

GEM SPINNERS INDIA LIMITED

TWENTY FIFTH ANNUAL REPORT

2014 - 2015

BOARD OF DIRECTORS

Mr.R.VEERAMANI

Mr.P.P.DODDANAVAR

Mr.S.GOPAL

Mrs.POORANA JULIET

CHIEF FINANCIAL OFFICER

MR. G. SENTHILVEL

COMPANY SECRETARY & COMPLIANCE OFFICER

Mrs. A.VANI

E mail id: secretarial@gemspin.com

AUDITORS

M/s.VIJAY SARATHY & CO.

Chartered Accountants,

18-A, Rajamannar Street,

T.Nagar, Chennai – 600 017.

SECRETARIAL AUDITORS

M/S. LAKSHMMI SUBRAMANIAN & ASSOCIATES,

M.N.O. Complex, 81, Greams Road, Chennai – 600 006.

BANKERS

INDIAN OVERSEAS BANK

LAKSHMI VILAS BANK

REGISTERED OFFICE & MILLS

14, Mangalam Village, Madhuranthagam Taluk

Kancheepuram District, Tamil Nadu – 603 107

E mail id: accounts@gemspin.com

COMPANY CIN : L17111TN1990PLC019791

CORPORATE OFFICE

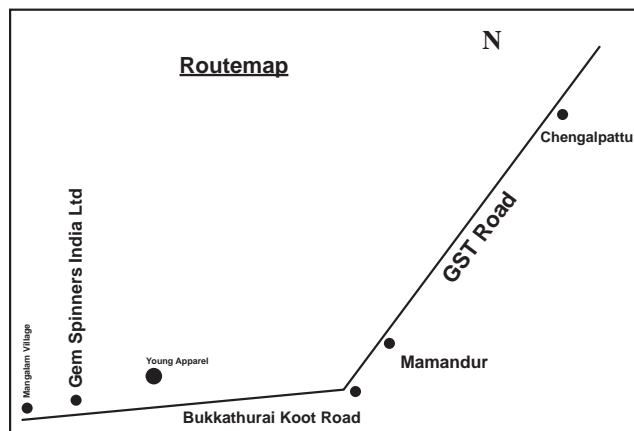
78, CATHEDRAL ROAD, CHENNAI – 600 086.

REGISTRAR & SHARE TRANSFER AGENT

CAMEO CORPORATE SERVICES LTD.

"Subramanian Building", 1, Club House Road,

Chennai – 600 002.



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NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty Fifth Annual General Meeting of the shareholders of the Company will be held on Wednesday the 30th September 2015 at **No.14 Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamilnadu – 603 107 at 10.30a.m.** to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2015 and the Profit and Loss Account for the year ended on that date together with the Reports of Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. R. Veeramani (DIN: 00032895) 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 in terms of the provisions of Sections 139,142 and other applicable provisions, if any, of the Companies Act, 2013 read with the underlying rules viz. Companies (Audit and Auditors) Rules, 2014 as may be applicable and pursuant to the resolution of the Members at the 24th Annual General Meeting held on 17th September, 2014, the appointment of M/s Vijay Sarathy & Co., Chartered Accountants (Firm Registration No. 004695S), as auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the 27th Annual General Meeting (AGM) of the Company, be ratified by the Members on a remuneration

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.
2. The Instrument appointing a proxy shall be deposited at the Corporate Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from Thursday the 24th September 2015 to Wednesday the 30th September 2015 (Both days inclusive).
4. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
5. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21, 2011 and April 29, 2011 respectively) has undertaken a Green Initiative in Corporate Governance and allowed Companies to share documents with its shareholders through an electronic mode. A recent amendment to the Listing Agreement with the Stock Exchanges permits companies to send soft copies of the Annual Report to all those shareholders who have registered their email addresses for the said purpose. Hence Members are requested to register their e-mail addresses with the Company by sending their details relating to name, folio no./DP Id/Client Id to the company's email id : secretarial@gemspin.com
6. Members are requested to notify immediately any change in their address to the Registrar and Share transfer Agent – M/s. Cameo Corporate Services Ltd., "Subramanian Building", 1, Club House Road, Chennai-600 002.
7. Members who hold shares in physical form are requested to dematerialize their holdings to make the Company's shares traded in normal segment.
8. Electronic copy of the AGM Notice of the Company inter alia indicating the process and manner of e-voting along with

