



# PATSPIN INDIA LIMITED

## ELEVENTH ANNUAL REPORT 2001-2002

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## PATSPIN INDIA LIMITED

**BOARD OF DIRECTORS**

|                     |  |
|---------------------|--|
| B. K. Patodia       | : <i>Chairman</i>  |
| M. K. Patodia       | : <i>Vice Chairman</i>                                   |
| J. Otsuka           | : <i>Nominee of ITOCHU Corporation</i>                   |
| M. Yamashita        | : <i>Alternate to Shri. J. Otsuka</i>                    |
| T. Pius Joseph      | : <i>Nominee of KSIDC</i>                                |
| J. F. Alapatt       | : <i>Nominee of Industrial Development Bank of India</i> |
| N. P. Subramanian   | : <i>Nominee of ICICI Bank Limited</i>                   |
| P. K. Kurian        |  |
| Kishore V. Mariwala |  |
| N. K. Bafna         |  |
| B. L. Singhal       |  |
| P. C. Seksaria      |  |
| Umang Patodia       | : <i>Managing Director</i>                               |

**COMPANY SECRETARY**

R. Syam Kumar

**BANKERS**

Central Bank of India  
State Bank of India  
State Bank of Travancore  
Standard Chartered Grindlays Bank Limited  
The Vysya Bank Limited

**AUDITORS**

M/s. M. S. Jagannathan & Visvanathan  
Chartered Accountants  
Coimbatore

**CORPORATE ADVISORS**

M/s. Lodha & Co., Mumbai

**LEGAL ADVISORS**

M/s. Menon & Pai, Kochi

**REGISTERED OFFICE**

3rd Floor, Palal Towers, Ravipuram  
M. G. Road, Ernakulam, Kochi - 682 016

**CORPORATE OFFICE**

43, Mittal Chambers, 228, Nariman Point  
Mumbai - 400 021

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## NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of **PATSPIN INDIA LIMITED** will be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi - 682 016 at 9.30 a.m. on Wednesday the 31st day of July, 2002 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2002 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To consider declaration of Dividend on Preference shares and Equity shares.
3. To appoint a Director in place of Shri. P.K.Kurian, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. P.C.Seksaria, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri. Kishore V.Mariwala, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

**SPECIAL BUSINESS**

7. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a special resolution.

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto, as amended, and subject to the approval of Financial Institutions, approval of the Members be and is hereby accorded to the revision / increase in remuneration and perquisites payable to Shri. Umang Patodia, Managing Director of the Company from 1st April 2002 to 3rd August, 2004 being the balance period of his existing 5 year term of Office as set out in the Supplemental Agreement between the Company and Shri. Umang Patodia produced at this meeting and for the purposes of identification, initialled by the Chairman, hereof".

"RESOLVED FURTHER THAT the Board / Remuneration Committee of Directors of the Company be and is hereby authorised to take such steps expedient to give effect to this resolution".

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary resolution.

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and / or charging by the Board / Committee of Directors of the Company of all the immovable properties and movable fixed assets of the Company, excluding assets on which exclusive charge was given and hypothecation of all movable properties of the Company subject to prior charges in favour of bankers for Working Capital, wheresoever situate, present and future, and of conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of the following namely:-

1. Industrial Development Bank of India (IDBI)
2. Export Import Bank of India (EXIM Bank)

to secure on **Pari Passu First Charge** basis:

- a) Foreign currency Loan of USD 1.070 Mn. Equivalent to about Rs. 500 lacs under Corporate Loan Scheme lent and advanced by IDBI to the Company
  - b) Rupee Term loan of Rs. 570 lacs under Technology Upgradation Fund Scheme lent and advanced by EXIM Bank to the Company
- and
- c) Foreign Currency Loan of USD 2.000 Mn under Long Term Working Capital Term Loan Programme, lent and advanced by EXIM Bank to the Company".

"RESOLVED FURTHER THAT the Board / Committee of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution".

