



PATSPIN INDIA LIMITED
12TH ANNUAL REPORT 2002-2003



PATSPIN INDIA LIMITED

REPORT
2002-2003

B. K. Patodia	: Chairman
M. K. Patodia	: Vice Chairman
J. Otsuka	: Nominee of ITOCHU Corporation
M. Yamashita	: Alternate to Shri. J. Otsuka
T. Pius Joseph	: Nominee of KSIDC
N. K. Bafna	
Kishore V. Mariwala	
B. L. Singhal	
P. K. Kurian (upto 23.11.2002)	
J. F. Alapatt	: Nominee of Industrial Development Bank of India
N. P. Subramanian	: Nominee of ICICI Bank Limited
P. C. Seksaria	
Umang Patodia	: Managing Director

Company Secretary

R. Syam Kumar

Bankers

Central Bank of India
State Bank of India
State Bank of Travancore
ING 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 TWELFTH 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 Thursday the 31st day of July, 2003 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 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.N.K. Bafna, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri.B.L. Singhal, who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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:

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

"RESOLVED that in terms of SEBI (Delisting of Securities) Guidelines, 2003, and also Guidelines / Notifications issued / to be issued by SEBI from time to time and subject to the provisions of the Companies Act, 1956 (including any Statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall deem to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to Delist Company's Equity Shares from The Stock Exchange Ahmedabad (ASE), The Calcutta Stock Exchange Association Limited (CSE) and The Hyderabad Stock Exchange Ltd. (HSE)".

7. To consider and if thought fit, to pass with or without modification, 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 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, where so ever 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 State Bank of India (SBI) to secure on **Pari Passu First Charge basis**; Rupee Term loan of Rs.190 lacs under Technology Upgradation Fund Scheme lent and advanced by SBI to the Company

and

to secure on **pari passu second charge basis**;

- i) Additional Working Capital facilities aggregating Rs. 700 lacs lent and advanced by Central Bank of India (CBI), to the Company;
- ii) Additional Working Capital facilities aggregating Rs. 447.50 lacs lent and advanced by State Bank of India (SBI), to the Company;
- iii) Additional Working Capital facilities aggregating Rs. 237.50 lacs lent and advanced by State Bank of Travancore (SBT), to the Company;
- iv) Working Capital facilities aggregating Rs. 450 lacs lent and advanced by ING Vysya Bank Limited (VBL), 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".

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

"RESOLVED that the Board of Directors of the Company, be and are hereby, authorised pursuant to sub-section (1)(e) of section 293 of the Companies Act, 1956 on behalf of the Company to contribute and / or subscribe from time to time, in any financial year to any body, institute, society, person, trust or fund for any charitable or other purposes not directly related to the business of the Company or to the welfare of its employees upto a total amount of Rupees ten lacs or five percent of the average net profits as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater".

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

Place : Kolkata
Date : 7th June, 2003

R. SYAM KUMAR
Company Secretary

NOTICE (Contd.)**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. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. 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.
3. The Company has already notified Closure of Register of Members and Share Transfer Books thereof from Monday the 21st July, 2003 to Thursday the 31st July, 2003 (both days inclusive) for determining the names of Members eligible for Dividend, if approved, on equity shares. 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.
4. 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 on or before 28th August, 2003, to those members whose names appear on the Company's Register of Members as on 21st July, 2003.
5. Members may please note that the dividend warrants are payable at par at the designated branches of the Bank printed on reverse of the dividend warrant for an initial period of 3 months only. Thereafter, the dividend warrant on revalidation is payable only at limited centres / branches. The members are, therefore advised to encash dividend warrants within the initial validity period.
6. Pursuant to Section 205A of the Companies Act, 1956, all Unclaimed Dividend 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.
7. Pursuant to Section 205A(5) of the Companies Act, 1956, Dividend for the Financial Year ended 31st March, 1996 and thereafter which remain unpaid or unclaimed for a period of Seven (7) years will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such Unclaimed Dividend when due for transfer to the said Fund, is given below:

