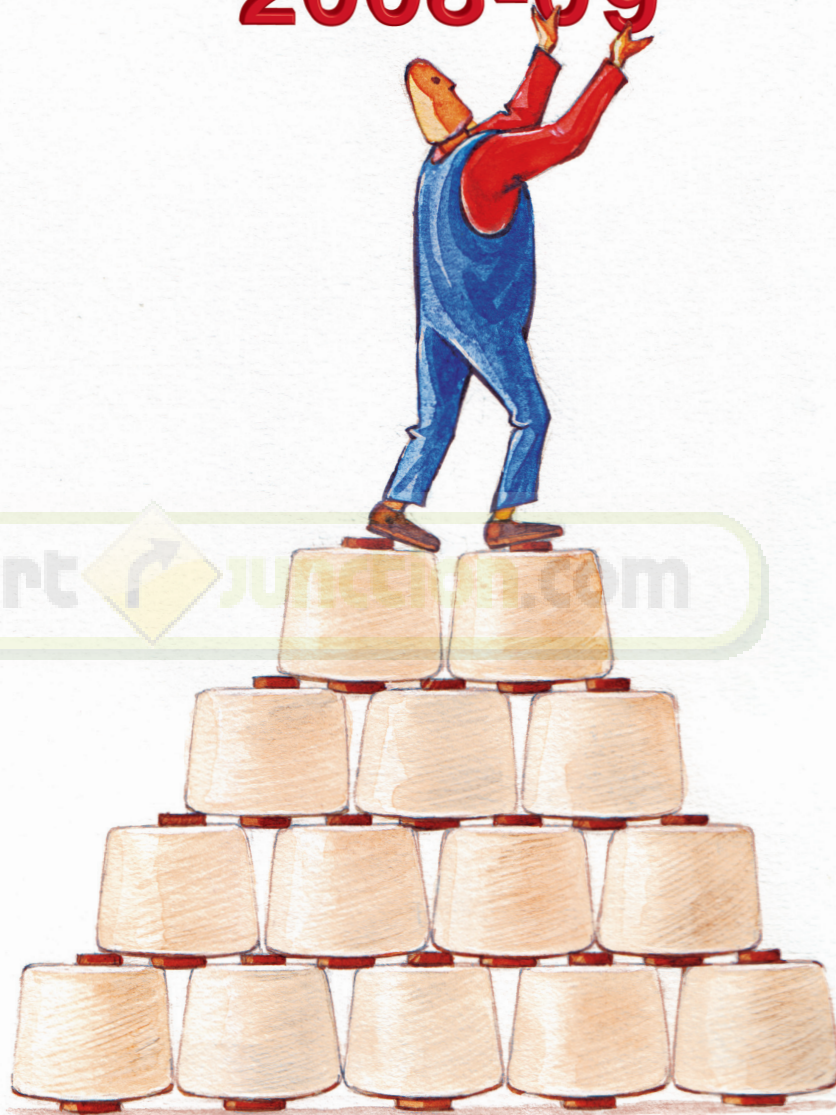


EIGHTEENTH
ANNUAL REPORT
2008-09



ANNUAL REPORT

2008-09

Corporate Office 43, Mittal Chambers, 228 Nariman Point,
Mumbai 400 021, India.

PATSPIN INDIA LIMITED

NOTICE

NOTICE is hereby given that the **EIGHTEENTH** 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 31st day of July, 2009 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2009 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 appoint a Director in place of Shri.B.L Singhal, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri. Rajen. K Mariwala, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

5. **Consent for Appointment and Fixing of Remuneration of Managing Director**

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 re-appointment of Shri Umang Patodia as Managing Director of the Company, for a period of five years with effect from 4.8.2009 , on the terms and conditions including remuneration as are 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 pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Act, the remuneration payable to Shri. Umang Patodia by way of salary, perquisites, commission and other allowance shall not in any event exceed 5% of the net profits of the Company in that financial year”.

“RESOLVED FURTHER that in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Shri. Umang Patodia, the remuneration, perquisites and other allowances shall be governed by the limits prescribed in Section II of Part II of Schedule XIII to the Act”.

“RESOLVED FURTHER THAT Shri Umang Patodia shall not be liable to retire by rotation .”