inclusive of service tax and such other tax(es) (as may be applicable) and reimbursement of all out- of pocket expenses in connection with the audit of the accounts of the Company (including terms of payment) to be fixed by the Board of Directors of the Company, based on the recommendation of the Audit Committee.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149, 150,152,160 and any other applicable provisions of the Companies Act, 2013 and the Rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act 2013, Mrs Poorana Juliet holding DIN: 07143637, who was appointed as an additional director of the Company by the Board of Directors in terms of Section 161(1) of the Act and the Articles of Association of the Company and whose term of office expires at the 25th Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five consecutive years for a term up to 30th September 2020, not liable to retire by rotation."

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

Place : Chennai - 86
Date : 14.08.2015

A. Vani
Company Secretary

Attendance slip and Proxy form is being sent to all the members whose email IDs are registered with the Company/ Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the Company inter alia indicating the process and manner of e-voting along with Attendance slip and Proxy form is being sent in the permitted mode.

9. Voting through Electronic Means

In compliance with provisions of Section 108 of the Companies Act 2013 read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer E-Voting facility as an alternate, for its shareholders to enable them to cast their votes electronically at the 25th Annual General Meeting (AGM) through e-voting service provided by Central Depository Services (India) Limited. E-Voting is optional. The procedure and instructions for the same are as follows:

The Company will provide the evoting facility through CDSL. The e-voting particulars are set out as below:

The instructions for members for voting electronically are as under:-

In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "**GEM SPINNERS INDIA LIMITED**" from the drop down menu and click on "SUBMIT"
- (iv) Now Enter your User ID
 - (a) For CDSL: 16 digits beneficiary ID,
 - (b) For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - (c) Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN Field. (Sl.No. mentioned in your address label can be used as Sequence No. for this purpose)
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. <ul style="list-style-type: none"> • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for Gem Spinners India Limited

- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
- They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

In case of members receiving the physical copy:

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) The voting period begins at 9.00 A.M. on 27th September 2015 and ends at 6.00 P.M. on 29th September, 2015.
During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 23rd September, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (C) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.
- (D) Members may also contact the Company's Secretarial Department at secretarial@gemspin.com or the Registrar and Transfer Agent at investor@cameoindia.com.
- (E) The result of the voting will be placed on the website of the Company <http://www.gemspin.com>.

Please note that by virtue of providing the e-voting facility by the company as per Rule 20 of Companies (Management and Administration) Rules, 2014 the following will be applicable:

- (i) The manner of voting for the members being present in the General Meeting will be on "proportion principle" i.e. one share – one vote unlike one person one vote principle, further provision of the Companies Act, 2013 relation to demand for poll will not be relevant.
- (ii) The option of voting by show of hands will not be available for members presenting the General Meeting in view of clear provision of section 107 of the Companies Act, 2013, i.e. voting by show of hands would not be allowable in cases where Rule 20 of Companies (Management and Administration) Rules, 2014 is applicable.
- (iii) Any member who has voted through e-voting facility provided by the company may also participate in the General Meeting in person, but such a member will not be able to exercise his vote again in the meeting, and the earlier vote casted through electronic means will be treated as final.

Details of Directors seeking appointment / re-appointment in the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)

Particulars		
Name	Mr. R. Veeramani	Mrs. Poorana Juliet
Date of Birth	15/09/1942	15/03/1966
DIN No	00032895	7143637
Date of Appointment	01/10/2011	30/03/2015
Relationship with other Directors	Nil	Nil
Qualification	B.Sc., B.L.,	B.A.
Expertise in specific functional areas	Lawyer turned Technocrat entered into the stone Industries in 1971. He is in the business of Mining, Textiles, Sugar, Hotel & IT Industry.	Secretarial

Chairmanships/Directorship of other Companies (excluding Foreign Companies and Section 8 Companies)	Ferro Magnets & Allied Products Limited, Gem Granites Private Limited Imperial Granites Private Ltd Gem Graphites Private Ltd Gem Holiday Resorts Limited Gem Stone Beach Resorts Private Limited Gem Global Trade Limited Stone Wonders (India) Ltd Gem Agro Industries Limited Gem Energy Industry Limited Celia Leather Private Limited Gem Sugars Limited Get Minerals and Coal Private Limited Gem Earth Treasures Private Limited Gem Quartz Private Limited Balaji Bonded Breaklinings Private Limited Indo Russian Techno Trade Private Limited	Nil
Chairmanships/Directorship of Committees of other Public Companies	18	Nil
i. Audit Committee	No	No
ii. Stake holders Relationship Committee.	Yes	No
iii. Nomination and Remuneration Committee	No	No.
Number of Shares held in the Company	12692166	Nil

