

The **16th** SIXTEEN
Annual Report
2006 - 2007

REPORT  JUNCTION.COM

PATSPIN



Board of Directors

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PATSPIN INDIA LIMITED

NOTICE

NOTICE is hereby given that the **SIXTEENTH** Annual General Meeting of **PATSPIN INDIA LIMITED** will be held at Bharat Hotel (BTH), Durbar Hall Road, Kochi – 682 016 at 9.30 a.m on Thursday the 26th day, of July 2007 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 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.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.Yoichi Ikezoe, 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 28.10.2006 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 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 and Rules there under (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 fixing of the remuneration of Shri.Umang Patodia, Managing Director of the company for a further period from 1.4.2007 upto 3.8.2009, on the terms and conditions as set out and approved by the Remuneration Committee / Board of Directors. The draft remuneration structure placed before this meeting is 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 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 the Board be and is hereby authorized to take all such steps as may be necessary proper or expedient to give effect to this resolution.

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

"RESOLVED that in supersession of the resolution passed at the previous Annual General meeting of the company, 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 is hereby granted and accorded to the Board of Directors to their borrowing of monies for and on behalf of the company 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 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, the 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.400 crores (Rupees four hundred crores only)".

9. 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) of the Companies Act, 1956 and other applicable provisions if any, to mortgage and/or charge by the Board/Committee of the Board 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 the assets of the company in certain events, to or in favour of Central Bank of India, Oriental Bank of Commerce, State Bank of India, The Karur Vysya Bank Limited, Canara Bank and Bank of Maharashtra to secure on pari passu first charge basis:

- i) Rupee Term Loan of Rs.42.54 crores and Rs.25 crores, aggregating Rs.67.54 crores, under Technology Upgradation Fund Scheme – Phase IV & V, lent and advanced by Central Bank of India (CBI) to the Company;
- ii) Rupee Term Loan of Rs.50 crores under Technology Upgradation Fund Scheme – Phase IV lent and advanced by Oriental Bank of Commerce (OBC) to the Company;
- iii) Rupee Term Loan of Rs.35 crores under Technology Upgradation Fund Scheme – Phase IV lent and advanced by State Bank of India (SBI) to the Company;

NOTICE (Contd..)

- iv) Rupee Term Loan of Rs.20 crores under Technology Upgradation Fund Scheme – Phase IV lent and advanced by The Karur Vysya Bank Limited (KVB) to the Company;
- v) Rupee Term Loan of Rs.40 crores under Technology Upgradation Fund Scheme – Phase V lent and advanced by Canara Bank (CB) to the Company;
- vi) Rupee Term Loan of Rs.20 crores under Technology Upgradation Fund Scheme – Phase V lent and advanced by Bank of Maharashtra (BOM) to the Company.

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

Place : Kochi

A.ANURADHA

Date : 8th May, 2007

Assistant 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 14th July, 2007 to Thursday, the 26th July, 2007 (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 25th August, 2007 to those members whose names appear on the Company's Register of Members as on 26th July, 2007.
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 upto 31st March, 1998 have been transferred by the Company to the **Investor Education and Protection Fund (IEPF)**, established by the Central Government pursuant to Section 205C of the Companies Act, 1956. 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
31.3.2006	28.7.2006	27.7.2013	26.8.2013

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 after a period of 7 (Seven) years from the date that they first became due for payment and no payment shall be made in respect of any such claim.

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

REQUEST TO THE MEMBERS:

1. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members are requested to 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@iepfndia.com or shaji@iepfndia.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 / REGULARISATION PURSUANT TO SECTION 257 OF THE ACT.**

(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri.B K Patodia	Shri.P C Seksaria	Shri.Yoichi Ikezoe
Date of Birth	01.01.1945	30.01.1946	19.06.1959
Date of appointment	20.09.1991	11.10.1991	28.10.2006
Qualifications	Engineering Graduate from BITS, Pilani.	Commerce Graduate	Textile Engineer
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). He is also an Executive Member of the Cotton Textiles Export Promotion Council, Mumbai. He is Vice Chairman and Managing Director of GTN Textiles Limited, the flagship company of GTN Group.	Over 38 years of experience in Finance and Administration. He is Chief Executive of GTN Textiles Limited.	Over 25 years of experience in Textile Industry, Yarn Marketing and he is the Managing Director of M/s. ITOCHU Textiles Materials (Asia) Limited, Hongkong, Financial collaborator and Promoter of the Company along with GTN Textiles Limited and Kerala State Industrial Development Corporation Limited, Trivandrum.
Shareholding in the Company	34,350 equity shares of Rs. 10/- each.	400 equity shares of Rs.10/- each.	Nil