AND

“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”.

6. **Consent to Issue of Redeemable Preference Shares**

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 80(1) and Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, consents as may be necessary, consent of the company be and is hereby accorded to the Board or its Committee to issue Redeemable Preference Shares of Rs 100/- each (Rupees Hundred only) at par/premium in one or more tranches to such person (s), whether or not such person(s) are existing shareholders of the company, including one or more of the members/ Promoters/ Employees/their Associates etc. on a preferential basis and on such terms and conditions regarding period of redemption, dividend, nature of the shares i.e. Cumulative or Non-Cumulative etc. as the Board or its Committee may decide. The Redeemable Preference Shares outstanding at any point of time shall not exceed Rs 7,00,00,000 (Rupees Seven Crores only).

“FURTHER RESOLVED THAT for the purpose of giving effect to this resolution the Board or its Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue or allotment and redemption from time to time as it may in its absolute discretion deem fit”.

7. **Approval to create equitable mortgage .**

To consider and if thought fit to pass with or without

NOTICE (contd.)

modification(s), the following resolution as an **ordinary resolution**.

“RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) for creating such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties of the Company wheresoever situate, both 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 (CBI), State Bank of India (SBI), State Bank of Travancore (SBT), The Karur Vysya Bank Limited (KVB), IDBI Bank Ltd. (IDBI Bank), Oriental Bank of Commerce (OBC), Bank of Maharashtra (BOM), Export Import Bank of India (EXIM Bank) and Canara Bank (CB) to secure the following charges:

- i) On pari passu first charge basis for the financial assistance by way of Funded Interest Term Loan (FITL) aggregating Rs.20.50 crores lent and advanced by CBI, SBI, KVB, OBC, BOM, Exim Bank and CB to the company.
- ii) On exclusive charge on Captive Power Project aggregating Rs. 10.00 crores lent and advanced by CBI, SBI, KVB, OBC, BOM, and CB to the company.
- iii) On pari passu first/second charge basis for the Working Capital Term Loan (WCTL) aggregating Rs. 14 crores lent and advanced by CBI, SBI, SBT, IDBI Bank and KVB to the company.
- iv) On pari passu first charge basis for the short term loans aggregating Rs. 8.83 crores lent and advanced by CBI/KVB to the company.

“RESOLVED FURTHER THAT the Board/ Committee of the Directors of the Company be and is hereby authorized to do all such acts and things as may be necessary for giving effect to the above resolution”

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 25th July, 2009 to Friday, the 31st July, 2009 (both days inclusive).
4. 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.
5. Pursuant to Section 205A(5) of the Companies Act, 1956, Dividend for the Financial Year upto 31st March, 2001 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, 2002 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
31.3.2002	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
31.3.2007	26.7.2007	25.7.2014	24.8.2014

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.

6. 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

NOTICE (contd.)

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; Fax: (0484) 2384735; E-Mail:yesbalu@iepindia.com or shaji@iepindia.com.
5. **Members are requested to note that the Company's Equity shares are compulsorily traded in demat form for all investors, effective from 29th January, 2001. Members are requested to open Depository Account in their names with a Depository participant to dematerialise their holdings. This would be necessary for facilitating the transfers of Company's Equity shares in all Stock Exchanges connected to the Depository System.**

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

Name of Director	Shri.B.L Singhal	Shri.Rajen K Mariwala
Date of Birth	15.04.1947	04.09.1962
Date of appointment	20.6.2000	21.01.2006
Qualifications	B.Com, FCA	B.Tech Chemical Engineering, M.Tech Chemical Engineering
Expertise in specific functional area	Shri B.L Singhal ,aged 62 years ,is a graduate in Commerce and Fellow Member of the Institute of Chartered Accountants of India (ICAI). He is a Practicing Chartered Accountant and Senior Partner of M/S B.L Singhal & Co. Chartered Accountants, Kolkata. He has 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, Tamilnadu. 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.
Shareholding in the Company	6460 Equity Shares of face value of Rs 10 each	21300 Equity Shares of face value of Rs 10 each.

NOTICE (contd.)