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

The Board of Directors, by passing a resolution at the meeting held on 30th March 2015, appointed Mrs. Poorana Juliet as a Woman Independent Director under Section 149,150 & 152 of the Act 2013 holds office as a director up to the date of the forthcoming Annual General Meeting. It is proposed to appoint her as a Non-executive Independent Director of the Company for five consecutive years till 30th September 2020 in terms of Section 149 of the Act.

The Company has received a notice along with the deposit of requisite amount under Section 160 of the Act from a member proposing Mrs. Poorana Juliet as a candidate for the office of a director of the Company. Mrs. Poorana Juliet has confirmed to the Board that she qualifies to be an independent director within the meaning of Clause 49(II) (B)(1) and Section 149(6) of the Act read with Rule 5 of the

Companies (Appointment and Qualification of Directors) Rules, 2014. The Directors are of the view that Mrs. Poorana Juliet fulfils the conditions specified in the Act and Rules made thereunder for her appointment as an Independent Director of the Company. The Directors are of the view that Mrs. Poorana Juliet would bring valuable experience and gender diversity to the Board and the Company would benefit from her appointment as Director. Accordingly, the Board recommends the passing of the Ordinary Resolution proposed at item no. 4 of the Notice.

None of the Directors/Key Managerial Personnel of the Company/ their relatives, except

Mrs. Poorana Juliet is in any way, concerned or interested, financially or otherwise, in the resolution set out at item no. 4 of the Notice.

By Order of the Board of Directors

Place : Chennai – 86

Date : 14.08.2015

A.Vani

Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 25th Annual Report of our Company along with the audited Balance Sheet and the Statement of Profit and Loss Account for the year ended March 31, 2015.

1. FINANCIAL RESULTS

Particulars	2014-15 Rs. in Lakhs	2013-14 Rs. in Lakhs
SALES		
Export	1335.52	1318.35
	1335.52	1318.35

Operating Profit	817.67	222.26
Less: Financial Charges	0.79	1.79
Gross Profit	816.88	220.47
Less : Depreciation	826.74	230.66
Loss before Tax	(9.86)	(10.19)
Net (Loss) / Profit	(9.86)	(10.19)
Accumulated Loss	(3262.15)	(3252.29)

Review of Operations

Your Company has performed a Trading Turnover of Rs.1335.52 Lakhs during the year under review as against a Turnover of Rs.1318.35 Lakhs in the previous year. The

Operating Profit was of the order of Rs. 817.67 Lakhs as compared to the previous year profit of Rs. 222.26 Lakhs.

Your Directors have to report a Net Loss of Rs.9.86 Lakhs for the year under report as against a Net Loss of Rs. 10.19 Lakhs during the previous year.

The Company has suspended the manufacturing operation due to market volatility. Your Directors are exploring all the possibilities of recommencing the production subject to the availability of power and viability. However your Company is continuing its trading activities.

2. 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.

3. TRANSFER OF PROFIT TO RESERVES

The company has not proposed to transfer any of its profits to reserves in view of the carried forward losses.

4. MATERIAL CHANGE AND COMMITMENTS OF THE COMPANY

There are no material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report; and there are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

5. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

There have been no loan, guarantees and investment given or made by the Company under Section 186 of the Act during the financial year 2014 – 2015.

6. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

The company doesn't have any subsidiaries, associates and joint venture companies.

7. DIRECTORS AND KEY MANAGERIAL PERSONNEL INDEPENDENT DIRECTOR AND APPOINTMENT

Pursuant to the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchange has appointed Mrs. Poorana Juliet as Women Independent Director of the Company with effect from 30th March 2015. She hold office upto the date of 30th September 2020 considering her rich experience, the Board of Directors has recommended her appointment as an Independent Director in this AGM for a further period of 5 years.

INDEPENDENT DIRECTORS' DECLARATION

All independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149 of the Companies Act, 2013 which has been relied on by the Company and placed at the Board Meeting

of the Company.