Financial year date Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.1996	16.8.1996	14.8.2003	12.9.2003
31.3.1997	30.7.1997	29.7.2004	27.8.2004
31.3.1998	20.7.1998	19.7.2005	18.8.2005
31.3.2001	20.7.2001	19.7.2008	18.8.2008
31.3.2002	31.7.2002	30.7.2009	28.8.2009

Shareholders who have not so far encashed the Dividend Warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the Company. Also note that no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of 7 (Seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

8. Consequent upon introduction of Section 109A of the Companies Act, 1956, Shareholders are entitled to make nomination in respect of shares held by them in physical form. Individual Shareholder(s) can avail of the facility of nomination. The nominee shall be a person in whom all rights of transfer and / or amount payable in respect of the shares shall vest in the event of the death of the Shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination form. The facility of nomination is not available to non-individual Shareholders such as Bodies - Corporate, Kartas of Hindu Undivided Families, Partnership Firms, Societies, Trust and holders of Power of Attorney. For further details please contact Company's Secretarial Department. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent, M/s. Integrated Enterprises (India) Limited.

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 note that the Company's Equity shares are compulsory traded in demat form for all investors, effective from 29th January, 2001. Members are requested to open Depository Account in their names with a

NOTICE (Contd.)

Depository participant to dematerialise their holdings. This would be necessary for facilitating the transfers of Company's Equity shares in all Stock Exchanges connected to the Depository System.

4. Members are requested to inform immediately any change in their address to the Company's Share Transfer Agents.
5. 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; Tel.No. (0484)2371494/2366099 Telefax: (0484) 2384735; E-Mail: yesbalu@iepindia.com or shaji@iepindia.com.

DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri.N.K. Bafna	Shri.B.L. Singhal																								
Date of Birth	03.07.1939	15.04.1947																								
Date of appointment	20.06.2000	20.06.2000																								
Qualifications	B.Com, FCA	B.Com, FCA																								
Expertise in specific functional area	Practising Chartered Accountant and a Senior Partner of M/s. Lodha & Co., Chartered Accountants, Mumbai. Besides his proficiency in Finance and Accounts, he is also an expert in Company Law matters.	Practising Chartered Accountant and a Senior Partner of M/s.B.L. Singhal & Co., Chartered Accountants, Kolkata. Vast experience in Finance, Company Law matters, besides proficiency in Accountancy.																								
Details of other Directorship	<ul style="list-style-type: none"> • Prime Textiles Ltd. 	<ul style="list-style-type: none"> • GTN Textiles Ltd. • Prime Textiles Ltd. • Packworth Udyog Ltd. • M B Credit Pvt. Ltd. • M D Investments Pvt. Ltd. • Priti Credit Pvt. Ltd. • BLS Securities Pvt. Ltd. 																								
Details of other Committee and Membership status	<table> <thead> <tr> <th>Name of Co.</th><th>Committee</th><th>Status</th></tr> </thead> <tbody> <tr> <td>Prime Textiles Ltd.</td><td>Shareholders Grievance</td><td>Chairman</td></tr> <tr> <td>-do-</td><td>Audit</td><td>Member</td></tr> </tbody> </table>	Name of Co.	Committee	Status	Prime Textiles Ltd.	Shareholders Grievance	Chairman	-do-	Audit	Member	<table> <thead> <tr> <th>Name of Co.</th><th>Committee</th><th>Status</th></tr> </thead> <tbody> <tr> <td>Prime Textiles Ltd.</td><td>Audit</td><td>Chairman</td></tr> <tr> <td>-do-</td><td>Shareholders Grievance</td><td>Member</td></tr> <tr> <td>GTN Textiles Ltd.</td><td>Audit</td><td>Chairman</td></tr> <tr> <td>-do-</td><td>Shareholders/ Investors Grievance</td><td>Chairman</td></tr> </tbody> </table>	Name of Co.	Committee	Status	Prime Textiles Ltd.	Audit	Chairman	-do-	Shareholders Grievance	Member	GTN Textiles Ltd.	Audit	Chairman	-do-	Shareholders/ Investors Grievance	Chairman
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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**ITEM No.6**

Presently, the Company's Equity Shares are listed on the following Stock Exchanges:

- i) Cochin Stock Exchange Limited (CSEL) - Regional Stock Exchange
- ii) National Stock Exchange of India Limited (NSE)
- iii) The Stock Exchange Mumbai (BSE)
- iv) The Stock Exchange Ahmedabad (ASE)
- v) The Calcutta Stock Exchange Association Limited (CSE)
- vi) The Hyderabad Stock Exchange Limited (HSE)

NOTICE (Contd.)