By Order of the Board  
For **PATSPIN INDIA LIMITED**

Place : Kochi  
Date : 16th May, 2002

**R. SYAM KUMAR**  
Company Secretary

## NOTICE

## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be valid must be received by the Company, not less than 48 hours before the commencement of the Meeting.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto and forms part of the Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 19th July, 2002 to 31st July, 2002 (both days inclusive).
5. Pursuant to Section 205A of the Companies Act, 1956, all Unclaimed Dividends upto Financial Year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet claimed their Dividend Warrants for the said period, are requested to claim the amount from the Registrar of Companies - Kerala, Ernakulam by submitting an application in the prescribed Form.
6. Pursuant to Section 205A(5) of the Companies Act, 1956 as amended, any money transferred to Unpaid Dividend Account of the company which remain unpaid or unclaimed for a period of Seven (7) years from the date of such Transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government and the shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.  
Members who have not encashed the dividend warrant(s) for the Financial Year 1995-96 and any subsequent Dividend payment(s) are requested to make their claims to the Company.
7. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable subject to deduction of tax at source (if applicable) on or before 29th August, 2002, to those members whose names appear on the Company's Register of Members as on 19th July, 2002. In respect of shares held in electronic form, dividend will be payable on the basis of beneficial ownership, as per details furnished by NSDL and CDSL for this purpose.
8. As per the provisions of Income Tax Act, 1961, receipt of dividend upto Rs.1,000/- by an individual Shareholder do not attract deduction of tax at source. Other Members who desire to get their dividend without deduction of tax from the Company may file a declaration in Form 15G, in duplicate, in accordance with provisions of Section 197A(1) of the Income Tax Act, 1961, on or before 19th July, 2002.

## REQUEST TO THE MEMBERS

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
4. All communications relating to shares are to be addressed to the Company's Share Transfer Agents M/s.Integrated Enterprises (India) Ltd., "Seema", 41/427, Rajaji Road, Near Abad Metro Hotel, Ernakulam - 682 035, Kerala; Tele. No. (0484) 371 494 / 366 099 Telefax: (0484) 384 735; E-Mail : yesbalu@iepinidia.com or shaji@iepinidia.com.

## DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT

(In pursuance of Clause 49 of the Listing Agreement)

| Name of Director                      | Shri. P.K.Kurian   | Shri. P.C.Seksaria  | Shri. Kishore V.Mariwala   |
|---------------------------------------|--|---|--|
| Date of Birth                         | 20.03.1930   | 30.01.1946  | 14.02.1935   |
| Date of appointment                   | 13.05.1993   | 11.10.1991  | 30.12.1991   |
| Qualifications                        | BSc, Barrister at Law(Lincoln's Inn)   | B.Com   | B.Chem.Engg. from UDCT, Mumbai<br>Masters Degree in Chemical Engg. from<br>Massachusetts Institute of Technology,<br>Cambridge.  |
| Expertise in specific functional area | A leading Lawyer in the High Court of Kerala, since 1954. Specialised in Constitutional, Commercial, Mercantile, Labour Law, Taxation, Company Law matters etc<br>Sr. Advocate and partner of<br>M/s. Menon and Pai, Advocates, Kochi. | Over 35 years of experience in Finance and Administration. He is Chief Executive Officer of GTN Textiles Limited. | Vast experience in Operation Management, Strategic Planning and Overall Management Planning.He is Executive Director of The Bombay Oil Industries Ltd. His entire professional career has been with this group comprising of Marico industries Ltd and Hindustan Polymides and Fibres Limited. |