Details of other Directorship:-

Name of Director	Name of the Company	Position held	Committee type	Membership status
Shri.B.L. Singhal	1) GTN Textiles Ltd.	Director	1) Audit 2) Shareholders	Chairman Member
	2) GTN Industries Ltd	Director	1) Audit 2) Shareholders	Chairman Member
	3) Prime Textiles Limited	Director	1) Audit 2) Shareholders	Chairman Member
	4) GTN Enterprises Limited	Director	None	None
	5) ATL Textile Processors Ltd.	Director	None	None
	6) M B Credit Pvt. Ltd.	Director	None	None
	7) Priti Credit Pvt. Ltd.	Director	None	None
	8) BLS Securities Pvt. Ltd.	Director	None	None
Shri. Rajen K Mariwala	1) Hindusthan Polyamides and Fibres Ltd	Mg. Director	None	None
	2) Marico Industries Ltd	Director	1) Audit 2) Shareholders	Member Member

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM No.5:

The present term of office of Shri Umang Patodia as Managing Director will expire on 3rd August 2009. Subject to shareholders approval, the Board of Directors, at their meeting held on 7th June 2009 have reappointed him for a further period of five years from the expiry date of his term on the remuneration determined by the Remuneration Committee of the Board of Directors.

Remuneration Committee constituted by the Board had met on 6.6.2009 and approved and recommended remuneration package of Shri.Umang Patodia, Managing Director for a period of three years, in accordance with Schedule XIII to the Companies Act, 1956.

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.200000/-, per month but not exceeding Rs.400000/- per month or exceeding Rs.400000/- per month with prior approval of the Central Government, provided;

- payment of remuneration is approved by a resolution passed by the Remuneration Committee;
- 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;
- 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
- 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.

Shri. Umang Patodia was drawing a monthly salary of Rs.370000/- for the financial year 2008-09 plus usual perquisites. Under his able leadership, the company has recorded significant growth. Therefore, the Committee unanimously

NOTICE (contd.)

recommended to maintain the same remuneration of Rs.370000/- per month in the scale Rs.370000-10000-390000 plus usual perquisites to Shri. Umang Patodia, Managing Director for a period of three years from 1-4-2009 to 31-3-2012, as set out below:

a) **Salary:**

Rs.370000/- per month in the Scale Rs.370000–10000–390000 effective from 1st April, 2009 for a period of three years.

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, restricted to an overall limit of Rs.48 lacs per annum.

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.

d) **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 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.5 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 ,Managing Director of the Company.

NOTICE (contd.)

Shri. B K Patodia and Shri. Umang Patodia being related to each other is deemed to be interested in the resolution mentioned in Item no.5 of the Notice.

None of the other directors of the company is in any way concerned or interested in the resolution.

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 activities as per Project approved by financial institutions appearing in the prospectus.

Not applicable.

iv) Financial Performance:

(Rs. in lacs)

Particulars	2006-07	2007-08	2008-09
Sales/Income from operations	13828	15649	21220
Variation in Stock	(87)	624	1060
Operating Profit	1806	1337	524
Interest	482	953	2270
PBDT	1324	384	(1746)
Profit/(Loss) Before Tax	418	(883)	(3618)
Profit/(Loss) After Tax	192	(400)	(2603)
Net Profit/(Loss)	192	(400)	(2603)
Amount of Equity Dividend Paid	186	Nil	Nil
Rate of Dividend Declared (%)	6%	Nil	Nil

The Effective Capital of the company based on the Audited Accounts for the Year Ended 31.3.2009 is Rs 257 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 collaborations:

(Rs. in Lacs)

Financial Year	Export Turnover
2006-2007	12642.28
2007-2008	13875.78
2008-2009	14900.68

The Company does not have any Foreign Exchange Collaboration.

vi) Foreign Investments of Collaborators, if any: the Company does not have any foreign investments or collaborators.

NOTICE (contd.)