As part of its cost reduction measures and in line with the Circular issued by SEBI for Voluntary Delisting of Company's Securities, your Company has proposed Delisting of its Equity Shares from Stock Exchanges viz. Ahmedabad, Hyderabad and Calcutta and the members at its 9th Annual General Meeting held on 16th August, 2000 have unanimously approved the proposal by way of a special resolution. Though the Company has filed required documents, these Stock Exchanges stipulated for an EXIT opportunity to the Shareholders of these Regions, pursuant to SEBI Circular No.SMDRP/Cir-14/98 dated 29th April, 1998.

SEBI vide Circular SMD/Policy/Cir-7/2003 dated 17th February, 2003 issued fresh Guidelines for Delisting of Securities. Pursuant to Clause 5.2 relating to Delisting of Securities (Voluntary) of a Listed Company, an EXIT opportunity need not be given in cases where securities continue to be listed in a Stock Exchange having nationwide terminals. Your Company's shares are listed and traded with Stock Exchanges having nationwide terminals viz. The Stock Exchange Mumbai and The National Stock Exchange. Hence, the Company do not intend to give an EXIT opportunity to the Shareholders of these Regions.

With the net working facilities of BSE and NSE, the Members of the Company have access to on-line dealings in the Company's Equity Shares across the Country. Trading volumes on ASE, CSE and HSE in the Company's Shares are very low. Further, the Company's Equity shares are compulsory traded in demat form for all investors, effective from 29th January, 2001 and hence Investors including the members located in the above Regions are dealing with the securities of the Company only with BSE and NSE. The proposed Delisting of the Company's Equity Shares from ASE, CSE and HSE will not therefore, adversely affect any Investor including the members located in these regions. Company's Equity Shares will continue to be listed on CSEL, NSE and BSE.

Your Company has persuaded the said matter with these Stock Exchanges in line with the new Guidelines. The Hyderabad Stock Exchange (HSE) vide their letter Ref. No. HSE:LIST:2003:107 dated 26th May, 2003 informed that the Special Resolution should have been passed subsequent to the Delisting Guidelines, 2003 and the Special Resolution for Delisting passed before the new Delisting Guidelines, 2003 shall not be deemed to have been passed as per Clause 6 of the SEBI Delisting Guidelines, 2003.

In view of the above and as a matter of abundant caution, your Directors recommend Members approval by way of a Special Resolution for Delisting Company's Equity Shares from ASE, CSE and HSE.

None of the Directors is in any way concerned or interested in the Resolution.

ITEM No.7

The Company has been sanctioned Financial Assistance from State Bank of India (SBI) for its modernisation-cum-expansion plans under Technology Upgradation Fund Scheme (TUPS). The said loan has to be secured by an appropriate pari passu first charge / mortgage / hypothecation on such of the Company's

immovable and movable assets as may be agreed to the Company and SBI.

The Working Capital Bankers viz. CBI, SBI, SBT and VBL has sanctioned additional financial assistance for the financial year 2002-03. The said financial assistance(s) has to be secured by an appropriate pari passu second charge / mortgage / hypothecation on such of the Company's immovable and movable assets as may be agreed to the Company and the said Banks.

Section 293(1)(a) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not except with 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 mortgaging by the company of its immovable properties and movable fixed assets, as aforesaid in favour of SBI and Working Capital Bankers, 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 sanction dated 29.10.2002 of State Bank of India and dated 14.9.2002 of Central Bank of India Consortium, is 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 is concerned or interested in the Resolution.

Yours Directors recommend the Resolution for approval.