Details of other Directorship:

Name of Director	Name of the Company	Position held	Committee type
Shri. B K Patodia	1) GTN Textiles Limited	Vice Chairman & Managing Director	None
	2) GTN Enterprises Limited	Chairman	None
	3) Kerala State Industrial Development Corporation Limited	Director	None
	4) Hindustan Polyamides & Fibres Limited	Director	None
	5) India Thermit Corporation Limited	Director	None
	6) Hind Rectifiers Limited	Director	None
	7) Patspin Apparels Pvt. Limited	Chairman	None
	8) Patodia Exports & Investments Pvt. Limited	Director	None
	9) Umang Finance Pvt. Limited	Director	None
	10) Beekaypee Credit Pvt. Limited	Director	None
	11) Madanlal Brijlal Pvt. Limited	Director	None
Shri. P C Seksaria	GTN Enterprises Limited	Director	None
Shri. Yoichi Ikezoe	ITOCHU Textile Materials (Asia) Limited, Hong Kong	Managing Director	None

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.Yoichi Ikezoe as Additional Director of the Company with effect from 28.10.2006. In terms of Section 260 of the Companies Act, 1956, read with Clause 95 of the Articles of Association, he hold the said Office only up to 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.Yoichi Ikezoe for the office of the Director.

The Board recommends the passing of the Ordinary Resolution contained in Item No.6 of the accompanying notice.

None of the directors are interested in the resolution other than Shri.Yoichi Ikezoe.

ITEM No. 7

Shri.Umang Patodia was re-appointed as the Managing director of the company for a period of five years with effect from 4.8.2004 upto 3.8.2009. His remuneration had also been fixed by the Remuneration Committee / Board for a period of 3 years from 1.4.2004 upto 31.3.2007.

Remuneration Committee constituted by the Board had met on 7.5.2007 and approved and recommended remuneration package of Shri.Umang Patodia, Managing Director for his balance tenure from 1.4.2007 upto 3.8.2009, in accordance with Schedule XIII to the Companies Act, 1956.

NOTICE (Contd..)

In terms of Government of India, Ministry of Law, Justice and Company Affairs, Department of Company Affairs, Notification No.GSR36(E) dated 16th January 2002, where in any financial year, during the currency of the 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/- per month but not exceeding Rs.4,00,000/- per month or exceeding Rs.4,00,000/- per month 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 along with notice calling the General Meeting referred to in Clause(iii) is given to the shareholders containing certain information as specified in the said notification.

The Remuneration Committee of the Board of Directors has recommended remuneration of Shri.Umang Patodia, Managing Director for his balance tenure from 1.4.2007 upto 3.8.2009, as set out below:

a) Salary:

Rs.3,50,000/- per month in the Scale Rs.350000-20000-390000 effective from 1st April, 2007 upto 3rd August, 2009.

b) 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.

c) 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 appointees salary shall be paid. In addition, the appointee shall be allowed Company owned furniture and fixtures, if required.
- (ii) The expenditure incurred by the appointee on gas, electricity and water shall be reimbursed by the Company.
- (iii) All Medical Expenses incurred by the appointee for self and his family shall be reimbursed.
- (iv) Leave Travel Concession for the appointee and his family will be allowed once in a year as per the Rules of the Company.
- (v) Fees of Clubs : Subject to a maximum of 2 Clubs. This will not include admission and life membership fees.
- (vi) Personal Accident Insurance : As per Rules of the Company.
- (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) Encashment of Leave as per Rules of the Company.