NOTICE *Contd*

## Details of other Directorships\*

| Name of the Company                       | Position held       | Committee type        | Membership status |
|---|---------------------|-----------------------|-------------------|
| <b>1) Shri. P.K.Kurian</b>                |                     |                       |                   |
| Aspinwall & Co. Ltd.                      | Director            | None                  | None              |
| Aspinwall & Co. (Travancore) Ltd.         | Director            | None                  | None              |
| Binani Metals Ltd.                        | Director            | None                  | None              |
| Dodla International Enterprises Ltd.      | Director            | None                  | None              |
| Framatome Connectors OEN Ltd.             | Director            | Audit                 | Member            |
| Harrisons Malayalam Ltd.                  | Director            | Audit                 | Member            |
| Madura Coats Ltd.                         | Director            | 1. Audit              | Chairman          |
|   |                     | 2. Investor Grievance | Member            |
|   |                     | 3. Remuneration       | Member            |
| Oriental Hotels Ltd.                      | Director            | 1. Audit              | Member            |
|   |                     | 2. Investor Grievance | Member            |
|   |                     | 3. Remuneration       | Member            |
| Parry Agro-Industries Ltd.                | Director            | Audit                 | Member            |
| Peirce Leslie India Ltd.                  | Director            | None                  | None              |
| Taj Kerala Hotels & Resorts Ltd.          | Director            | None                  | None              |
| The Alleppey Company Ltd.                 | Director            | None                  | None              |
| The Pullangode Rubber & Produce Co. Ltd.  | Director            | None                  | None              |
| Soft Systems Ltd.                         | Director(Alternate) | None                  | None              |
| Creasy Plantation Management Ltd.         | Director(Alternate) | None                  | None              |
| Lakeshore Hospital & Research Centre Ltd. | Director(Alternate) | None                  | None              |
| OEN India Ltd.                            | Director(Alternate) | Audit                 | Member            |
| Lankem Plantations Service Ltd.           | Director(Alternate) | None                  | None              |
| William Goodacre & Sons India P. Ltd.     | Director            | None                  | None              |
| Kerala Soaps (P) Ltd.                     | Director            | None                  | None              |
| <b>2) Shri. P.C. Seksaria</b>             |                     |                       |                   |
| GTN Enterprises Ltd.                      | Director            | None                  | None              |
| <b>3) Shri. Kishore V. Mariwala</b>       |                     |                       |                   |
| Hindustan Polymides and Fibres Ltd.       | Director            | None                  | None              |
| Marico Industries Ltd.                    | Director            | None                  | None              |
| The Bombay Oil Industries Ltd.            | Executive Director  | None                  | None              |
| Excel Industries Ltd.                     | Director            | None                  | None              |
| Kanmoor Food Industries Ltd.              | Director            | None                  | None              |
| T. Silvan & Co. Ltd.                      | Director            | None                  | None              |
| K.H.Trading & Investments Pvt. Ltd.       | Director            | None                  | None              |

\* Includes Audit, Remuneration and Shareholders' / Investors' Grievance committee as clarified by SEBI in its notification dated 12.09.2000

## NOTICE

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO.7**

In terms of Govt. of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Notification No. G.S.R 36(E) dated 16th January, 2002, where in any financial year, during the currency of tenure of the managerial person, a company has no profits or its profits are inadequate, it may pay remuneration by way of Salary, Dearness Allowance, Perquisites and any other allowance in excess of Rs. 2,00,000 p.m. but not exceeding Rs.4,00,000 p.m. or exceeding Rs. 4,00,000 p.m. with prior approval of the Central Government, provided (i) payment of remuneration is approved by a resolution passed by the Remuneration Committee; (ii) the company has not made any default in repayment of any of its debts (including public deposits) or debentures or interest payable thereon for a continuous period of thirty days in the preceding financial year before the date of appointment of such managerial person; (iii) a special resolution has been passed at the general meeting of the Company for payment of remuneration for a period not exceeding three years; and (iv) a statement alongwith notice calling the General Meeting referred to in clause (iii) is given to the shareholders containing certain information as specified in the said notification.

The Remuneration Committee constituted pursuant to the above Notification in its meeting held on 16th May, 2002 revised the existing remuneration of Shri.Umang Patodia, Managing Director for the remaining period of his respective tenure, as set out below and also mentioned in the supplemental agreement between the Company and Shri.Umang Patodia, subject, however, to the members approving and ratifying the same.

Revised / Increased remuneration of Shri.Umang Patodia with effect from 01.04.2002:

