr. R. Veeramani	Chairman & Managing Director	2	20	Nil	2
Mr. S.R. Asaithambi	Non-Executive Director	Nil	19	Nil	2
Mr. S.R. Kumar	Non-Executive Director	—	17	1	1
Mr. P.P. Doddanavar	Independent Director	—	Nil	2	Nil
Mr. K.M.Lal	Independent Director	—	—	—	1
Mr.R. Anbalagan Mr. Shekhar R.Rao	Independent Director - Nominee IDBI	—	—	Nil	1
Mr. R. Kannan	Independent Director - Nominee ICICI	—	7	1	4

Mr. Shekhar R. Rao was nominated in the place of Mr. R. Anbalagan on 5.9.2007.

Attendance Record of the Directors

Directors	No. of Meetings		Attended last AGM on 23.8.2007
	Held	Attended	
Mr. R. Veeramani	4	3	Yes
Mr. S.R. Asaithambi	4	3	Yes
Mr. S.R. Kumar	4	4	Yes
Mr. P.P. Doddanavar	4	3	Yes
Mr. R. Anbalagan	4	1	No
Mr. Shekhar R. Rao	—	1	
Mr. R. Kannan	4	4	Yes
Mr. K.M. Lal	4	1	No

Number of Board Meetings held, dates on which held :

Date of Board Meeting	Place / City	No. of Directors present
14.06.2007	Chennai	6
23.08.2007	Kancheepuram	5
24.10.2007	Chennai	4
19.01.2008	Chennai	5

3. Audit Committee

The Audit Committee consists of Mr. P.P. Doddanavar as Chairman and Mr. R. Kannan and Mr. R. Anbalagan and Mr. K.M. Lal as members and Mr. S. Vasudevan as the Member Secretary. Consequent to the withdrawal of Mr. R. Anbalagan by IDBI as nominee Director, Mr. Shekhar R Rao was nominated to the Audit Committee by the Board.

Date of Meetings:

14.06.2007, 22.8.2007, 24.10.2007, 19.1.2008.

Name	Designation	No. of Meeting attended
Mr. P.P. Doddanavar	Chairman	3
Mr. R. Kannan	Member	4
Mr. R. Anbalagan	Member	1
Mr. Shekhar R. Rao	Member	1
Mr. K.M. Lal	Member	1

Mr. S. Vasudevan, Company Secretary, is the Secretary of the audit committee.

Terms of reference of Audit Committee

The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, management discussion and analysis of financial condition and results of operation, review adequacy of internal audit function, management