

15<sup>th</sup> annual report  
2005-2006



The **global language** called **success**

**Board of Directors**

B K Patodia	Chairman
M K Patodia	[upto 21.01.2006]
J Otsuka	Nominee of ITOCHU Corporation [upto 21.01.2006]
Takeo Imamura	Nominee of ITOCHU Corporation [from 21.01.2006]
M Yamashita	Alternate to J Otsuka and Takeo Imamura
T Pius Joseph	Nominee of KSIDC
N K Bafna	
Kishore V Mariwala	[upto 21.01.2006]
B L Singhal	
R Rajagopalan	
P K S Pillai	Nominee of IDBI [upto 29.04.2005]
A V S Hameed	Nominee of IDBI [from 29.04.2005]
Rajen K Mariwala	[from 21.01.2006]
P C Seksaria	
Umang Patodia	Managing Director

**Company Secretary** Asish Mohan

**Bankers**

Central Bank of India  
State Bank of India  
State Bank of Travancore  
IDBI 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

**Contents**

Notice	1
Directors' Report	6
Annexure to the Directors' Report	7
Report on Corporate Governance	9
Management Discussion & Analysis	15
Auditors' Report	17
Balance Sheet	20
Profit & Loss Account	21
Schedules & Notes on Accounts	22
Cash Flow Statement	33
Balance Sheet Abstract	34
ECS Mandate Form	35
Specimen Signature Form	36

## PATSPIN INDIA LIMITED

### NOTICE

**NOTICE** is hereby given that the **Fifteenth** 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 28th day of July, 2006 to transact the following business:

#### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006 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.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(s), the following resolution as an ordinary resolution.

"RESOLVED that Shri.Rajen K Mariwala, 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 21.1.2006 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 and also deposit of Rs.500/- from him, 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 Shri.Takeo Imamura, 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 21.1.2006 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 and also deposit of Rs.500/- from him, 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".

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

"RESOLVED that in supersession of Resolution passed at

the Annual General Meeting of the Company held on 26th day of September, 1994 and pursuant to sub Section (1)(d) of Section 293 of the Companies Act, 1956 and Article 55 of the Articles of Association of the Company and other enabling provisions (if any), the consent of the Company be and the same is hereby granted and accorded to the Board of Directors to their borrowing for and on behalf of the Company monies in any manner from time to time and without prejudice to the generality thereof by way of loans, advances, credits, acceptance of deposits, banking and financial facilities, bonds or otherwise from any bank or banks or any financial institution(s) or other person or persons situated in India or abroad and whether the same be unsecured or secured and if secured whether by way of mortgage, charge, hypothecation, pledge or otherwise in any way whatsoever on, over or on respect of all or any of the Company's assets, effects and properties including uncalled capital, stock-in-trade (including raw materials, stores, parts and components in stock or in transit) not withstanding that the monies so borrowed, together with the monies, if any already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount which may be so borrowed by the Board of Directors and outstanding at any time shall not exceed Rs. 200 Crores ( Rupees two hundred crores).

9. 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 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, 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 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.300 lacs and Rs.500 lacs, aggregating to Rs.800 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.200 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;



**NOTICE** (Contd..)

- iii) Additional working Capital facilities aggregating Rs.150 lacs lent and advanced by State Bank of Travancore (SBT), to the Company;
- iv) Working Capital facilities aggregating Rs.300 lacs lent and advanced by IDBI 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".

10. To consider, and if thought fit, to give ASSENT / DISSENT to the following resolution as a Special Resolution through Postal Ballot under the provisions of Section 192A of the Companies Act, 1956.

"RESOLVED that pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956, the Other Object Clause of Memorandum of Association of the Company be altered by the incorporation of the following new sub-clause 46 of Clause III(C) thereof:

"46. To generate Electric Power by Conventional / Non-Conventional methods by use of wind, hydro, solar, gas, diesel or through such other means in all its branches and to erect, construct, lay down, establish and fix plant and machineries, wind mills, thermal stations, solar and hydro gensets for the purpose of generating, harnessing, developing and accumulating electric power by the use of such plants, for captive consumption and for sale / supply and distribution to State Electricity Boards and to other consumers, including the Central / State Government Authorities.

"RESOLVED further that for the purpose of giving effect to the above resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or expedient".

11. Consequential resolution under Section 149(2A):

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

"RESOLVED that pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company be and is hereby accorded for commencing and undertaking all or any of the business specified in the sub-clauses 1 to 46 (including newly introduced sub-clause 46) of the other Objects of the Company specified in the Memorandum of Association of the Company as and when deemed fit by the Board of Directors".

"Resolved further that the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution".

