

GEM^{AVTA} SPINNERS INDIA LIMITED

NINETEENTH ANNUAL REPORT

2008-2009

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BOARD OF DIRECTORS

Mr. R.VEERAMANI
Chairman & Managing Director

Directors

Mr. S.R.ASAITHAMBI
Mr. P.P.DODDANAVAR
Mr. K.M.LAL

Nominee Directors

Mr. SHEKHAR R.RAO-IDBI

Executive Director

Mr. A.M.DURAIRAJ

Company Secretary

Mr. S.VASUDEVAN

AUDITORS

M/s.VIJAI SARATHY&CO.
Chartered Accountants
18-A, Rajamannar Street, Chennai - 600 017.

M/s.CNGSN & ASSOCIATES
Chartered Accountants
New No.20, Old No.13, Raja Street
T.Nagar, Chennai -600 017

COST AUDITOR

M/s.R.KRISHNAN & CO.
Coimbatore.

BANKERS

INDIAN OVERSEAS BANK
STATE BANK OF INDIA

REGISTERED OFFICE & MILLS

14, Mangalam Village, Madhuranthagam Taluk
Kancheepuram District, Tamil Nadu - 603 107.

CORPORATE OFFICE

78, Cathedral Road, Chennai - 600 086.

REGISTRARS & TRANSFER AGENTS

CAMEO CORPORATE SERVICES LTD.
"Subramanian Building", 1, Club House Road,
Chennai - 600 002.



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Nineteenth Annual General Meeting of the shareholders of GEM SPINNERS INDIA LIMITED, Chennai will be held on Wednesday, the 9th September 2009 at 11.00 a.m. at No.14 Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu to transact the following business.

ORDINARY BUSINESS:

1. To consider and adopt the Balance Sheet as at 31st March 2009, Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr.S.R. Asaithambi who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit to pass with or without modification the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that M/s. Vijai Sarathy & Co. Chartered Accountants, Chennai and M/s. CNGSN & Associates, Chartered Accountants, Chennai be and are hereby appointed as Joint Auditors for the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by Board of Directors."

SPECIAL BUSINESS:

4. To consider and if thought fit to pass with or without modification the following resolution as an ORDINARY RESOLUTION:

"RESOLVED to make an application to the Board for Industrial and Financial Reconstruction as per Sick Industrial Companies Act, to report 100% erosion of peak net worth of the company, based on Balance Sheet and Profit and Loss Account in Form-A and that the Chairman cum Managing Director or the authorized person appointed by the Board be and is hereby authorized to submit necessary application/information and to appear before the Board for Industrial and Financial Reconstruction and to take all necessary steps as may be deemed appropriate by it to remedy the situation."

5. To consider and if thought fit to pass with or without modification the following resolution as an SPECIAL RESOLUTION:

"RESOLVED that subject to the provisions of the Companies Act, 1956, Securities Contract (Regulation) Act, 1956, and the rules framed there

under, listing agreement, SEBI (Delisting of Securities) Guidelines, 2003 and such other applicable laws, rules, regulations and guidelines, and subject to such approvals, permission and sanctions, as may be necessary, the Board of Directors of the company be and is hereby authorized to seek voluntarily delisting of its securities from Delhi Stock exchange."

"RESOLVED FURTHER THAT the Securities of the company shall continue to be listed on the stock exchange having nation wide trading terminals viz., the stock exchange Mumbai and therefore as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the shareholders of the company.

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute direction deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution.

6. 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 pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (hereinafter called "the Board" and which term shall be deemed to include any Committee, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons), to sell the land / part of the land, from time to time both present and future of the Company and in such manners as the Board may think fit, together with power to transfer the said assets subject to the approval of the Financial Institutions."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things and to sign all such documents as may be necessary, expedient and incidental thereto to give effect to this resolution."

By Order of the Board
For Gem Spinners India Ltd

Place : Chennai - 86
Date : 18.06.2009

S. Vasudevan
Company Secretary



NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF** and such proxy need not be a member of the Company. A proxy in order to be effective must be deposited at the registered office of the company not less than 48 hours before the commencement of the meeting.
2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all the material facts in respect of Item No.4, 5 and 6 of the Notice is annexed to and forms part of the Notice.
3. The Register of Members of the Company shall remain closed from 1st September 2009 to 9th September 2009 (Both days inclusive).
4. Details of Directors seeking re-appointment are enclosed.
5. The shares of the Company have been admitted for dematerialization with Central Depository Services (India) Limited with effect from 12th

February 2003. Members of the Company desirous of getting their shares dematerialized can approach a depository participant registered with Central Depository Services (India) Limited. The ISIN Number is INE165F01020.