- a) Period : From 1st April, 2002 to 3rd August, 2004.
- b) Salary : Rs. 2,00,000 per month in the Scale : Rs. 2,00,000 - 30,000 - 2,60,000 effective from 1st April, 2002.
- c) Commission : Subject to the overall limits laid down in Sections 198 and 309 of the Companies Act, 1956, such percentage of the Net Profit of the Company or such quantum as may be fixed by the Board of Directors for each financial year not exceeding 2% of the Net Profits of the Company, each year.
- d) Perquisites as follows :
  - i) Housing : Rent free accommodation will be provided to the appointee for which actual amount of lease rental paid or payable by the Company or 10% of the salary, whichever is lower, shall be recovered. In case no accommodation is provided by the Company, House Rent Allowance, subject to a ceiling of 60% of the appointee salary shall be paid. In addition, the appointee shall be allowed Company owned furniture and fixtures, if required.
  - ii) The expenditure incurred by the appointee on gas, electricity and water shall be reimbursed by the Company.
  - iii) All Medical Expenses incurred by the appointee for self and his family shall be reimbursed.
  - iv) Leave Travel Concession for the appointee and his family will be allowed once in a year as per the Rules of the Company.
  - v) Fees of Clubs : Subject to a maximum of 2 Clubs : This will not include admission and life membership fees.
  - vi) Personal Accident Insurance : The premium of which shall not exceed Rs.10000/- per annum.
  - vii) Contribution to Provident Fund, Superannuation or Annuity Fund to the extent the same are not taxable under the Income-tax Act.
  - viii) Gratuity : As per the provisions of the Payment of Gratuity Act or as per the Gratuity Scheme of the Company, whichever is higher.
  - ix) Provision of Car with driver for use on Company's business and telephone at the residence.
  - x) Leave unavailed of to be allowed to be encashed as per Rules of the Company.
- e) Minimum remuneration

The above appointee shall be paid the same remuneration as stated above as minimum remuneration, in the event of inadequacy of profit subject to the ceiling of minimum remuneration as stated in Part-II, Section II of Schedule-XIII of the Companies Act, 1956 with such modifications as may be made therein from time to time being in force.

Further more, approval of the members in General Meeting is required to be obtained for payment of minimum remuneration, by way of salary and perquisites and allowance as specified above in the event of absence or inadequacy of profits in any financial year during the tenure of Shri.Umang Patodia as Managing Director of the Company.

The perquisites, as detailed above, except the revision in the salary were also provided even prior to April 1, 2002.

## NOTICE

Information required to be disclosed in terms of Notification No.G.S.R.36(E) dated 16.01.2002 of Schedule XIII to the Companies Act, 1956.

# I. GENERAL INFORMATION:

- i) **Nature of Industry**  
Textile Industry - The company is mainly engaged in manufacture and exports of Combed Cotton Yarn in the 15% segment of medium, fine, and superfine Combed yarns.
- ii) **Date or expected date of commencement of commercial production.**  
The commercial production has commenced during January, 1994.
- iii) **In case of new companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus.**  
Not applicable.
- iv) **Financial performance:-**

(Rs. in lacs)

| Particulars                    | 97-98 | 98-99 | 99-00 | 00-01 | 01-02        |
|--------------------------------|-------|-------|-------|-------|--------------|
| Sales                          | 7903  | 8029  | 6507  | 10112 | 10827        |
| Other income                   | 7     | 6     | 2     | 6     | 3            |
| Operating profit               | 2429  | 1896  | 1217  | 1885  | 1961         |
| Interest                       | 869   | 899   | 637   | 675   | 665          |
| PBDT                           | 1560  | 997   | 580   | 1210  | 1296         |
| Profit Before Tax              | 1015  | 404   | 21    | 558   | 602          |
| Profit After Tax               | 1015  | 403   | 21    | 557   | 599          |
| Amount of Equity dividend paid | 304   | Nil   | Nil   | 232   | 278          |
| Rate of Dividend declared      | 10%   | Nil   | Nil   | 7.5%  | 9%(proposed) |

The effective Capital of the Company based on the Audited accounts for the year ended 31st March,2002 is Rs.111 crores.

The company has not made any default in the repayments of its dues (including Public Deposits) or interest payments thereon. The Company has not issued any debentures.

- v) **Export performance and net foreign exchange collaborations:**

(Rs. in lacs)

| Financial Year | Export turn over |
|----------------|------------------|
| 1997-1998      | 7501             |
| 1998-1999      | 7625             |
| 1999-2000      | 6154             |
| 2000-2001      | 9476             |
| 2001-2002      | 10234            |

The Company does not have any foreign exchange collaboration.

