

 **GEM SPINNERS INDIA LIMITED**

**TWENTY SECOND ANNUAL REPORT**

**2011 - 2012**







## BOARD OF DIRECTORS

Mr.R.VEERAMANI  
Chairman & Managing Director

## Directors

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

## CONTENTS

	Page No.
Notice	2
Directors' Report	4
Corporate Governance	6
Management Discussion & Analysis	11
Auditor Report	13
Balance Sheet	16
Profit and Loss Account	17
Notes	18
Balance Sheet Abstract	29
Cash Flow Statement	30

## Executive Director

Mr.A.M.DURAIRAJ

## Company Secretary

Ms.A.VANI

## AUDITORS

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

M/s. CNGSN & ASSOCIATES  
Chartered Accountants

New No.20, Old No.13, Raja Street ,  
T.Nagar, Chennai – 600 017.

## COST AUDITOR

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 Twenty Second Annual General Meeting of the shareholders of GEM SPINNERS INDIA LIMITED, Chennai will be held on the Tuesday, the 18th September 2012 at 10.30 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 2012, 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.R.Asaithambi who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Vijai Sarathy & Co. Chartered Accountants, Chennai and M/s. CNGSN & Associates, Chartered Accountants, Chennai as Auditors of the company 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.

By Order of the Board  
For Gem Spinners India Ltd

Place : Chennai - 600 086  
Date : 06.08.2012

A. Vani  
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 11.09.2012 to 18.09.2012 (Both days inclusive).
3. 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.
4. 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.
5. Members are requested to bring their copies of the Annual Report to the meeting.
6. 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.
7. The Securities and Exchange Board of India (SEBI) has made it mandatory for shareholders to furnish copy of their PAN card to the Company / RTA for registration of transfer of shares. This is applicable to every transfer of shares transacted in the securities market irrespective of the amount of such transactions.

By Order of the Board  
For Gem Spinners India Ltd

Place : Chennai - 600 086  
Date : 06.08.2012

A. Vani  
Company Secretary



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

Mr.S.R.Asaithambi is retiring by rotation and being eligible offers himself 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
1.Mr.S.R.Asaithambi	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 Sugars Limited 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 Celia Leather (P) Limited Gem Graphites (P) Limited Balaji Bonded Brake Linings (P) Ltd Imperial Tiles Private Limited Gem Agro Industries Limited Gem Earth Treasures Private Limited



## DIRECTORS' REPORT FOR THE YEAR 2011 – 2012

Your Directors have pleasure in presenting the 22<sup>nd</sup> Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.03.2012.

### Financial Results

Particulars	2011-12	2010-11
	Rs. in Lakhs	Rs. in Lakhs
SALES		
Export	3266.46	6849.39
Domestic	335.70	1953.49
Waste	19.49	357.36
Total	<b>3621.65</b>	<b>9160.24</b>
Operating Profit/ (Loss)	(71.18)	307.38
Less: Financial Charges	295.42	285.16
Gross Profit/ (Loss)	(366.60)	22.22
Less : Depreciation	29.05	256.25
Loss before Tax	395.65	234.03
Less : Prior years excess provision of interest written back	----	170.16
Less : Deferred Tax Liability / Asset	----	37.41
Net (Loss) / Profit	(395.65)	(26.46)

### Review of Operations

Your company has achieved a Turnover of Rs.3621.65 Lakhs (Trading Rs.2551.16 Lakhs) during the year under review as against Rs.9160.24 Lakhs (Trading Rs.4317.09 Lakhs) in the previous year. The 60.46% reduction in turnover as compared to last year is due to continued power cut in Tamil Nadu since October 2008 and its impact is full during the year under report also. The Operating Loss was of the order of Rs.71.18 Lakhs as compared to the previous year Profit of Rs.307.38 Lakhs.

Your Directors have to report a Net Loss of Rs.395.65 Lakhs for the year under report as against a Net Loss of Rs.26.46 Lakhs during the previous year.

### Dividend

In view of the insufficiency of the profits earned by the Company during the year, your directors are not in a position to recommend 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.5,00,000 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. S.R.Asaithambi to retire at this Annual General Meeting and being eligible offers himself for reappointment.