Overall Remuneration:

The aggregate of salary, commission and perquisites in any financial year shall not exceed the limits prescribed from time to time under Section 198, 309, and other applicable provisions of the Act read with Schedule XIII to the said Act, as may for the time being be in force.

e) Minimum Remuneration:

In case of loss or inadequacy of profits in any financial year during the currency of tenure of his service, the payment of salary, commission and perquisites shall be governed by the limits prescribed under the Section II of Part II of Schedule XIII to the Act.

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 remuneration as set out in Item No.7 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 profits in any financial year during the tenure of Shri.Umang Patodia as the Managing Director of the company.

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

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

Information required to be disclosed in terms of Notification No. GSR 36(E) dated 16.1.2002 of Schedule XIII to the Companies Act, 1956:-

I. General Information:**i) Nature of the 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.

iii) In case of new companies, expected date of commercial of activities as per Project approved by financial institutions appearing in the prospectus.

Not applicable.

iv) Financial Performance:

(Rs. in lacs)

Particulars	02-03	03-04	04-05	05-06	06-07
Sales	10033	10853	10140	10594	13711
Other Income	2	3	—	1	114
Operating Profit	2219	1981	1423	1687	1806
Interest	557	430	272	302	482
PBDT	1662	1551	1151	1385	1324
Profit Before Tax	926	801	401	612	418
Profit After Tax	860	697	366	504	192
Net Profit	860	697	366	504	192
Amount of Equity Dividend Paid	278	278	186	247	185
Rate of Dividend Declared (%)	9%	9%	6%	8%	6% (proposed)

NOTICE (Contd..)

The Effective Capital of the company based on the Audited Accounts for the Year Ended 31.3.2007 is Rs.105 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
2002-2003	9359
2003-2004	10077
2004-2005	9080
2005-2006	8562
2006-2007	12382

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 9.70 % of equity share capital in the company.

II. Information about the appointee: Shri.Umang Patodia

Vide Item No.7 of the notice of this Annual General Meeting of the company, the approval of the members is being sought for fixing the remuneration of Shri.Umang Patodia, Managing Director effective from 1st April 2007 upto a period 3.8.2009. Shri.Umang Patodia is a Citizen of India, 38 years of age. He is a Commerce Graduate and has about 17 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 and Information Technology. He was Executive Director (Exports) in GTN Textiles Limited, before he took the post of Managing Director in August, 1994.

During the financial year 2006-07, he was paid the following remuneration:

(Rs. in lacs)

Salary	Perquisites	P.F./Gratuity/ Superannuation	Total
33.60	1.87	10.38	45.85

Shri.Umang Patodia is the Chairman of Confederation of Indian Industries – Kerala State Council and also a member of Young Entrepreneurs Group. ICMF – Young Entrepreneurs Organisation, Chennai. He is also a Committee Member of Southern India Mills Association.

Pecuniary Relationship: The Company had not entered into any transaction of material in 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 the Management Discussion and Analysis forming part of the Annual Report mention in detail "other information" as required under Schedule XIII as per the notification no. GSR 36(E) dated 16.01.2002.

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

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

Your Directors recommend the Special Resolution for approval.

ITEM No.8:

In view of the Company's increased activities, it is considered desirable to fix the limit up to Rs.400 crores so that the company can borrow funds from the Banks, Bodies Corporate, Institutions, etc. whenever required.

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 are interested or concerned in the resolution.

Your Directors recommend this resolution for approval.

ITEM No.9:

The Company has been sanctioned financial assistance from Central Bank of India, Oriental Bank of Commerce, State Bank of India, The Karur Vysya Bank Limited, Canara Bank and Bank of Maharashtra, for its expansion cum modernization plans under Technology Upgradation Fund Scheme – Phase IV & V. 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 fixed assets as may be agreed to by the company and the term lenders.

Copies of the sanction letters Ref.Nos.(i) MISC/384 dated 10.1.2007 of State Bank of India; (ii) OBC/KCH/CL/001/06-07 dated 5.3.2007 of Oriental Bank of Commerce; (iii) AE16/ADV/PATSPIN/2007 dated 16.3.2007 of Bank of Maharashtra; (iv) CB BWAY PIL TUFSL 2007 KHN dated 29.3.2007 of Canara Bank and (v) WILLIN : 06-07:1126 dated 30.3.2007 of Central Bank of India is open for inspection at the Registered Office of the Company between 11.00 a.m and 2.00 p.m on any working day prior to the date of the meeting.