- vi) **Foreign investments or collaborators, if any.**

Itochu Textile Materials (Asia) Limited, Hongkong (a 100% Subsidiary of Itochu Corporation, Japan) is holding 16.84% Equity Share Capital in the Company.

# II. INFORMATION ABOUT THE APPOINTEE:

**Shri. Umang Patodia**

Vide Item No.7 of the Notice of this Annual General Meeting of the company, the approval of members is being sought for revising the remuneration of Shri. Umang Patodia, Managing Director effective from 1st April, 2002. Shri. Umang Patodia is an Indian citizen, 33 years of age. He is a Commerce Graduate and has over 12 years of his experience in Textile Industry. The Company's operations are managed by him, besides directly handling other crucial areas such as exports of yarn. Shri. Umang Patodia was Executive Director (Exports) in GTN Textiles Limited before he took over the post of Managing Director in August 1994.

During the Financial Year 2001-2002, Shri. Umang Patodia was paid the following remuneration:-

(Rs. in lacs)

| Salary | Commission | Perquisites | P.F/ Gratuity/Superannuation | Total |
|--------|------------|-------------|------------------------------|-------|
| 8.70   | 7.50       | 0.29        | 2.54                         | 19.03 |

The Remuneration Committee and the Board of Directors of the Company recognised his experience of over 12 years. The Remuneration agreed to be payable to Shri. Umang Patodia, subject to the approval of the shareholders of the Company, is in view of the increased activities, steep rise in the cost of living, increase in the responsibilities shouldered and his rich and diversified experience in the industry. His remuneration is comparable with the market trend for a Managing Director level Executive.

**NOTICE** (Contd.)

Pecuniary relationship:- The Company had not entered into any transaction of a material nature with any of the related parties which were in conflict with the interest of the Company. Further, all transactions with the Related Parties were in the ordinary course of business and at arms length.

**III. OTHER INFORMATION****1. Reasons of Loss or inadequacy of profits:**

The reasons for Loss or inadequacy of profits as stated in detail in the Directors' Report, inter alia, include recession in the economy, subsequent global events after 11th September, 2001, steep hike in power tariff, Investment in modernising plant & machinery and thereby additional charge on account of depreciation etc.

**2. Step taken or proposed to be taken for improvement:**

The steps taken include continued emphasis on Technology Upgradation, Modernisation, Product and Market Development.

The Company's focussed efforts on technological advancement, product diversification mainly into Compact Spun yarn, strategic marketing, cost control measures and debt restructuring will result in maintaining the bottom line and it is hoped that the Company will perform satisfactorily.

**3. Expected increase in productivity and profits in measurable terms:**

The Company is continuously improving its operational efficiency, productivity and cost control, which alone can improve the bottom line in future in a highly competitive environment. The Company's recent investments in Compact spinning will help to move away from commodity segment to more and more specialised product.

With the various steps taken by your company and further plans and strategies drawn, the performance of the company is likely to improve.

The Supplemental Agreement referred in the resolution would be available for inspection by the Members at the Registered Office of the Company on any working day between 11.00 a.m. and 1.00 p.m. prior to the date of the meeting.

Shri. B.K.Patodia and Shri. Umang Patodia being related to each other are deemed to be interested in the resolution mentioned in Item No.7 of the notice.

None of the other Directors of the Company is in any way concerned or interested in the resolution mentioned in Item No.7 of the Notice.

The terms and conditions mentioned in Item No.7 of the notice may also be taken as an ABSTRACT of the Supplemental Agreement made by the Company with Shri. Umang Patodia, pursuant to Sec. 302 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

**ITEM NO.8**

The Company has been sanctioned Financial Assistance by Industrial Development Bank of India (IDBI) by way of Foreign Currency Loan of USD 1.070 Mn. equivalent to about Rs. 500 lacs under Corporate Loan Scheme (CLS). Export Import Bank of India (EXIM Bank) has sanctioned Rupee term Loan of Rs. 570 lacs under Technology Upgradation Fund (TUF) Scheme for part financing modernisation-cum-expansion plans of the Company and Long Term Working Capital loan of USD 2.000 Mn. The said financial assistance are to be secured by way of mortgage on pari passu First Charge on all the immovable properties and movable fixed assets of the Company.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of its Shareholders in the General Meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the company, or where the company owns more than one undertaking, of the whole or substantially the whole, of any such undertaking.