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

Place : Kochi  
Date : 18th May, 2006

**ASISH MOHAN**  
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 Saturday, the 22nd July, 2006 to Friday, the 28th July, 2006 (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 27th August, 2006, to those members whose names appear on the Company's Register of Members as on 28th July, 2006.
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 centers / 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, 1998 have been transferred by the Company to the **Investor Education and Protection Fund (IEPF)** on 11.8.2005, established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Dividend which remain Unpaid / Unclaimed for a period of 7 (Seven) 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 with reference to dividend for the financial year ended 31st March, 2001 and thereafter, is given below:

Financial year Ended	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
31.3.2001	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
31.3.2005	29.7.2005	28.7.2012	27.8.2012

**NOTICE (Contd..)**

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:**

- 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.
- 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.
- A Specimen Signature Form is attached alongwith the report. Members are requested to fill in and return after verification by the Bank. Further, Members are requested to inform immediately any change in the address to the Company's Share Transfer Agent.
- 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 Fax: (0484) 2384735; E-Mail: yesbalu@iepindia.com or shaji@iepindia.com.
- 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.**

**DETAILS OF DIRECTORS RETIRING BY ROTATION AND SEEKING RE-APPOINTMENT / REGULARISATION PURSUANT TO SECTION 257 OF THE ACT.**

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri N K Bafna	Shri B L Singhal	Shri Rajen K Mariwala	Shri Takeo Imamura
Date of Birth	03.07.1939	15.04.1947	04.09.1962	27.8.1961
Date of appointment	20.06.2000	20.06.2000	21.1.2006	21.1.2006
Qualifications	B.Com, FCA	B.Com, FCA	B. Tech (Chem. Engg.) and M.Che. Engg.	Economics Graduate
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.	Bachelor of Chemical Engineering (B.Tech Chem. Eng.) from A.C.College of Technology, Anna University, Chennai, Tamil Nadu. He has also secured Masters Degree in Chemical Engineering (M.Che. Engg.) from Cornell University, USA, Ithaca, New York. Besides these formal Degrees, Shri.Rajen K.Mariwala keeps abreast of recent developments in Management Philosophy & Science by annually attending continuing educational courses at Wharton School of Business.	He is aged 44 years, and Economics Graduate from Doshisha University, Japan and is having specific expertise in trading of cotton yarn. He is on the Board of ITOCHU Textile Materials (Asia) Ltd., Hong Kong.
Shareholding in the Company	Nil	6460 Equity Shares of face value of Rs.10/- each.	21300 Equity Shares of face value of Rs.10/- each.	Nil

**NOTICE** (Contd..)

Details of other Directorship:

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri N K Bafna	1) Prime Textiles Ltd.	Director	1) Audit	Member
	2) National Collateral Management Services Ltd.	Director	2) Shareholders 1) Audit	Chairman Chairman
Shri B L Singhal	1) GTN Textiles Ltd.	Director	1) Audit	Chairman
	2) GTN Industries Ltd.	Director	2) Shareholders	Member
	3) Prime Textiles Ltd.	Director	1) Audit	Chairman
	4) GTN Enterprises Ltd.	Director	2) Shareholders	Member
	5) ATL Textile Processors Ltd.	Director	1) Audit	Chairman
	6) M B Credit Pvt. Ltd.	Director	2) Shareholders	Member
	7) M D Investments Pvt. Ltd.	Director	1) Audit	Chairman
	8) Priti Credit Pvt. Ltd.	Director	2) Shareholders	Member
	9) BLS Securities Pvt. Ltd.	Director	None	None
Shri Rajen K. Mariwala	1) Hindustan Polyamides & Fibres Ltd.	Director	None	None
	2) Marico Ltd.	Director	1) Audit	Member
	3) Scientific Precision Pvt. Ltd.	Director	2) Shareholders	Member
	4) Bombay Oil Industries Pvt. Ltd.	Director	None	None
	5) Artic Investment Trading Co. Pvt. Ltd.	Director	None	None
Shri Takeo Imamura	ITOCHU Textiles Material (Asia) Ltd.	Director	None	None

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****ITEM No.6 & 7**

The Board of Directors of the Company have appointed Shri.Rajen K.Mariwala and Shri.Takeo Imamura as Additional Directors with effect from 21st January, 2006. In terms of Section 260 of the Companies Act, 1956, read with Clause No.95 of the Articles of Association, they hold 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/- each from him pursuant to Section 257 of the Companies Act, 1956, signifying his intention to propose the candidature of Shri.Rajen K.Mariwala and Shri.Takeo Imamura for the office of Director(s).

The Board recommends the passing of the ordinary resolution contained in Item No.6 & 7 of the accompanying notice.