ITEM No.8

Section 293(1)(e) of the Companies Act, 1956, inter alia, provides that approval of Shareholders of the Company is required for any amount contributed to any charitable or other funds not directly relating to the business of the Company or the welfare of the employees, the aggregate of which exceed Rs.50,000/- or five percent of the Company's average net profits as determined in accordance with the provisions of sections 349 and 350 of the Companies Act, 1956 during the 3 financial years immediately preceding the year in which the contribution has been made. The Board of Directors considers that keeping in view the Company's obligations to the society at large and other social welfare and charitable funds / causes, the limit provided under section 293(1)(e) of the Companies Act, 1956, requires upward revision.

This resolution is, therefore, recommended for your acceptance.

None of the Directors of the Company is concerned or interested in this resolution.

By Order of the Board
For PATEFIN INDIA LIMITED

Place : Kolkata,
Date : 7th June, 2003

R. SYAM KUMAR
Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Statements of Account for the year ended 31st March 2003.

FINANCIAL RESULTS

	Year ended 31.3.2003 (Rs. in lacs)	Year ended 31.03.2002 (Rs. in lacs)
INCOME		
Net sales / Income from operations	<u>10022</u>	<u>10806</u>
EXPENDITURE		
a) (Increase) / Decrease in stock	(87)	286
b) Cost of materials	5156	5804
c) Staff Cost	510	465
d) Power Cost	945	619
e) Other expenditure	1279	1695
Total	<u>7503</u>	<u>8869</u>
OPERATING PROFIT	2219	1937
Interest	557	641
Profit before depreciation and taxation	1662	1296
Depreciation	736	695
PROFIT BEFORE TAX	926	601
Provision for current tax	14	3
Provision for deferred tax	52	—
PROFIT AFTER TAX	860	598
Prior period adjustments	56	—
Balance brought forward from previous year	189	255
Profit available for appropriations	<u>1105</u>	<u>853</u>
APPROPRIATIONS		
Transfer to Deferred Tax liability	605	—
Transfer to Capital Redemption Reserve	—	250
Transfer to General Reserve	25	50
DIVIDEND ON:		
Preference Shares – Interim	14	78
Proposed Equity	278	278
Corporate Dividend Tax	36	8
Surplus carried to Balance Sheet	<u>147</u>	<u>189</u>
	<u>1105</u>	<u>853</u>

DIVIDEND

Your Directors propose to maintain the Dividend @ 9% on the Equity shares. It is to be noted that from this year, the Dividend is tax free in the hands of the Shareholders.

Your Directors have declared interim dividend on pro-rata basis for the outstanding amount of Rs.250 lacs on 11% 5 lacs Redeemable Cumulative Preference Shares of Rs.100/- each in Series-I, which were fully redeemed on 25.10.2002. Full dividend by way of interim has been paid in terms of Preference Shareholders Agreement and hence interim dividend paid shall be fully adjusted as final dividend for the financial year ended 31st March, 2003.

DIRECTORS' REPORT (Contd.)

PERFORMANCE REVIEW

The cotton yarn exports, which were 532 mn. kgs in Financial Year 2000-2001 touched a low of 467 mn. kgs in 2001-2002. However, the spinning industry is now showing some signs of improvement during the fiscal 2002-2003, with yarn exports estimated to be around 525 mn. kgs, valued at more than Rs.6000 crores as against previous year's Rs.5200 crores.

Your Directors are glad to report that inspite of marginal fall in sales/total income from Rs.108 crores to Rs.100 crores, the Company could substantially improve its profit before tax from Rs.6.01 crores to Rs.9.26 crores. The operating profit increased to Rs.22.19 crores from Rs.19.37 crores. The cash profit was much higher at Rs.16.62 crores as against Rs.12.96 crores. The overall improvement in the profit was as a result of various factors such as lower interest burden due to proactive debt restructuring, besides higher operating margin due to product mix optimisation and better productivity due to continuous technology upgradation. The raw material prices, which ruled softer in the earlier part of the Financial Year, showed substantial increase during the latter part. Your Company had adequately covered raw materials, both local as well as imported at reasonable prices. There was also a marginal capacity increase from 45792 spindles to 48672 spindles.