Since the Hypothecation / Mortgaging by the company of its movable and immovable properties as aforesaid in favour of IDBI and EXIM Bank may be regarded as disposal of the Company's properties / undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copies of the Letters of Intent No.2926/PFD(857) dated 6th June, 2001 of IDBI, OFI:EOU:D-423:189 and OFI:EOU:LTWC-82:190 dated 26th February, 2002 of EXIM Bank are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of the meeting.

None of the Directors except Shri. J. F. Alapatt, Director - IDBI Nominee, is concerned or interested in the Resolution.

Yours Directors recommend the Resolution for approval.

By Order of the Board  
For **PATSPIN INDIA LIMITED**

**R. SYAM KUMAR**  
Company Secretary

Place : Kochi  
Date : 16th May, 2002



## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **Eleventh** Annual Report together with the Audited Statements of Account for the year ended 31st March 2002.

**FINANCIAL RESULTS**

|  | Year ended<br>31.03.2002<br>(Rs. in lacs) | Year ended<br>31.03.2001<br>(Rs. in lacs) |
|--|---|---|
| <b>INCOME :</b>                            |   |   |
| Net sales / Income from operations         | 10827                                     | 10112                                     |
| Other Income                               | 4   | —   |
| <b>Total</b>                               | <b>10831</b>                              | <b>10112</b>                              |
| <b>EXPENDITURE:</b>                        |   |   |
| a) Decrease in Stock in trade              | 286                                       | 89  |
| b) Cost of materials                       | 5804                                      | 5637                                      |
| c) Staff Cost                              | 466                                       | 333                                       |
| d) Excise Duty                             | 24  | 23  |
| e) Other expenditure                       | 2290                                      | 2151                                      |
| <b>Total</b>                               | <b>8870</b>                               | <b>8233</b>                               |
| <b>OPERATING PROFIT</b>                    | <b>1961</b>                               | <b>1879</b>                               |
| Interest                                   | 665                                       | 669                                       |
| Profit before depreciation and taxation    | 1296                                      | 1210                                      |
| Depreciation                               | 695                                       | 652                                       |
| Profit before tax                          | 601                                       | 558                                       |
| Provision for taxation                     | 3   | 1   |
| <b>PROFIT AFTER TAX</b>                    | <b>598</b>                                | <b>557</b>                                |
| Balance brought forward from previous year | 255                                       | 400                                       |
| Profit available for appropriations        | <b>853</b>                                | <b>957</b>                                |
| <b>APPROPRIATIONS</b>                      |   |   |
| Transfer to Capital Redemption Reserve     | 250                                       | 250                                       |
| Transfer to General Reserve                | 50  | 50  |
| <b>Dividend on</b>                         |   |   |
| Preference Shares:                         |   |   |
| Interim                                    | 78  | 120                                       |
| Proposed Equity Dividend                   | 278                                       | 232                                       |
| Corporate Dividend Tax                     | 8   | 50  |
| Surplus carried to Balance Sheet           | 189                                       | 255                                       |
|  | <b>853</b>                                | <b>957</b>                                |

**DIVIDEND**

Your Directors are glad to recommend a dividend of 9% on the Equity Shares for the Financial Year ended 31st March, 2002, as against 7.5% for the previous year, subject to deduction of Income tax at source.

Your Directors have declared interim dividend for the outstanding amount of Rs. 250 lacs on 11% 5,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series - I.

Your Directors have also declared interim dividend on prorata basis for the Preference Shares redeemed during the year on 13% 5,00,000 Redeemable Cumulative Preference Shares of Rs.100/- each in Series - II and on 50% of the 11% 5,00,000 Redeemable Cumulative Preference Share of Rs.100/- each in Series - I.

As no final dividend has been recommended on these Preference Shares, the interim dividend paid, shall be fully adjusted as final dividend for the financial year ended 31st March, 2002.