None of the Directors other than Shri.Rajen K.Mariwala and Shri.Takeo Imamura are concerned or interested in this resolution.

**ITEM No. 8**

In view of the Company's increased activities, it is considered

desirable to fix the limit up to Rs. 200 Crores so that the Company can borrow funds from the Banks, Bodies Corporate, Institutions, etc, whenever the need arises.

Section 293(1)(d) of the Companies Act, 1956, provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of the Shareholders in General Meeting, exercise borrowing beyond the Paid up Capital and Free Reserves of the Company.

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

Your Directors recommend this Resolution for approval.

**ITEM No. 9**

The Company has been sanctioned Financial Assistance from Export-Import Bank of India (EXIM Bank) and Central Bank of India (CBI) for its modernisation plans under Technology Upgradation Fund Scheme (TUFS Phase III). The said financial assistance has to be secured by a 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.

**NOTICE (Contd..)**

The Working Capital Bankers viz. Central Bank of India (CBI), State Bank of India (SBI), State Bank of Travancore (SBT) and IDBI Limited (IDBI Bank) has sanctioned additional financial assistance for the financial year 2005-06. The said financial assistance(s) has to be secured by a 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 term lenders 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 9.9.2004 and CBG:EOU:D-577:428 dated 4.11.2005 of EXIM Bank and WILLIN:04-05:1105 dated 28.9.2004 of Central Bank of India as well as renewal of Working Capital financial assistance vide Central Bank of India Consortium of Agreement dated 18.2.2005, 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.

Your Directors recommend this Resolution for approval.

**ITEM No. 10**

The Company is presently engaged in the manufacture and export of cotton yarn.

The Board of Directors proposes to set up Wind Mills for power generation, which will be complimentary to its existing activity of manufacture of cotton yarn. The power to be generated from Wind Mills will be utilized for captive consumption/sale and/or supply and

distribution to State Electricity Boards and other consumers including Central / State Government authorities. This will result in reducing the cost of power per unit which will be beneficial to the Company.

Your Directors are of the view that the proposed additional object may conveniently and advantageously be combined with the existing business of the Company. Accordingly, the Directors propose to amend the Other Object of Memorandum of Association of the Company as set out in the Notice.

The Board recommends the adoption of the Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

Your approval is sought to the Resolution in the Notice by voting by postal Ballot in terms of the provisions of Section 192A of the Companies Act, 1956 read with the provisions of the Companies (passing of Resolutions by Postal Ballot) Rules, 2001;

**ITEM No. 11**

As per provisions of Section 149(2A) of the Companies Act, 1956, approval of the Shareholders in General Meeting is required for commencement of any business as set out in Other Objects clause of the Memorandum of Association.

As a matter of expediency, approval of the Shareholders is sought to enable the Directors at such time or times as they may consider appropriate and in the interest of the Company to commence and undertake all or any of the business specified in the Other Object Clause of the Memorandum of Association of the Company.

Your Directors recommend adoption of the Resolution.

None of the Directors of the Company is concerned or interested in the Resolution.

By Order of the Board

For **PATSPIN INDIA LIMITED**

Place : Kochi

Date : 18th May, 2006

**ASISH MOHAN**  
Company Secretary

**DIRECTORS' REPORT**

To the Members,

Your Directors have pleasure in presenting the **Fifteenth** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2006.

**FINANCIAL RESULTS**

	Year ended 31.3.2006 (Rs. in lacs)	Year ended 31.3.2005 (Rs. in lacs)
<b>INCOME</b>		
Net sales / Income from operations	10595	10140
Variation in Stock	76	(264)
Total	<u>10671</u>	<u>9876</u>
<b>EXPENDITURE</b>		
a) Cost of materials	5718	5239
b) Staff Cost	605	574
c) Power Cost	1246	1229
d) Other expenditure	1415	1411
Total	<u>8984</u>	<u>8453</u>
<b>OPERATING PROFIT</b>	<b>1687</b>	<b>1423</b>
Interest	302	272
Profit before depreciation and taxation	1385	1151
Depreciation	773	750
<b>PROFIT BEFORE TAX</b>	<b>612</b>	<b>401</b>
Provision for current tax	28	20
Provision for deferred tax	70	15
Provision for Fringe benefit tax	10	-
<b>PROFIT AFTER TAX</b>	<b>504</b>	<b>366</b>
Balance brought forward from previous year	285	231
Profit available for appropriations	<u>789</u>	<u>597</u>
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	150	100
Dividend on :		
Proposed Equity	247	186
Corporate Dividend Tax	35	26
Surplus carried to Balance Sheet	357	285
	<u>789</u>	<u>597</u>

**DIVIDEND**

Your Directors are pleased to recommend a Dividend @8% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2005-06. The total outgo on account of dividend, inclusive of dividend tax @14.025% is at Rs.282 lacs.

