

PATSPIN INDIA LIMITED

13th Annual Report | 2003 - 2004

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PATSPIN INDIA LIMITED

13th Annual Report | 2003 - 2004

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Asst Company Secretary Asish Mohan		
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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, India		
Corporate Office 43, Mittal Chambers 228, Nariman Point, Mumbai 400 021, India		

NOTICE

NOTICE is hereby given that the **Thirteenth** 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 Friday the 30th day of July, 2004 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2004 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 declare Dividend.
3. To appoint a Director in place of Shri.B K Patodia, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri.M K Patodia, 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 (s), the following resolution as a special resolution.

"RESOLVED that in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or

re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Shri.Umang Patodia as Managing Director of the Company, for a period of 5 years with effect from 04.08.2004, on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Shri.Umang Patodia, a draft whereof is placed before this meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to the 'Board' which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms and conditions of the said appointment and / or remuneration and / or agreement, subject to the same not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 including any Statutory modification or re-enactment thereof for the time being in force or as may hereafter be made by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Shri.Umang Patodia".

"RESOLVED further that Shri.Umang Patodia shall not be liable to retire by rotation".

"RESOLVED further that the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution".

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

Place : Kochi,
Date : 27th May, 2004

ASISH MOHAN
Asst. Company Secretary

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 19th July, 2004 to Friday the 30th July, 2004 (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, 2004, to those members whose names appear on the Company's Register of Members as on 30th July, 2004.

NOTICE (Contd.)

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 have been transferred by the Company to the Investor Education and Protection Fund (IEPF) on 4.9.2003, established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Dividend for the financial year ended 31st March, 1997 and thereafter which remain unpaid or unclaimed for a period of Seven (7) years will be transferred by the Company to the IEPF pursuant to the said provisions of the Act.
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.

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

Financial year Ended	Date of declaration of Dividend	Last Date for claiming unpaid dividend	Due date for transfer to IEPF
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
31.3.2003	31.7.2003	30.7.2010	28.8.2010

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.

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", 41/426, 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.
5. Members are requested to note that the Company's Equity shares are compulsorily traded in demat form for all investors, effective from 29th January, 2001. Members are requested to open Depository Account in their names with a 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.

NOTICE (Contd.)**Details of Directors retiring by rotation and seeking re-appointment**

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri. B.K. Patodia	Shri. M.K. Patodia												
Date of Birth	01.01.1945	25.08.1951												
Date of appointment	20.09.1991	20.09.1991												
Qualifications	Engineering Graduate from BITS, Pilani.	Fellow Member of the Institute of Chartered Accountants of India (ICAI)												
Expertise in specific functional area	Over 38 years of experience in textile industry, yarn marketing and cotton trade. He was past Chairman of the Indian Cotton Mills Federation (ICMF) and Southern India Mills Association (SIMA). Presently, he is Deputy Chairman of The Cotton Textile Export Promotion Council (TEXPROCIL) and is member of various Committees. He is Vice Chairman & Mg. Director of GTN TEXTILES LIMITED, the Flagship Company of GTN Group.	Over 30 years of experience in textile industry, yarn marketing and cotton trade, besides vast experience in finance, company law matters. He is Managing Director of GTN TEXTILES LIMITED, the Flagship Company of GTN Group.												
Details of other Directorship	1) GTN Textiles Ltd. 2) Packworth Udyog Ltd. 3) Kerala State Industrial Development Corpn. Ltd. 4) Hindustan Polyamides & Fibres Ltd. 5) India Thermit Corpn.Ltd. 6) Patodia Exports & Inv. P. Ltd. 7) Patspin Apparels P. Ltd. 8) Umang Finance P. Ltd. 9) Beekaypee Credit P. Ltd. 10) Madanlal Brijlal P. Ltd. 11) M B Credit P. Ltd.	1) GTN Textiles Ltd. 2) GTN Exports Ltd. 3) Perfect Knitters Ltd. 4) Jubillant Engineering Ltd. 5) Megha Investments P. Ltd. 6) Emkaypee Inv. P. Ltd. 7) Forward Finance P. Ltd. 8) Modesty Fin. & Inv. P. Ltd. 9) Madanlal Brijlal P. Ltd. 10) M.B.Credit P. Ltd. 11) Patodia Engineering P. Ltd. 12) Patodia Overseas P. Ltd. 13) Patodia Home Furnishing P. Ltd.												
Details of other Committee and Membership status	<table> <tr> <th>Name of Co.</th><th>Committee</th><th>Status</th></tr> <tr> <td>None</td><td>None</td><td>None</td></tr> </table>	Name of Co.	Committee	Status	None	None	None	<table> <tr> <th>Name of Co.</th><th>Committee</th><th>Status</th></tr> <tr> <td>None</td><td>None</td><td>None</td></tr> </table>	Name of Co.	Committee	Status	None	None	None
Name of Co.	Committee	Status												
None	None	None												
Name of Co.	Committee	Status												
None	None	None												

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956**ITEM No.6**

The present term of Office of Shri.Umang Patodia as Managing Director will expire on 3rd August, 2004. Subject to Shareholders' approval, the Board of Directors, at their meeting held on 27th May, 2004, have reappointed him for a further period of 5 years from the expiry date of his term, on the remuneration determined by the Remuneration Committee of the Board of Directors.

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.3,50,000 p.m. or exceeding Rs. 3,50,000 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.

NOTICE (Contd.)

The Remuneration Committee of the Board of Directors has recommended remuneration of Shri.Umang Patodia, Managing Director for a period not exceeding 3 years, as set out below and also mentioned in the draft agreement between the Company and Shri.Umang Patodia, subject, however, to the members approving and ratifying the same.

The principle terms of the re-appointment and remuneration, are as follows:-

a) Period:

Appointment of Shri.Umang Patodia as Managing Director for a further period of 5 years with effect from 4th August, 2004.

b) Salary:

Rs.2,80,000/- per month in the Scale Rs.280000-20000-340000 effective from 1st April, 2004 for a period not exceeding 3 years.

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's 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 their family shall be reimbursed.
- (iv) Leave Travel Concession for the appointee and their 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.10,000/- 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 and Telephone at the residence for use of Company's business.
- (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.

Provided, however, that the overall remuneration payable shall not exceed the limits specified under Sections 198 and 309 of the Act.

Shri.Umang Patodia shall not, while he continues to be the Managing Director, be subject to retirement by rotation pursuant to the provisions of Section 255 of the Companies Act, 1956.

Pursuant to the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, the approval of the members in General Meeting is required to be obtained with regard to the re-appointment of Shri.Umang Patodia as the Managing Director and to the remuneration as set out in Item No.6 of the accompanying Notice.

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

Shri.B K Patodia, Shri.M K Patodia and Shri.Umang Patodia being related to each other are deemed to be interested in the resolution mentioned in Item No.6 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.6 of the notice.

The terms and conditions mentioned in Item No.6 of the Notice may also be taken as an abstract of the draft Agreement made by the Company with Shri.Umang Patodia pursuant to Sec.302 of the Companies Act, 1956

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 Cotton Yarn in the 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.

NOTICE (Contd.)

- 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	99-00	00-01	01-02	02-03	03-04
Sales	6519	10112	10827	10057	10928
Other income	2	6	1	2	3
Operating profit	1175	1885	1937	2219	1981
Interest	595	675	641	557	430
PBDT	580	1210	1296	1662	1551
Profit Before Tax	21	558	601	926	801
Profit After Tax	21	557	598	860	697
Amount of Equity dividend paid	Nil	232	278	278	278
Rate of Dividend declared	Nil	7.5%	9%	9%	9%
					(proposed)

The effective Capital of the Company based on the Audited accounts for the year ended 31st March, 2004 is Rs. 85 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 contributions:**

(Rs. in lacs)

Financial Year	Export Turnover
1999-2000	6152
2000-2001	9476
2001-2002	10228
2002-2003	9359
2003-2004	10077

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.6 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, 2004. Shri.Umang Patodia is an Indian Citizen, 35 years of age. He is a Commerce Graduate and has about 14 years of 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 2003-04, Shri.Umang Patodia was paid the following remuneration:-

Salary	Commis- sion	Perqui- sites	P.F./ Gratuity/ Super- annuation	Total
27.60	2.00	0.35	8.86	38.81

The Remuneration Committee and the Board of Directors of the Company recognised over 14 years of his experience. 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, 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.

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

The Directors' Report and Management Discussion and Analysis forming part of the Annual Report mention in detail, 'other information' as required under Schedule XIII as per Notification No.G.S.R.36(E) dated 16.01.2002.

The draft 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, Shri.M K Patodia and Shri.Umang Patodia being related to each other are deemed to be interested in the resolution mentioned in Item No.6 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.6 of the Notice.

The terms and conditions mentioned in Item No.6 of the Notice may also be taken as an abstract of the Agreement to be made by the Company with Shri.Umang Patodia, pursuant to Sec. 302 of the Companies Act, 1956.

Your Directors recommend the Resolutions for approval.

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

Place : Kochi,
Date : 27th May, 2004

ASISH MOHAN
Asst. Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Statements of Account for the year ended 31st March 2004.

FINANCIAL RESULTS

	Year ended 31.03.2004 (Rs. in lacs)	Year ended 31.03.2003 (Rs. in lacs)
INCOME		
Net sales / Income from operations	10911	10022
Other Income	3	2
Variation in Stock	488	87
Total	<u>11402</u>	<u>10111</u>
EXPENDITURE		
a) Cost of materials	6132	5156
b) Staff Cost	550	510
c) Power Cost	1170	945
d) Other expenditure	1569	1281
Total	<u>9421</u>	<u>7892</u>
OPERATING PROFIT	1981	2219
Interest	430	557
Profit before depreciation and taxation	1551	1662
Depreciation	750	736
PROFIT BEFORE TAX	801	926
Provision for current tax	37	14
Provision for deferred tax	67	52
PROFIT AFTER TAX	697	860
Prior period adjustments	—	56
Balance brought forward from previous year	148	189
Profit available for appropriations	<u>845</u>	<u>1105</u>
APPROPRIATIONS		
Transfer to Deferred Tax liability	—	605
Transfer to General Reserve	300	25
Dividend on:		
Preference Shares - Interim	—	14
Proposed Equity	278	278
Corporate Dividend Tax	36	36
Surplus carried to Balance Sheet	<u>231</u>	<u>147</u>
	<u>845</u>	<u>1105</u>

DIVIDEND

Your Directors are pleased to recommend a Dividend @ 9% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2003-04. The total outgo on account of dividend, inclusive of dividend tax @12.81% at Rs.3.14 crores, represents a payout of 45%.

PERFORMANCE REVIEW

During the year under review, the sales of the Company have been marginally higher at Rs.109.11 crores as against Rs.100.22 crores in the previous year. The Operating Profit was lower at Rs.19.81 crores from Rs.22.19 crores. After provision of interest, depreciation and taxation, both deferred and current, the net profit stood at Rs.6.97 crores as against previous year's Rs.8.60 crores.

As mentioned in the last year's Directors report, performance during initial period of the financial year under review was affected due to Iraq war and also outbreak of SARS, leaving its impact on South East Asian markets. But, in the second half of the year, company could improve its performance as markets for grey yarns looked up. Appreciation of rupee against dollar by more than 6% on year to year basis, increase in cotton prices and hike in power tariff due to cessation of electricity concession available to Unit "B" affected the operating profits of the company. However, the impact of these adverse factors could be minimised to some extent as a result of improved productivity due to technology upgradation including installation of compact spinning machines, judicious coverage of cotton and active forex management. Also, the management's continuous endeavour in restructuring of its debts, long term as well as short term, resulted in significant reduction in its borrowing cost.