**PERFORMANCE REVIEW**

The Textile Industry continued to reel under recession and exports of cotton yarn from the country dipped to 467 million kgs in 2001 as compared to 532 million kgs in 2000. Subsequent global events have further dampened the business environment causing overall industrial slow down. Despite the above, your Company had recorded higher turnover at Rs. 108 crores for the year under review as compared to Rs. 101 crores for previous year. In the State of Kerala, power tariff has been steeply hiked by 25%, which resulted in higher outgo on account of power cost. The staff cost had gone up consequent to the first long term agreement signed during October, 2000 for a period of five years linked to revised workload. Inspite of above,

**DIRECTORS' REPORT** Contd.

the operating profit was higher at Rs. 19.61 crores as against Rs. 18.79 crores. After providing for interest charges the cash profit was at Rs. 12.96 crores for the year as against Rs. 12.10 crores of last year. Depreciation for the current year was higher at Rs. 6.95 crores as against Rs. 6.52 crores of last year. Being 100% Export Oriented Undertaking, the company is eligible for tax exemption under section 10B of the Income-tax Act, 1961, as such, no provision for deferred tax liability in terms of Accounting Standard 22 "Accounting for Taxes of Income" is considered necessary. Considering the provision for current tax (Minimum Alternate Tax) of Rs. 3 lacs, the net profit after tax for the year under review stood at Rs. 5.98 crores as against Rs. 5.57 crores of previous year.

During the year under review, the prices of finished products remained under pressure due to severe competition, both internally and externally. The Indian cotton prices came down in parity to international prices and overall availability of raw material was at reasonable prices. In the current year, it is expected that the raw material prices will remain soft with sufficient availability. However, power subsidy of Unit 'B' of the Company will be available upto June, 2002, subsequent to which outgo on account of power cost will be substantially higher.

The company continued its emphasis on technology upgradation, modernisation and product & market development. Your Directors are glad to inform that the Company has already completed implementation of TUF-I Scheme and now embarked upon TUF-II scheme with a total outlay of Rs. 9 crores with additional capacity for manufacture of compact spun yarn.

The Company's focussed efforts on technological advancements, product diversification mainly into compact spun yarn, strategic marketing, cost control measures and debt restructuring will result in maintaining the bottom line and it is hoped that the Company will continue to perform satisfactorily.

**EXPORT AWARD**

We are glad to inform that your company has been awarded a trophy for topping Export in Textile, Yarn and Garments products sector during the year 2000-01 among the 100% Export Oriented Units by the Cochin Special Economic Zone (CSEZ), Ministry of Commerce and Industry, Government of India.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In compliance to the Provisions of Section 217(2AA) of the Companies Act, 1956, your Directors wish to place on record:

- i) that in preparing the Annual Accounts, all applicable accounting standards have been followed.
- ii) that the accounting policies adopted are consistently followed and the judgements and estimates made 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 and Loss Account of the Company for the Financial Year, under review.
- iii) that the Directors have 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 / detecting fraud and other irregularities.
- iv) that the Annual Accounts have been prepared on a going concern basis.

**REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS**

A Report on Corporate Governance and Management Discussion and Analysis as required under Clause 49 of the Listing Agreement is attached.

**DIRECTORS**

In accordance with the provisions of the Companies Act, 1956, and the Companies Articles of Association, Shri. P. K. Kurian, Shri. P. C. Seksaria and Shri. Kishore V. Mariwala, Directors, retire from Office by rotation and are eligible for re-appointment.

**AUDITORS**

M/s. M.S. Jagannathan & Visvanathan, Chartered Accountants, Coimbatore, Auditors of the Company will retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

**PERSONNEL & INDUSTRIAL RELATIONS**

Industrial Relations were cordial and satisfactory. There has been no employee whose particulars are required to be given in terms of Section 217(2A) of the Companies Act, 1956, read with Company's (Particulars of the Employees) Rules, 1975.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in a separate statement attached hereto and forms part of this report.

**ACKNOWLEDGEMENT**

Your Directors place on record their thanks to Industrial Development Bank of India, ICICI Bank Limited, Export-Import Bank of India, Kotak Mahindra Finance Limited, Central Bank of India, State Bank of India, State Bank of Travancore, Standard Chartered Grindlays Bank Limited and The Vysya Bank Limited and the concerned Departments of the State and Central Government, Employees and Shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kochi  
Date : 16th May, 2002

**B. K. PATODIA**  
Chairman