### 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 IOB, SBI, 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 - 600 086  
Date : 06.08.2012

R. Veeramani  
Chairman & Managing Director



## ANNEXURE I 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

#### FORM A

Form for Disclosure of Particulars with respect to conservation of Energy

A.	Power & Fuel Consumption	2011-2012	2010-2011
1.	<b>Electricity</b>		
	a. Purchased Units	976980	9848070
	Total amount (Rs.)	11142349	47451185
	Rate / Unit Rs.	11.40.	4.82
	<b>b. Own Generation</b>		
	(i) Through Diesel Generator Units		0
	Total Amount (Rs.)		0.00
	Cost per Unit (Rs.)		0.00
	(ii) Through Steam		
	Turbine/Generator		
	Units		
	Units per litre of fuel oil / gas		
	Cost per Unit (Rs.)		
2.	<b>Coal</b>		--
	Quantity (tonnes)		
	Total Cost		
	Average Rate		
3.	<b>Furnace Oil / L.S.H.S</b>		--
	Quantity (tonnes)		
	Total Cost		
	Average Rate		
4.	<b>Others / Internal Generation</b>		--
	Generation		
	Quantity (tonnes)		
	Total Cost		
	Average Rate		
B.	<b>Consumption per unit of Production</b>		--
	1. Electricity (KWH)	N.A	4.38
	(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		

#### 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

Fiber and Yarn

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

Optimum utilization of fiber 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

- 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

#### 3. 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:

(Rs. In Lakhs)

Particulars	2011-12	2010-11
i) CIF value of imports (Raw material, Spares & Capital goods)	Nil	48.17
ii) Expenditure in foreign currency (Travel and Commission)	102.64	108.22
iii) Foreign exchange earned	3195.69	6714.14

On behalf of the Board

Place : Chennai - 600 086 R. Veeramani  
Date : 06.08.2012 Chairman & Managing Director

On behalf of the Board

Place : Chennai - 600 086 R. Veeramani  
Date : 06.08.2012 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.

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Corporate Governance Report forms part of the Annual Report. Your Company is in full compliance with the requirements and disclosures as stated therein. A certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance is appended to the Report on Corporate Governance.

### 2. BOARD OF DIRECTORS

The Company has a well-defined process that ensure placement of all material and vital information before the Board pertaining to business to be considered at each Board Meeting enabling effective participation by Board Members in the discussion and in discharging their responsibilities.

Board of Directors of the Company consist of One Executive, One Non-Executive and Three Non-Executive independent Directors as on 31.03.2012.

## Annexure II

### 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 2012 and loss of the Company for the year 31st March 2012.
- 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.



Name of the Director	Category	No. of Other Directorships and Committee Memberships excluding Pvt. Ltd. Cos. & (Excluding this Company)			
		Other Directorship		Committee Membership	
		As Chairman	As Member	As Chairman	As Member
Mr. R. Veeramani	Chairman & Managing Director	1	20	Nil	Nil
Mr. S.R. Asaithambi	Non – Executive Director	Nil	15	1	1
Mr. P.P. Doddanavar	Independent Director	Nil	4	2	Nil
Mr. K.M.Lal	Independent Director	Nil	10	Nil	2
Mrs.Radha Sridhar	Nominee Director IDBI	Nil	Nil	Nil	1
Mr.S.Muralikrishnan	Independent Director	Nil	13	Nil	Nil

Mrs.Radha Sridhar resigned from the Board on 21.12.2011

## Attendance Record of the Directors

Director	No. of Meetings		Attended last AGM on 09.08.11
	Held	Attended	
Mr. R. Veeramani	4	4	Yes
Mr. S.R. Asaithambi	4	4	Yes
Mr. P.P. Doddanavar	4	4	No
Mr. K.M. Lal	4	4	No
Ms.Radha Sridhar	4	Nil	No
Mr.S.Muralikrishnan	4	1	No

## Number of Board Meetings held, dates on which held:

Date of Board Meeting	Place / City	No. of Directors present
27.05.2011	Chennai	4
08.08.2011	Chennai	4
14.10.2011	Chennai	4
09.02.2012	Chennai	4

## Board Committees:

The Board of Directors of the Company have set up Committees to carry out various functions, as entrusted, and give the suitable recommendations to the Board on the significant matters, from time to time.