II. Information about the appointee: Shri.Umang Patodia

Vide Item No.5 of the Notice of this Annual General Meeting of the company, the approval of the members is being sought for appointment of Shri.Umang Patodia as Managing Director for a period of 5 years with effect from 4th August, 2009 as well as fixing of remuneration for a period of 3 years effective from 1st April, 2009. Shri.Umang Patodia is a Citizen of India, 40 years of age. He is a Commerce Graduate and has about 19 years of experience in Textile Industry. He was past Chairman of CII- Kerala State Council and is member of various committees including Southern India Mills Association (SIMA); and The Confederation of Indian Textile Industry. The Company's operations are managed by Shri.Umang Patodia as well as implementation of all policy matters under the guidance of the Board of Directors, besides directly handling other crucial areas, such as exports of yarn. Shri Umang Patodia was Executive Director (Exports) in GTN Textiles Limited before he took over the post of Managing Director in August ,1994.

During the financial year 2008-2009, he was paid the following remuneration:

(Rs. in lacs)

Salary	Commission	Perquisites	P.F./Gratuity/ Superannuation	Total
44.40	—	0.16	13.98	58.54

The remuneration Committee and the Board of Directors of the Company recognized over 19 years of his experience. The remuneration agreed to be payable to Shri Umang Patodia , subject to the approval of the Shareholders of the Company is in view of the increase activities , increase in the responsibilities shouldered and his rich and diversified experience in the industry. His remuneration is comparable with the market trend for a Managing Director level Executive.

Pecuniary Relationship: The Company had not entered into any transaction of 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.

The Draft agreement referred in the resolution would be available for inspection by the members at the registered office of the company on any working day between 11 a.m and 1 p.m prior to the date of the meeting.

Shri.Umang Patodia and Shri.B K Patodia being related to each other are deemed to be interested in the resolution mentioned in Item No.5 of the notice and none of the other Directors of the company is in any way concerned or interested in the resolution.

The terms and conditions mentioned in item No.5 of the notice may also be taken as an Abstract of the agreement to be made by the Company with Shri Umang Patodia, pursuant to section 302 of the Companies Act,1956.

Your Directors recommend this Resolution for approval.

Item No.6

As a part of the Debt Realignment Proposal, we have approached our Banks and Institutions to reschedule the existing loans and sanction additional term loans. The lenders while approving the proposal have asked the Promoters and its Associates to infuse Rs.700 lakhs in a phased manner.

The Board of Directors have approved a proposal to issue Redeemable Preference Shares of Rs.100/- each aggregating Rs. 700 lakhs, in one or more tranches to the Promoters and its Associates, subject to the approval of the Members. The issue of these shares will strengthen the liquidity position of the company.

Section 81 of the Companies Act, 1956 provides, interalia, that when it is proposed to increase the Issued Capital of the Company by allotment of further shares, such further shares shall be offered to the existing Shareholders of the Company in the manner laid down in Section 81 unless the Shareholders in a General Meeting decide otherwise.

NOTICE (contd.)

The said resolution is an enabling resolution conferring authority to the Board/Committee to issue shares even to non-members of the Company.

Accordingly, consent of the Shareholders is being sought.

Shri. B K Patodia and Shri. Umang Patodia being Promoters, Shri. T.Okui and Shri. Pius Joseph being Nominee Directors of Itochu Corporation and KSIDC respectively, being Co-promoters of the Company are deemed to be interested in the resolution mentioned in item no.6 of the Notice.

None of the other Directors of the Company is in any way concerned or interested in the resolution.

Your Directors, therefore, recommend the resolution for your approval.

Item No.7

The Company has approached our Banks and Institutions for additional term loans and working capital term loans under Debt Realignment Proposal. Some of the Banks including the leader of the consortium have sanctioned financial assistance by way of FITL, WCTL, CPP and short term loans and the company is expecting sanctions from other banks, shortly. This financial assistance is to be secured by mortgage on the immovable and movable properties of the company, present and future.

Hypothecation or mortgage does not amount to disposal of undertaking. The Board/Committee propose to extend equitable mortgage in favour of CBI, SBI, SBT, IDBI Bank, KVB, OBC, Exim Bank, BOM and CB for the above said financial assistance ranking pari passu in all respects with the existing mortgage on the Company's property and assets created in favour of Banks/Financial Institution for the loans granted by them to the company.

Copies of the sanction letters from some banks / appraisal note by the lend bank are 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 is interested or concerned in this resolution.

Your Directors recommend this resolution for approval.

By Order of the Board

For **PATSPIN INDIA LIMITED**

ABHILASH N. A

Assistant Company Secretary

Place : Kochi

Date : 7th June, 2009