As per clarification recently issued by Institute of Chartered Accountants of India (ICAI), in the matter of Accounting Standard 22 "Accounting for Taxes on Income" (as applicable to Companies enjoying Tax Holiday period under the Income Tax Act), the Company has adjusted Rs.17.86 crores of Deferred Tax liability as on 31.03.2002 against General Reserve, balance in Profit & Loss Account and from the Profit of the current period. For the current year, the Company has also made provision for Deferred Tax liability of Rs.0.52 crores.

Technology Upgradation has been the prime focus of the management, keeping in view the changes taking place world over, where the company has to face severe global competition, when the quota regime will be dismantled from January, 2005. Your Company have always invested in latest technology and is currently implementing TUF-II Scheme with a total outlay of Rs.9.21 crores, against which over Rs.8.23 cores has already been spent. As the Shareholders are aware, your Company has been availing term loans to finance such projects under Technology Upgradation Fund Scheme, which provides 5% interest subsidy, thus keeping the cost of borrowings at low levels. Your Company has one of the largest compact spinning capacity, which is the latest in spinning technology.

During the current year, it is relevant to note that the electricity concessions, which were partly available to Unit 'B' in the previous year are no longer available in the current year and the Company has to pay full electricity charges. Inspite of this, due to adequate steps taken by the Company, e.g: timely procurement of raw materials, planned completion of TUF-II Upgradation Scheme and various cost control measures taken, your Company is expected to continue to report satisfactory results.

SHARE CAPITAL

Your Directors are glad to report that the Company has fully redeemed Preference Shares aggregating Rs.1000 lacs issued to Banks / Institutions, earlier, including Rs.250 lacs, during the year.

EXPORT AWARD

We are glad to inform that your Company has been awarded TEXPROCIL BRONZE TROPHY for outstanding export performance in the 100% EOUs / EPZ Units for the export product Yarn for the year 2000-2001.

Our Shareholders will be glad to know that in recognition of excellent export performance and leadership in the field of cotton yarn export, the Cotton Textiles Export Promotion Council has awarded BRONZE TROPHY for outstanding export performance in Yarn amongst manufacturer exporters under Export Oriented Unit (EOU) Category for the year 2001-2002. With this, the Company has been receiving this highest exports awards for the last 2 years continuously.

Your Directors take this opportunity to thank our Customers and the Employees for their valuable contribution and support, which made it possible for your Company to get these Awards.

VOLUNTARY DELISTING OF SHARES

Your Company has proposed Voluntary Delisting of its Equity Shares from Stock Exchanges viz. Ahmedabad, Hyderabad and Kolkata and the members at its 9th Annual General Meeting held on 16 August, 2000 have unanimously approved the proposal by way of a Special Resolution. Since then, we were pursuing this matter with these Stock Exchanges.

In view of recent SEBI (Delisting of Securities) Guidelines, 2003, an EXIT opportunity need not be given in cases where Securities continue to be listed in a Stock Exchange having nationwide terminals. Your Company's shares are listed and traded with Stock Exchanges having nationwide terminals viz. the Stock Exchange - Mumbai and the National Stock Exchange. Hence, your Directors propose to seek fresh approval from members by way of a Special Resolution pursuant to Clause 6 of the SEBI (Delisting of Securities) Guidelines, 2003.

Details of the fact of Delisting from these Stock Exchanges together with a statement of reasons and justification thereof, has been given in Explanatory Statement to Item No.6 of the Notice of Annual General Meeting of even date.

DIRECTORS' REPORT (Contd.)**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.

CORPORATE GOVERNANCE

The Audit Committee constituted by the Board has been functioning over the last 3 years. The Committee rendered valuable advice to the Board on several issues particularly on Internal Controls, Accounting Policies, and Corporate Governance norms.

Similarly, the Shareholders / Investors Grievance Committee met regularly through out the year and overviewed the operations of the Share Transfer Registrars, Response to Investor Grievances, progress of Dematerialisation and other matters. With substantial dematerialisation of shares held by the Public, there have been very few physical transfers and consequently, investor grievances, commonly associated with physical transfers are negligible which company has always been resolving promptly.