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 the shareholders in 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 company had mortgaged its immovable properties and movable fixed assets in favour of the term loan as well as the working capital lenders, it may be regarded as disposal of the company's properties/undertakings. Hence it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956

Copies of the sanction letters received from Central Bank of India, Oriental Bank of Commerce, State Bank of India, The Karur Vysya Bank Limited, Canara Bank and Bank of Maharashtra is open for inspection at the Registered Office of the Company between 11.00 a.m and 2.00 p.m on any working day prior to the date of the meeting.

None of the Directors are interested or concerned in this resolution.

Your Directors recommend this resolution for approval.

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

Place : Kochi
Date : 8th May, 2007

A.ANURADHA
Assistant Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the **SIXTEENTH** Annual Report together with the Audited Statements of Account for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Year ended 31.3.2007 (Rs. in lacs)	Year ended 31.3.2006 (Rs. in lacs)
INCOME		
Net sales / Income from operations	13824	10595
Variation in Stock	(87)	76
Total	13737	10671
EXPENDITURE		
a) Cost of materials	8471	5718
b) Staff Cost	623	605
c) Power Cost	1171	1246
d) Other expenditure	1666	1415
Total	11931	8984
OPERATING PROFIT	1806	1687
Interest	482	302
Profit before depreciation and taxation	1324	1385
Depreciation	906	773
PROFIT BEFORE TAX	418	612
Provision for current tax	25	28
Provision for deferred tax	192	70
Provision for Fringe benefit tax	9	10
PROFIT AFTER TAX	192	504
Balance brought forward from previous year	357	285
Profit available for appropriations	549	789
APPROPRIATIONS		
Transfer to General Reserve	—	150
Dividend on :		
Proposed Equity	185	247
Corporate Dividend Tax	32	35
Surplus carried to Balance Sheet	332	357
	549	789

DIVIDEND

Due to lower profits, your Directors are recommending a Dividend @6% on the Paid-up Equity Share Capital of the Company in respect of the financial year 2006-07. The total outgo on account of dividend, inclusive of dividend tax @16.995% is at Rs.217 lacs.

PERFORMANCE REVIEW

During the financial year under review, sales have gone up from Rs.105.95 crores to Rs.138.24 crores. This increase has been mainly on account of increase in the volume of merchant exports

in pursuance of the company's strategy of seeding the market keeping in view the various expansion projects which the company has undertaken.

At operating profit level, the profit has gone up from Rs.16.87 crores to Rs.18.06 crores. This includes Wind Mill income of Rs.1.13 crores, and as far as profit from operations are concerned, the same has been maintained at previous year's level. However, profit before tax is at Rs.4.18 crores as compared to Rs.6.12 crores of the previous year on account of increased interest burden consequent to the increase in the interest rates on working capital loans, besides higher charge of depreciation on account of Wind Mills. After providing provision for current tax, deferred tax and FBT of Rs.2.26 crores as against Rs.1.08 crores for the previous year, the Profit After Tax is at Rs.1.92 crores as against Rs.5.04 crores.

EXPANSION & MODERNISATION PLANS

As mentioned in our earlier report, the Scheme undertaken to modernize its plant under Technology Upgradation Fund Scheme Phase-III at a cost of Rs.15.90 crores is almost at the final stage of completion. The company has incurred Rs.15.04 crores as on 31st March, 07.

Your company has also undertaken substantial expansion-cum-modernisation plans under Technology Upgradation Fund Scheme Phase-IV at an outlay of Rs.179.86 crores, including installation of 4 Wind Mills. The scheme comprises the following:

1. Setting up of a new project with 30,000 spindles (including 10,800 compact spindles) at Ponneri, Udumalpet, Tamilnadu, at a project cost of Rs.101.41 crores.
2. Expansion of spindleage by 16,800 spindles (including 8400 compact spindles) at the existing plant at Palakkad, at a Project cost of Rs.38.50 crores.
3. 4 Windmills with a total capacity of 5.8 MW, at a cost of Rs.33.12 crores, at Tamilnadu.
4. Modernisation and expansion of capacities for value added products at Palakkad factory at a cost of Rs.6.83 crores.

