

GEM^{SPIN} SPINNERS INDIA LIMITED

TWENTY THIRD ANNUAL REPORT

2012 - 2013

BOARD OF DIRECTORS

Mr.R.VEERAMANI
Chairman & Managing Director

Directors

Mr.P.P.DODDANAVAR
Mr.K.M.LAL
Mr.S.GOPAL

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.

BANKERS

INDIAN OVERSEAS BANK
STATE BANK OF INDIA
LAKSHMI VILAS BANK

REGISTERED OFFICE & MILLS

14, Mangalam Village, Madhuranthagam Taluk
Kancheepuram District, Tamil Nadu

CORPORATE OFFICE

78, CATHEDRAL ROAD, CHENNAI – 600 086.

REGISTRAR & SHARE TRANSFER AGENT

CAMEO CORPORATE SERVICES LTD.
“Subramanian Building”, 1, Club House Road,
Chennai – 600 002.

Contents

	Page No.
Notice	3
Directors' Report	5
Corporate Governance	8
Management Discussion & Analysis	13
Independent Auditors' Report	15
Balance Sheet	18
Profit and Loss Account	19
Notes	20
Cash Flow Statement	32

IMPORTANT COMMUNICATION

The Ministry of Corporate Affairs has taken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances by companies and has issued a circular clarifying that the companies would be in compliance of Section 219(1) of Companies Act 1956 in case copy of notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc. is sent by electronic mail to its members. Hence, members who have not registered their e-mail addresses so far are requested to register their e-mail addresses with the depository through their Depository Participants to enable the company to send the notice calling Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report etc. through e-mail address with the Registrar and Share Transfer Agent viz. CAMEO CORPORATE SERVICES LTD, CHENNAI.



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Twenty Third Annual General Meeting of the shareholders of GEM SPINNERS INDIA LIMITED, Chennai will be held on Tuesday, the 24th September 2013 at 10.30 a.m. at No.14 Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamil Nadu to transact the following business.

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March 2013, 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. K.M.Lal 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 an ORDINARY 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 the Board of Directors."

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

Place : Chennai - 86
Date : 27.05.2013

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 16.09.2013 to 24.09.2013 (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 - 86
Date : 27.05.2013

A. Vani
Company Secretary

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

Mr.K.M.Lal 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
Mr.K.M.Lal	IAS (Retd.)	He has got wide Experience in Economic, Administrative, Planning and Public Finance. He has also widely travelled abroad as a Delegate and on Deputation.	8	<ul style="list-style-type: none">• Polylink Polymers (India) Limited• SREI Capital Markets Limited• Pancea Biotec Limited• Hindustan Wires Limited• Gem Sugars Limited• KMC Energy Private Limited• Sankalp Oil & Natural Resources Limited• Lexicon Public Relations and Corporate Consultants Private Limited

DIRECTORS' REPORT FOR THE YEAR 2012 – 2013

Your Directors have pleasure in presenting the 23rd Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.03.2013.

Financial Results

Particulars	2012-13 Rs. in Lakhs	2011-12 Rs. in Lakhs
SALES		
Export	1046.58	3266.46
Domestic	--	335.70
Waste	--	19.49
Total	1046.58	3621.65
Operating Profit	125.20	(71.18)
Less: Financial Charges	157.52	295.42
Gross Profit	(32.33)	(366.60)
Less : Depreciation	29.60	29.05
Loss before Tax	(61.93)	(395.65)
Less : Deferred Tax Liability / Asset	---	----
Net (Loss) / Profit	(61.93)	(395.65)
Accumulated Loss	3242.10	3180.16

Review of Operations

Your Company has achieved a Trading Turnover of Rs.1046.58 Lakhs during the year under review as against Turnover of Rs. 3621.65 Lakhs (Trading Rs. 2551.16 Lakhs) in the previous year. The Operating Profit was of the order of Rs.125.20 Lakhs as compared to the previous year loss of Rs.71.18 Lakhs.

Your Directors have to report a Net Loss of Rs. 61.93 Lakhs for the year under report as against a Net Loss of Rs.395.65 Lakhs during the previous year.

The Company has suspended temporarily its manufacturing operation due to severe shortage of power in Tamilnadu, instability in cotton prices, mismatch of cotton & yarn prices and increase in fuel price. We shall explore the possibility of recommencing the production subject to the availability of power and viability. However your Company shall continue its trading activities.

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. K.M.Lal 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 have confirmed their eligibility and willingness to accept office, if reappointed.

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 - 86

Date : 27.05.2013

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.

I. Conservation of Energy
FORM A
Form for Disclosure of Particulars with respect to conservation of Energy

A. Power & Fuel Consumption	2012-2013	2011-2012
1. Electricity		
a. Purchased Units	--	976980
Total amount (Rs.)	--	11142349
Rate / Unit Rs.	--	11.40
b. Own Generation	--	--
2. Coal	--	--
3. Furnace Oil / L.S.H.S	--	--
4. Others	--	--
B. Consumption per unit of Production	--	--

FORM B
Form for Disclosure of Particulars with respect to Technology Absorption
Research & Development (R& D)

- Specific areas in which R&D carried out by the Company**
Fibre and Yarn
- Benefits derived as a result of the above R&D**
Optimum utilization 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

- 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

II. 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.

III. 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

IV. Total foreign exchange used and earned:

	2012-13	2011-12
		(Rs. In Lakhs)
I) CIF value of imports (Raw material, Spares & Capital goods)	Nil	Nil
ii) Expenditure in foreign currency (Travel and Commission)	28.98	102.64
iii) Foreign exchange earned	1016.68	3195.69

On behalf of the Board

Place : Chennai - 86
Date : 27.05.2013

R. Veeramani
Chairman & Managing Director

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 have been selected and 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 and loss of the Company for the year ended 31st March 2013.
- 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 has been taken.
- The Annual accounts have been prepared on a going concern basis.

On behalf of the Board

Place : Chennai - 86
Date : 27.05.2013

R. Veeramani
Chairman & Managing Director

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 and Three Non-Executive independent Directors as on 31.03.2013.

Name of the Director	Category	No. of Other Directorships and Committee Memberships excluding Pvt. Ltd. Cos.			
		Other Directorship		Committee Membership	
		As Chairman	As Member	As Chairman	As Member
Mr. R. Veeramani	Chairman & Managing Director	1	7	Nil	Nil
Mr. S.R. Asaithambi*	Non – Executive Director	Nil	7	Nil	Nil
Mr. P.P. Doddanavar	Independent Director	Nil	2	2	Nil
Mr. K.M.Lal	Independent Director	Nil	6	Nil	2
Mr.S.Gopal	Independent Director	Nil	Nil	1	1

*Mr.S.R.Asaithambi was resigned on 14.11.2012.

Attendance Record of the Directors			
Director	No. of Meetings		Attended last AGM on 18.09.2012
	Held	Attended	
Mr. R. Veeramani	5	4	Yes
Mr. S.R. Asaithambi	5	2	Yes
Mr. P.P. Doddanavar	5	5	Yes
Mr. K.M. Lal	5	1	No
Mr.S.Gopal	5	3	No

Number of Board Meetings held, dates on which held:		
Date of Board Meeting	Place / City	No. of Directors present
30.05.2012	Chennai	2
06.08.2012	Chennai	5
18.09.2012	Chennai	4
14.11.2012	Chennai	3
04.02.2013	Chennai	3

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: