



PATSPIN INDIA LIMITED
14th ANNUAL REPORT 2004/2005





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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 **FOURTEENTH** 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 29th day of July, 2005 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2005 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. J. Otsuka, 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 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 an ordinary resolution.

"RESOLVED that Shri.R Rajagopalan, who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 read with Clause 95 of the Articles of Association of the Company, in the meeting of the Board of Directors with effect from 27.01.2005 and who holds the said office upto the date of the forthcoming Annual General Meeting and a Notice in respect of whom has been received by the Company from a Member signifying his intention to propose the candidature for the Office of Director under Section 257 of the Companies Act, 1956, be and is hereby re-appointed as the Director of the Company with effect from the date of Annual General Meeting".

7. 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 Export-Import Bank of India (EXIM Bank) and Central Bank of India (CBI) to secure on Pari Passu First Charge basis;

- i) Rupee Term loan of Rs.568 lacs under Technology Upgradation Fund Scheme lent and advanced by EXIM Bank to the Company.
- ii) Rupee Term loan of Rs.512 lacs under Technology Upgradation Fund Scheme lent and advanced by CBI to the Company.

and

to secure on Pari Passu Second Charge basis:

- i) Additional Working Capital facilities aggregating Rs.150 lacs lent and advanced by Central Bank of India (CBI), to the Company;
- ii) Additional Working Capital facilities aggregating Rs.115 lacs lent and advanced by State Bank of India (SBI), to the Company;
- iii) Additional Working Capital facilities aggregating Rs.25 lacs lent and advanced by State Bank of Travancore (SBT), to the Company;
- iv) Additional Working Capital facilities aggregating Rs.300 lacs lent and advanced by IDBI Bank Limited (IDBI 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**

ASISH MOHAN

Asst. Company Secretary

Place : Kochi
Date : 30th April, 2005

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 18th July, 2005 to Friday the 29th July, 2005 (both days inclusive) for determining the names of Members eligible for

NOTICE (Contd.)

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 27th August, 2005, to those members whose names appear on the Company's Register of Members as on 29th July, 2005.
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 6 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, 1997 have been transferred by the Company to the **Investor Education and Protection Fund (IEPF)** on 12.08.2004, established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Dividend for the financial year ended 31st March, 1998 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.

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
31.3.1998	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
31.3.2004	30.7.2004	29.7.2011	27.8.2011

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, Karta 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 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 Tel. fax: (0484) 2384735; E-Mail:yesbalu@iepfindia.com or shaji@iepfindia.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.J.Otsuka	Shri.P.C.Seksaria	Shri.R Rajagopalan
Date of Birth	03.01.1957	30.01.1946	21.07.1938
Date of appointment	21.05.2001	11.10.1991	27.01.2005
Qualifications	Bachelor of Arts	B.Com	<ul style="list-style-type: none"> Fellow member of the Institute of Chartered Accountants of India (ICAI); Fellow member of the Institute of Company Secretaries of India (ICSI).
Expertise in specific functional area	Working with M/s. Itochu Corporation since 1981 and currently holding Senior Managerial position	Over 38 years of experience in Finance and Administration. He is Chief Executive of GTN Textiles Limited.	Retired as Managing Director – Commercial & Secretary with M/s.Widia (India) Ltd. Besides his proficiency in Finance, Accounts and Secretarial Functions, he was part of management team for finalisation of many collaboration tie-ups with Widia GmbH and also with other reputed European and American Companies. He was also associated with various Organisations and was the National President of the Institute of Company Secretaries of India (ICSI); President of Employers' Federation of Southern India (EFSI); Chairman of Taxation and Finance Sub-Committee of Confederation of Indian Industry (CII); Member of Southern Regional Council of CII; Member of Engineering Export Promotion Council (EEPC); Greater Mysore Chamber of Industry (GMCI), etc.

Details of other Directorships*

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri. J.Otsuka	None	None	None	None
Shri.P.C.Seksaria	GTN Industries Limited	Director	None	None
Shri.R Rajagopalan	GTN Textiles Limited	Director	1. Audit 2. Remuneration	Member Member
	MRO-TEK Limited	Director	1. Audit 2. Shareholders 3. Remuneration	Chairman Member Chairman
	Karnavati Engineering Limited	Director	None	None
	Saksoft Limited	Director	1. Audit	Chairman

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

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

The Board of Directors of the Company have appointed Shri.R Rajagopalan as an Additional Director with effect from 27th January, 2005. In terms of Section 260 of the Companies Act, 1956, read with Clause No.95 of the Articles of Association, he holds the said Office only upto the date of the ensuing Annual General Meeting. A Notice has been received from a member and also Deposit of Rs.500/- from him pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri.R Rajagopalan for the office of Director.

The Board recommends the passing of the ordinary resolution contained in Item No.6 of the accompanying notice.

None of the Directors other than Shri.R Rajagopalan is concerned or interested in this resolution.

ITEM No.7

The Company has been sanctioned Financial Assistance from Export-Import Bank of India (EXIM Bank) and Central Bank of India (CBI) for its modernisation and upgradation plans under Technology Upgradation Fund Scheme (TUFS). The said financial assistance 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 Term Lenders.

The Working Capital Bankers viz. Central Bank of India (CBI), State Bank of India (SBI), State Bank of Travancore (SBT) and IDBI Bank Limited (IDBI Bank) has sanctioned additional financial assistance for the financial year 2005-06. 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 No.CBG:EOU:D-522:634 dated 09.09.2004 of EXIM Bank and WILLIN:04-05:1105 dated 28.09.2004 of CBI and Central Bank of India Consortium of Agreement dated 18.02.2005, 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 this Resolution for approval.

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

Place : Kochi
Date : 30th April, 2005

ASISH MOHAN
Asst. Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **Fourteenth** Annual Report together with the Audited Statements of Account for the year ended 31st March 2005.

FINANCIAL RESULTS

	Year ended 31.3.2005 (Rs. in lacs)	Year ended 31.3.2004 (Rs. in lacs)
INCOME		
Net sales / Income from operations	10140	10911
Other Income	—	3
Variation in Stock	(264)	488
Total	<u>9876</u>	<u>11402</u>
EXPENDITURE		
a) Cost of materials	5239	6132
b) Staff Cost	574	550
c) Power Cost	1229	1170
d) Other expenditure	1411	1569
Total	<u>8453</u>	<u>9421</u>
OPERATING PROFIT	1423	1981
Interest	272	430
Profit before depreciation and taxation	1151	1551
Depreciation	750	750
PROFIT BEFORE TAX	401	801
Provision for current tax	20	37
Provision for deferred tax	15	67
PROFIT AFTER TAX	366	697
Balance brought forward from previous year	231	148
Profit available for appropriations	<u>597</u>	<u>845</u>
APPROPRIATIONS		
Transfer to General Reserve	100	300
Dividend on :		
Proposed Equity	186	278
Corporate Dividend Tax	26	36
Surplus carried to Balance Sheet	<u>285</u>	<u>231</u>
	<u>597</u>	<u>845</u>

DIVIDEND

Your Directors are pleased to recommend a Dividend @ 6% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2004-05. The total outgo on account of dividend, inclusive of dividend tax @ 14.025% is at Rs.2.12 crores.

PERFORMANCE REVIEW

The financial year 2004-05 ended with marginally lower turnover at Rs.101 crores as compared to Rs.109 crores in the previous year. The cash profit and profit before tax was lower at Rs.11.51 Crores and Rs.4.01 Crores as against Rs.15.51 Crores and Rs.8.01 crores in the previous year.

In the year under review, the Company had to absorb substantially adverse impact on account of higher cost of cotton which was procured in the previous cotton season beginning October 2003. The subsequent crop year 2004-05 was an exceptional year where the world production of cotton rose to an all time high at 25.9 million tons resulting substantially lower cotton outlook index at 53 cents/lb in 2004-05 as compared to 68 cents/lb in 2003-04. This also resulted in a significant downward movement of yarn prices as well. As you are aware, your company being prominently in the export segment, is obliged to procure sufficient quantities of cotton during the cotton season to meet the specific cotton yarn quality requirement of its overseas customers over the balance period till the beginning of next cotton season. This is because, customers who ultimately convert the cotton yarn into fabric and garments thereafter, need consistent quality of cotton yarn to obtain best and uniform results in subsequent processes till the finished products are turned out.

Further, during most part of the financial year, the international market in cotton yarns continued to be sluggish, and strengthening of rupee against dollar by 3.5% on a year to year basis further eroded the margins. However, overall increase in the production efficiency mainly on account of modernization and upgradation schemes implemented by your company, lower interest cost due to constant debt restructuring and efficient management of working capital finance could off-set some of the increases in the input costs.

The year under review also witnessed a significant historical event of dismantling of quota regime from 1st January, 2005 on expiry of Multi-Fibre Agreement on 31.12.2004. This has resulted in open global competition and in anticipation of this event, the prices of all textile products, including Cotton Yarn, remain under pressure and it is hoped that they are likely to stabilize in the near future. Your company has always followed the policy of upgradation of technology to retain its recognition as supplier of niche products with highest quality standards in the international market. In order to meet the steeper challenges in the post quota regime, your company has further taken up modernization and upgradation under Technology Upgradation Fund Scheme at a cost of Rs.13.10 crores involving replacement of Ring Frames, addition of a Blow Room line, enhancement of gassing capacity and conversion of electrical system from High Tension to Extra High Tension. Against these, the company has already incurred Rs.5.34 crores upto the end of the financial year. With lower cost of borrowing attached to funding through TUF due to eligibility of 5% interest rebate, the company expects to improve its performance by further increasing the efficiency and flexibility in production.

DIRECTORS' REPORT (Contd.)**VOLUNTARY DELISTING OF SHARES**

Your Directors are glad to report that the Company has obtained approval for Voluntary Delisting of its Equity Shares from all the 3 Stock Exchanges viz. The Stock Exchange - Ahmedabad, The Hyderabad Stock Exchange Limited and The Calcutta Stock Exchange Limited, pursuant to the Special Resolution unanimously approved by the Shareholders at their meeting held on 31st July, 2003.

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 Companies Articles of Association, Shri.J.Otsuka and Shri. P. C. Seksaria, Directors, retire from Office by rotation and are eligible for re-appointment.

Shri.R Rajagopalan has been inducted as an Additional Director effective from 27th January, 2005. Your Board of Directors recommend his appointment under Section 257 of the Companies Act, 1956.

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 Limited, Export-Import Bank of India, Central Bank of India, State Bank of India, State Bank of Travancore 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 : 30th April, 2005

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	36	Managing Director	Management of the affairs of the Company	44.62	B.Com (15 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 : 30th April, 2005

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 used and 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 31.03.2005	Year ended 31.03.2004
I. Power Consumption		
1. Electricity		
a) Purchased (Units in lacs)	320.64	299.81
Total amount (Rs. In lacs)	1167.07	1076.70
Rate per unit (Rs.)	3.64	3.59
b) Own generation through Diesel		
Generator (units in lacs)	10.10	25.62
Units per litre of diesel oil	3.63	3.47
Cost per unit (Rs.)	6.10	3.63
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	7.63	7.17
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. 8008.88 lacs (Previous year Rs. 9725.67 lacs) (including shipping freight realisation and agents commission)

Used: Rs. 1729.03 lacs (Previous year Rs. 1824.36 lacs)

For and on behalf of the Board

Place : Kochi
Date : 30th April, 2005

B. K. PATODIA
Chairman