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.N K Bafna and Shri.B L Singhal, Directors, retire from office by rotation and are eligible for re-appointment.

Shri.P K Kurian has resigned from the Board effective from 23.11.2002, for personal reasons. The Board places on record its appreciation for Shri.P K Kurian's valuable contribution during his long tenure as Director.

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. A statement showing the particulars of Employees referred to in sub section (2A) of Section 217 of the Companies Act, 1956, is given in Annexure I, forming Part of this Report.

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 Annexure II, 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, State Bank of India, Central Bank of India, State Bank of Travancore, ING Vysya Bank Limited and the concerned Departments of the State and Central Governments, Employees and Shareholders for their valuable assistance, support and co-operation to the Company.

For and on behalf of the Board

Place : Kolkata
Date : 7th June, 2003

B.K.PATODIA
Chairman

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars of employees as required under Sub-section (2A) of Section 217 of the Companies Act, 1956 and the rules made thereunder forming part of the Directors' Report

Sl.No.	Name	Age (Years)	Designation	Nature of Duties	Remuneration Rs. in lacs	Qualification & Experience	Date of Commencement	Last employment held
A	Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24,00,000 or more per year;							
	Shri Umang Patodia	34	Managing Director	Management of the affairs of the company	42.49	B.Com. (13 years)	04.08.1994	GTN Textiles Limited
B	Employees who worked during part of the accounting year and whose remuneration aggregating Rs.2,00,000 or more per month;							
	— None —							

Notes :

- 1 Nature of employment : Contractual
- 2 The remuneration includes Salary, Company's contribution to Provident and Superannuation Funds, Medical Expenses, Leave Travel Assistance, Commission and other perquisites evaluated as per Income Tax Rules, wherever necessary.
- 3 Shri. Umang Patodia is related to Shri. B.K. Patodia, Chairman and Shri M.K. Patodia, Vice Chairman of the Company.

For and on behalf of the Board

Place : Kolkata
Date : 7th June, 2003

B.K. PATODIA
Chairman

ANNEXURE II TO THE DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report.

A. Energy conservation.

The company is making all round efforts for the conservation of energy. To reduce the cost, energy efficient equipment were installed. We have replaced motor with energy efficient motor in one of the ring frame. The effect of the same has been felt. Total energy consumption and energy consumption per unit of production as prescribed in Form "A" :-

	Year ended 31.03.2003	Year ended 31.03.2002
I. Power Consumption		
1. Electricity		
a) Purchased (Units in lacs)	284.83	286.78
Total amount (Rs. In lacs)	871.36	579.75
Rate per unit (Rs.)	3.06	2.02
b) Own generation through Diesel Generator (units in lacs)	19.18	7.88
Units per litre of diesel oil	3.45	3.59
Cost per unit (Rs.)	3.83	4.97
2. Coal	Nil	Nil
3. Furnace Oil (low sulphur high stock oil)	Nil	Nil
4. Other internal generation	Nil	Nil
II. Consumption per unit of production		
a) Electricity - Units per Kg. Yarn	6.80	6.91
b) Furnace Oil (low sulphur high stock oil) Ltrs per Kg/ unit.	Nil	Nil

B. Technology Absorption

Efforts made in Technology Absorption as per Form B: -

Indigenous technology alone is used and Research and Development are carried out by a separate Textile Research Association for Textile Units situated in Southern Region (SITRA).

C. Foreign Exchange Earnings & Outgo

a) Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans:-

The Company is presently exporting yarn and knitted fabric. Steps are being taken to explore new markets and product development.

b) Total Foreign Exchange earned and used excluding capital goods, components and spares:-

Earned Rs. 9131.31 lacs (Previous year Rs. 9984.81 lacs) (including shipping freight realisation and agents commission)
Used: Rs. 2073.14 lacs (Previous year Rs. 2773.90 lacs)

For and on behalf of the Board

Place : Kolkata
Date : 7th June, 2003

B.K. PATODIA
Chairman