With the Multi Fibre Agreement coming to an end on 31st December, 2004, the textile industry across the world will be open to severe competition and naturally, the units which are cost effective, quality conscious with superior technology will alone survive. Your company, over past many years, has been consistently following a policy of upgradation of technology in order to position Patspin as a supplier of higher quality, value-added yarns in the world market. The company has been taking full advantage offered by the Technology Upgradation Fund Scheme and thus able to keep its borrowing cost at the lowest possible, due to eligibility of 5% interest rebate. The TUF-II project undertaken earlier has been fully implemented. The company has now embarked upon TUF-III project at an outlay of Rs.6.21 crores, which will involve replacement of old ring frames with latest generation machines which will result in higher productivity, addition of one blow room line with vision shield to diversify the product mix to impart greater flexibility.

During the current year, international markets for cotton yarn are once again sluggish, but the company is hopeful that with all the steps undertaken to improve its performance, it should show satisfactory results.

VOLUNTARY DELISTING OF SHARES

Pursuant to the special resolution unanimously approved by the Shareholders at their meeting held on 31.07.2003, the Company had filed application with the Stock Exchanges at Ahmedabad, Hyderabad and Kolkata for Voluntary Delisting of Company's Equity Shares under SEBI (Delisting of Securities), Regulations, 2003.

DIRECTORS' REPORT (Contd.)

Your Directors wish to inform that the Company has received approval from The Stock Exchange Ahmedabad and The Hyderabad Stock Exchange Limited vide their communication Ref. Nos. ASE/2003/2799 dated 24.10.2003 and HSE:LIST:2003:401 dated 01.10.2003, respectively. The approval from The Calcutta Stock Exchange Association Limited is pending and it is understood from them that their Delistment Committee has deferred decision on such application(s), temporarily.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:-

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- (b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of the Company for that period;
- (c) they have taken proper and sufficient care, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (d) they have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Your Directors affirm their commitments to the Corporate Governance standards prescribed by the Securities and Exchange Board of India (SEBI). A Report on Corporate Governance with 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 Company's Articles of Association, Shri. B K Patodia and Shri. M K Patodia, Directors, retire from Office by rotation and are eligible for re-appointment.

Industrial Development Bank of India (IDBI) has nominated Shri. P K S Pillai effective from 25.02.2004 in place of Shri. J F Alapatt as their Nominee on the Board of your Company.

ICICI Bank Limited has withdrawn their Nominee Shri. N P Subramanian effective from 11.03.2004 in view of the repayment of the financial assistance availed by your Company.

Your Board places on record its appreciation for Shri. J F Alapatt and Shri. N P Subramanian for their valuable contribution during their tenure as Directors.

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 read with Companies (Particulars of Employees) Rules, 1975 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, Export-Import Bank of India, Central Bank of India, State Bank of India, State Bank of Travancore, ING 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 : 27th May, 2004

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 there under 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	35	Managing Director	Management of the affairs of the company	38.81	B.Com. (14 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 : Kochi
Date : 27th May, 2004

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 equipments 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 31.03.2004	Year ended 31.03.2003
I. Power Consumption		
1. Electricity		
a) Purchased (Units in lacs)	299.81	284.83
Total amount (Rs. In lacs)	1076.70	871.36
Rate per unit (Rs.)	3.59	3.06
b) Own generation through Diesel Generator (units in lacs)	25.62	19.18
Units per litre of diesel oil	3.47	3.45
Cost per unit (Rs.)	3.63	3.83
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	7.17	6.80
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

- 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.
- Total Foreign Exchange earned and used excluding capital goods, components and spares:-
Earned Rs. 9725.67 lacs (Previous year Rs. 9131.31 lacs) (including shipping freight realisation and agents commission)
Used: Rs. 2233.95 lacs (Previous year Rs. 2073.14 lacs)

For and on behalf of the Board

Place : Kochi
Date : 27th May, 2004

B.K. PATODIA
Chairman