**PERFORMANCE REVIEW**

During the financial year 2005-06 there was marginal increase in sales from Rs. 101.40 crores in the previous year to Rs.105.95 crores. The operating profit and cash profit showed an increase of around 19 per cent, from Rs. 14.23 crores and Rs. 11.51

crores in the previous year to Rs. 16.87 crores and Rs.13.85 crores respectively. The profit before tax reflected substantial increase of around 50 per cent, from Rs. 4.01 crores to Rs.6.12 crores.

The company had undertaken a Scheme to modernize its plants under Technology Upgradation Fund Scheme at a cost of Rs.15.90 crores. The Scheme included replacement of Ring Frames, addition of a Blow Room line, Auto corner, Gas Singeing machines, besides conversion of electrical system from High Tension to Extra High Tension etc. The company incurred Rs.12.27 crores up to the end of financial year under review and the scheme is expected to be completed by March, 2007. As a result of modernization, the company has been able to improve production efficiency and thereby its operating profit besides setting higher quality parameters at par with international standards.

With its continuing thrust on technology upgradation, the company is hopeful of showing satisfactory results in the current year also.

**DIRECTORS' RESPONSIBILITY STATEMENT**

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- 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;
- 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.
- 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. N K Bafna and Shri.B L Singhal, Directors, retire from Office by rotation and are eligible for re-appointment.

Shri Rajen K.Mariwala and Shri.Takeo Imamura have been inducted as Additional Directors effective from 21st January, 2006. Your Board of Directors recommend their appointment under Section 257 of the Companies Act, 1956.



**DIRECTORS' REPORT** (Contd..)

Shri A V S Hameed, Nominee of IDBI Limited has been appointed as Director on the Board of the Company with effect from 29.4.2005 in place of Shri P K S Pillai.

Shri Takeo Imamura, Nominee of ITOCHU Corporation, Japan has been appointed as Director on the Board of the Company with effect from 21.1.2006 in place of Shri Joji Otsuka.

Shri Kishore V.Mariwala and Shri.M K Patodia have resigned from the Board of the Company effective from 21.1.2006.

The Board places on record its profound appreciation for the valuable contribution from Shri. M K Patodia, Shri.Kishore V.Mariwala, Shri.J Otsuka and Shri.P K S Pillai during their tenure as Directors of the Company.

**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 gratitude to Industrial Development Bank of India Limited, Export-Import Bank of India, Central Bank of India, State Bank of India, State Bank of Travancore, IDBI 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 : 18th May, 2006

**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

Sr. No.	Name	Age (Years)	Designation	Nature of Duties	Remuneration (Rs. in lacs)	Qualification Commencement	Experience held	Date of Job	Last employment
A	Employees who worked throughout the accounting year and whose remuneration aggregating Rs.24,00,000 or more per year ;								
	Shri Umang Patodia	37	Managing Director	Management of the affairs of the company	45.67	B. Com	16 years	4.8.1994	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, Companys' contribution to Provident and Superannuation Funds, Gratuity fund, Medical Expenses and Leave Travel Assistance, and other perquisites evaluated as per Income Tax Rules wherever necessary.
- 3 Shri Umang Patodia is related to Shri B K Patodia, Chairman of the Company.

For and on behalf of the Board

Place : Kochi,  
Date : 18th May, 2006

**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 energy cost, energy efficient equipments 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 31.03.2006	Year ended 31.03.2005
<b>I. Power Consumption</b>		
1. Electricity		
a) Purchased (Units in lacs)	334.89	320.64
Total amount (Rs. in lacs)	1,211.76	1,167.07
Rate per unit (Rs.)	3.62	3.64
b) Own generation through Diesel		
Generator (units in lacs)	4.09	10.10
Units per litre of diesel oil	3.66	3.63
Cost per unit (Rs.)	8.36	6.10
2. Coal	Nil	Nil
3. Furnace Oil (low sulphur high stock oil)	Nil	Nil
4. Other internal generation	Nil	Nil
<b>II. Consumption per unit of production</b>		
a) Electricity - Units per Kg. Yarn	7.80	7.63
b) Furnace Oil (low sulphur high stock oil) Ltrs per Kg/unit.	-	-

**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 & Spares: Earned: Rs.8129.72 lacs (Previous year Rs.8008.88 lacs) (including shipping freight realisation and agents commission) Used: Rs.2757.30 lacs (Previous year Rs.1729.03 lacs).

For and on behalf of the Board

Place : Kochi,  
Date : 18th May, 2006

**B K PATODIA**  
Chairman