RESIGNATIONS

Mr K.M. Lal has resigned from the position of Director with effect from 11th November 2014. The Board had placed on record its appreciation for the outstanding contributions made by Mr K.M. Lal during his tenure of office with the Company.

RETIREMENT BY ROTATION

Mr.R. Veeramani who retires by rotation at this Annual General Meeting is being eligible re-appointed as Director.

KEY MANAGERIAL PERSONNEL

Pursuant to the provisions of Section 203 of the Companies Act, 2013 the appointment of Mr.R.Veeramani, Managing Director, Mr. G. Senthilvel, Chief Financial Officer and Mrs. A. Vani, Company Secretary were formalized as the "Key Managerial Personnel" of the Company and Company is in the process of filing the required returns to Statutory Authority.

8. AUDITORS

Pursuant to the provisions of section 139 of the Act and the rules framed there under, M/s. Vijay Sarathy & Co., Chartered Accountants, (Firm Registration no. 004695S) were appointed as auditors of the company from the conclusion of the 24th Annual General Meeting (AGM) of the company held on 17th September 2014 till the conclusion of AGM to be held in 2017, subject to ratification of their appointment at every AGM.

COMMENT ON AUDITOR REPORT - NIL

9. SECRETARIAL AUDITOR

Pursuant to the requirements of Section 204 (1) of the Companies Act 2013 and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed, M/s. Lakshmmi Subramanian & Associates, Practicing Company Secretaries to conduct secretarial audit for the financial year 2014-15.

The Secretarial Audit report as received from the secretarial auditor is annexed to this report as Annexure – I.

10. COMMENT ON SECRETARIAL AUDITOR REPORT

With reference to the remarks made by the secretarial auditor, M/s. Lakshmmi Subramanian, Practicing Company Secretaries. In Secretarial Audit Report, the company has taken the corrective measures during the current financial year.

11. PERSONNEL

According to Section 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, none of the directors are drawing remuneration and thereby the said section is not applicable and hence not furnished.

12. INTERNAL CONTROL AND ITS ADEQUACY

Company has a strong internal Audit Team. They regularly conduct audit and submit their quarterly reports, which are reviewed by the Audit Committee. The Company has an adequate Internal Control system, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Auditor reports to the Chairman of the Audit Committee of the Board. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

13. HUMAN RESOURCES

Due to temporary suspension of manufacturing operation of the factory, the management strives to retain and improve employees morale. The Company is in the process of revamping the employer employee engagement program.

14. TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as required to be disclosed on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure - II" to this Report.

15. RELATED PARTY TRANSACTIONS

During the year 2014 – 2015, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material as per sub-section (1) of section 188 of the Companies Act, 2013. Hence the question of reporting under the requirement of said section doesn't arise.

16. EXTRACT OF ANNUAL RETURN

The details forming part of extract of Annual Return in Form MGT -9 as provided under Sub Section (3) of the Section 92 of the Companies Act, 2013 (the "Act") is annexed herewith as Annexure –III to this report.

17. RISK MANAGEMENT POLICY

The risk management is overseen by the Audit committee of the company on a continuous basis, therefore constituting a Risk Management committee does not arise. Major risks, if any, identified by the business and functions are systematically addressed through mitigating action on a continuous basis. The Risk Management policy is available in the Company website www.gemspin.com

18. DISCLOSURE AS PER SEXUAL HARRASMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Presently the total number of employees is less than the statutory limit and hence the company has not constituted a separate committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The company has zero tolerance for sexual harassment at workplace. During the financial year

2014-15, the Company has not received any complaints.

19. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed analysis of the Company's progress and future outlook is separately discussed in the Management Discussion and Analysis Report, is appended to and forms a part of the Annual Report.

20. DEPOSITS FROM PUBLIC

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on date of the balance sheet.

21. CORPORATE GOVERNANCE REPORT

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The report on Corporate Governance as stipulated under the Listing Agreement forms an integral part of this Report. The requisite certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance is attached to the report on Corporate Governance.

22. PERFORMANCE EVALUATION OF BOARD, COMMITTEE AND DIRECTORS

Pursuant to the provisions of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of the Audit and Nomination & Remuneration Committees and the same was based on questionnaire and feedback from all the Directors on the Board as a whole, Committees and self-evaluation.

A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance. A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interests of the Company and its minority shareholders etc.

The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Executive Directors was carried out by the Independent Directors.

23. CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors had adopted a Code of Conduct for the Board Members and employees of the company. This Code helps the Company to maintain the Standard of Business Ethics and ensure compliance with the legal requirements of the Company.

The Code is aimed at preventing any wrongdoing and promoting ethical conduct at the Board and employees. The Compliance Officer is responsible to ensure adherence to the Code by all concerned.

The Code lays down the standard of conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders.

All the Board Members and the Senior Management Personnel have confirmed compliance with the Code.

The Code of Conduct for Directors and Senior Management Personnel is available in the Company's Website: www.gemspin.com

24. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your company is not having Net profits of more than 5 Crore rupees, in the Year 2014-15 and therefore constituting of a CSR committee in accordance with the provisions of section 135 of the Act does not arise.

25. LITIGATION - Nil

26. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 134(5) of the Act, the Directors hereby confirm:

1. That in the Preparation of Final Accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
2. That they had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profit or Loss of the Company for that period;
3. That they had taken proper and sufficient care for the maintenance of adequate Accounting Records in accordance with the provisions of the Act, for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
4. That they had prepared the Annual Accounts on a Going Concern basis.
5. That they laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and operating properly; and
6. That they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation of the contributions made by employees at all levels, towards the continued growth and prosperity of your Company.

Directors take this opportunity to convey their thanks to all the valued shareholders, Banks and the valuable services rendered by the Officers and Staffs at all levels.

For and on behalf of the Board

R. Veeramani **P.P. Doddanavar**

Place: Chennai - 86 Managing Director Director

Date : 14/08/2015 Din No: 00032895 Din No: 00960514

ANNEXURE I - Form No. MR 3

FOR THE FINANCIAL YEAR ENDED 31.03.2015

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To the Members

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by GEM SPINNERS INDIA LIMITED (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by GEM SPINNERS INDIA LIMITED ("the Company") for the financial year ended on 31st March, 2015 according to the provisions as applicable to the Company during the period of audit:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents)

Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;

- (d) The Listing Agreements entered into by the Company with the Stock Exchanges, where the equity shares of the Company are listed
 - (e) Secretarial Standards issued by the Institute of Company Secretaries of India (**Not Applicable for the Audit Period**)
 - (f) The Securities and Exchange Board of India (Delisting of Equity Share) Regulations, 2009 (Not Applicable for the Audit Period)
- (iv) There are no laws/ Regulations (as amended from time to time), as informed and certified by the management of the Company which are specifically applicable to the Company based on their sector/industry.
- (v) It is reported that during the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guide lines etc except the following.
- Company is in the process of updating certain areas in line with new amended listing agreement including Clause 49.
 - Company has appointed the Key Managerial Personnel only during May 2015.

We further report that there were no actions/events in the pursuance of

- (a) The Securities and Exchange Board of India (Share Based employee Benefits) Regulations, 2014(Not Applicable for the Audit Period);
- (b) The Securities and Exchange Board of India (Buyback of Securities) Regulations,1998(Not Applicable for the Audit Period);
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009(Not Applicable for the Audit Period);
- (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008(Not Applicable for the Audit Period);

requiring compliance thereof by the Company during the Financial Year under review.

We further report that, based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of quarterly compliance reports by respective department heads / CEO taken on record by the Board of Directors of the Company, in our opinion, the Company is in process

of establishing adequate systems and processes and control mechanism to monitor and ensure compliance with applicable other general laws including Industrial Laws, Environment Laws, Human Resources and labour laws, since the Company's manufacturing operations are temporarily suspended.

We further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial auditor and other designated professionals.

We further report that:

The Board of Directors of the Company is generally well constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act except reconstitution of committees after the ceasing of Independent Directors.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were delivered and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that during the audit period, no events during the year have had a major bearing on the Company's affairs except.

- Adoption of new set of Articles of Association (AOA)
- Company manufacturing unit temporarily suspended and Company had only trading activity during the year.
- Application for delisting from MSE and DSE already made by Company and was pending with Stock Exchange. However, such exchange were derecognized by SEBI order dated 26.05.2014 for MSE and 19.11.2014 for DSE.

For **Lakshmmi Subramanian & Associates**

P.S.SRINIVASAN

Partner

Place: Chennai

Date : 14.08.2015

C.P.NO. 3122

Note: This report is to be read with my letter of even date which is annexed as Annexure A and form forms an integral part of this report.