## Mandatory Committees :

- Audit Committee
- Shareholders'/Investors Grievance Committee

## Optional Committees:

- Remuneration Committee
- Finance Committee

The composition, scope and details of the aforesaid Committees are given as under :

The Audit Committee consists of Mr. P.P. Doddanavar as Chairman and Mr. K.M. Lal, Ms. Radha Sridhar, Mr. S. Muralikrishnan as members and Ms.A.Vani as the Member Secretary

Date of Meetings:

27.05.2011, 08.08.2011, 14.10.2011 & 09.02.2012

Name	Designation	No. of Meetings attended
Mr. P.P. Doddanavar	Chairman	4
Ms. Radha Sridhar	Member	Nil
Mr.K.M.Lal	Member	4
Mr.S.Muralikrishnan	Member	Nil

Ms.A.Vani, 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 letters / letters of internal control weakness issued by the statutory auditors, internal audit report relating to internal control weakness, related party transactions, review financial and risk management policies, to look into the reasons for substantial defaults in the payment to depositors, debenture/



shareholders and creditors, oversee compliance with Stock Exchange and legal requirements concerning financial statements, review auditors qualifications(draft), compliance with Accounting Standards, recommending the appointment and renewal of external Auditors / Chief internal auditors / fixation of audit fee and also approval for payment for any other services etc.

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.

### Prevention of Insider Trading:

The Audit Committee also monitors implementation and compliance of the Company's Code of Conduct for prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations 1992. The Board has designated Ms.A.Vani as Compliance Officer.

### Risk Management

The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures. The Designated Officials submit quarterly reports, which are reviewed periodically by the Management Committee to ensure effective risk management.

The Board has delegated the power of Share Transfer to Registrar & Share Transfer Agent, who processes the transfers. The Committee also looks after redressal of investors' grievances and performances of the Registrar and Transfer Agent of the Company.

Name	Designation	No. of Meetings held	No. of Meetings Attended
Mr. S.R. Asaithambi	Chairman	18	18
Mr. R. Veeramani	Member	18	18

Ms.A.Vani, Company Secretary, is the Compliance Officer

### 3. Remuneration Committee

Name	Designation
Mr. P.P.Doddanavar	Chairman
Mr.S.R.Asaithambi	Member
Mr.K.M.Lal	Member

There were no meetings of the remuneration committee during the year.

### REMUNERATION OF DIRECTORS

Remuneration of Executive Director is recommended by the Remuneration committee and approved by the Board of Directors and the Shareholders of the Company.

Non-Executive Directors were paid a sitting fee of Rs.3000/- for each Board Meeting attended by them

There is no pecuniary relationship or transactions by Non-executive Directors with the Company.

The details of the Remuneration paid to the Directors for the financial year 2011 – 2012 are given below

\*Ms.Radha Sridhar was resigned from the Board on 24.12.2011

### The details of the Remuneration paid to the Directors for the financial year 2011 – 2012 are given below

Director	Relation with other Director	Business Relationship With the Co. If any	Remuneration paid During April 11 – March 12			
			Sitting Fees (Rs.)	Salary & Perks (*) Commn. (Rs.)	Commn Paid (Rs.)	Total (Rs.)
Mr. R. Veeramani	} Brothers	Promoter	Nil	1500000	Nil	1500000
Mr. S.R. Asaithambi		Promoter	12000	Nil	Nil	12000
Mr. P.P. Doddanavar	Nil	Independent Director	12000	Nil	Nil	12000
Mr. K.M.Lal	Nil	Independent Director	12000	Nil	Nil	12000
Mr.S.Muralikrishnan	Nil	Independent Director	Nil	Nil	Nil	Nil
Ms.Radha Sridhar	Nil	Nominee Director	Nil	Nil	Nil	Nil