Financial tie-up for the above project has already been completed in January, 2007.

The project at Ponneri, Udumalpet is progressing as planned and the entire project is expected to be completed by June, 2008. Modernisation plans at Palakkad is also under way and will be completed as envisaged.

The company has incurred an amount of Rs.63.46 crores, including Wind Mills, as on date.

The company has also undertaken an expansion Project under Technology Upgradation Fund Scheme Phase-V at an outlay of Rs.93.50 crores. The financial closure for this project also has been completed in March, 2007. The project envisages the following:

1. Expansion of Plant at Ponneri, Udumalpet, Tamil Nadu from 30,000 spindles to 62,400 spindles (including 25,200 compact spindles) involving an outlay of Rs.67.64 crores.
2. Installation of Twisting and Gassing capacities at Ponneri,

DIRECTORS' REPORT (Contd..)

Udumalpet, involving an outlay of Rs.25.86 crores to produce value added products.

The company has already incurred an amount of Rs.5.07 crores for the project, as on date. Civil works are progressing as planned. The project is expected to be completed by March, 2009.

On completion of the above projects, the aggregate spinning capacity of the company would be about 1,28,000 spindles, including 57,000 Compact Spindles.

The company's production is predominantly exported and as such its profitability, to some extent, depends on movement in exchange rates of various currencies. Towards the end of the last financial year, Indian Rupee made substantial gains against US Dollar and reached a nine year high during April 2007. This sudden exchange rate movement was unprecedented in the last 3 decades or so. In spite of company's foreign exchange hedging policy, such a sharp strengthening of Rupee against Dollar is likely to affect company's future sales realizations and profitability for the time being, as is the case across various industries. On the other hand, since the company imports substantial requirement of its cotton, Rupee's strengthening will help to reduce its raw material cost as well, thus partially relieving pressure on margins.

The company is taking all possible steps to mitigate the adverse effect of currency appreciation and will also endeavour to complete the expansion-cum-modernisation envisaged under various schemes, so that the benefit starts accruing in the current year itself.

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 that there are no material departures;
- (b) they have, selected such accounting policies and applied them consistently and made judgments 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 REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis Statement.

FIXED DEPOSITS

The Company has not accepted any Public Deposits and, as such, no amount on account of principle or interest on public deposits was outstanding on the date of the Balance Sheet.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Shri.B K Patodia and Shri.P C Seksaria, Directors, retire from Office by rotation and are eligible for re-appointment.

Shri.Yoichi Ikezoe (Nominee ITOCHU) has been inducted as Additional Director effective from 28.10.2006 and seeks regularization in this Annual General Meeting.

Your Board of Directors recommend their 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 gratitude to IDBI Bank Limited, Export-Import Bank of India, Central Bank of India, State Bank of India, State Bank of Travancore, Oriental Bank of Commerce, The Karur Vysya Bank Limited, Canara Bank and Bank of Maharashtra 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

B K PATODIA
Chairman

Place : Kochi,
Date : 8th May, 2007

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

Sr. No.	Name	Age (Years)	Designation	Nature of Duties	Remuneration (Rs. in lacs)	Qualification	Experience	Date of Job Commencement	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	38	Managing Director	Management of the affairs of the company	45.85	Bachelor of Commerce	17 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, Company 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 : 8th May, 2007

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 31.03.2007	Year ended 31.03.2006
I. Power Consumption		
1. Electricity		
a) Purchased (Units in lacs)	306.58	334.89
Total amount (Rs. In lacs)	1,125.15	1,211.76
Rate per unit (Rs.)	3.67	3.62
b) Own generation through Diesel Generator (units in lacs)	5.34	4.09
Units per litre of diesel oil	3.79	3.66
Cost per unit (Rs.)	8.63	8.36
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	7.53	7.80
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.11980.29 lacs (Previous year Rs.8129.72 lacs) (including shipping freight realisation and agents commission) Used: Rs.2734.63 lacs (Previous year Rs.2757.30 lacs)

For and on behalf of the Board

Place : Kochi,
Date : 8th May, 2007

B K PATODIA
Chairman