6. Members are requested to notify any change in their address to the Registrar and Share Transfer agents of the Company M/s. Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai 600 002.
7. Members are requested to bring their copies of the Annual Report to the meeting.
8. The Members / Proxy holders are requested to bring the attendance slip sent herewith duly filled for attending the meeting. Members / Proxy holders in respect of dematerialized shares are requested to bring their DP id and Client id for recording their attendance.

By Order of the Board
For Gem Spinners India Ltd

Place : Chennai - 86
Date : 18.06. 2009

S. Vasudevan
Company Secretary

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956

Item No.4

The Company's accumulated losses have eroded more than 100% of peak net worth. It was already intimated to the BIFR about the Company's 50% erosion. As per the Sick Industries (Special Provisions) Act 1985, the Company is required to refer to Board for Industrial And Financial Reconstruction about the erosion of the Company's net worth. So the Directors of your company have decided to intimate the same through Form-A to the BIFR. Since it requires reference to be made to shareholders and the approval of shareholders is required, the resolution is placed for approval.

The Board recommends the resolution for approval of members

None of the Directors are, in any way, concerned or interested in the said resolution as set out at Item no.4.

Item No.5

The Securities & Exchange Board of India (SEBI) notified guidelines for voluntary delisting of securities from the stock exchanges. As per clause 5.2 of SEBI (Delisting of securities) Guidelines, 2003 an exit opportunity to the shareholders need not be given where securities of the company remain listed on the stock

exchange having nation wide trading terminal, ie The Stock Exchange, Mumbai and any other stock exchange that may be specified by SEBI in this regard.

At present the equity shares of the company are listed at Mumbai, Madras and Delhi Stock Exchanges. Considering the negligible volume of trading and as a part of its cost reduction measure, the consent of members is sought for getting its securities delisted from Delhi Stock Exchange as proposed in the Special resolution. The securities of the company shall continue to be listed on the Stock Exchange Mumbai and Madras.

The Board recommends the resolution for approval of members

None of the Directors are, in any way, concerned or interested in the said resolution as set out at Item no.5.

Item No.6

The Board of Directors are of the opinion that the Company shall dispose off the non-productive assets of the Company (land) to augment long term source of funds, to settle the out standings with Financial Institutions as also to meet the working capital needs

The Board recommends the resolution for approval of members

None of the Directors are, in any way, concerned or interested in the said resolution as set out at Item no.6

Details of re-appointment / appointment of Directors as per Clause 49 of the Listing Agreement.

Mr.S.R.Asaithambi is retiring by rotation and being eligible offers himself for reappointment.

The information / details to be provided in respect of the above said Director under Corporate Governance code are as under:

Name	Qualification	Brief Resume and Area of Expertise	Other Directorship	Company Name
Mr.S.R.Asaithambi	Metric	He has got wide experience in the Granite industry. He has also got high pragmatic exposure on present trends in Textile industry.	20	Gem sugars Limited Gem Holiday Resorts Limited. Stone Wonders (India) Limited Gem Global Trade Limited Gem Energy Industries Limited Gem Leathers Limited Gem Granites Private Limited Imperial Granites Private Limited Gem Stone Beach Resorts (P) Limited Celia Leathers (P) Limited Gem Graphites (P) Limited Gem Software Solutions Ltd Shiva New Terrain Agro Limited Koenigstein Softech Limited Balaji Bonded Brake Linings (P) Ltd Imperial Tiles Private Limited Green Herbs International Limited Gem Agro Industries Limited Gem Herbal Health Care Private Ltd Gem Earth Treasures Private Limited

DIRECTORS' REPORT FOR THE YEAR 2008 - 2009

Your Directors have pleasure in presenting the 19th Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2009.

Financial Results

	2008-09 Rs. in Lakhs	2007-08 Rs. in Lakhs
SALES		
Export	9059.58	8790.47
Domestic	748.09	976.60
Waste	488.21	486.41
Total	10295.88	10253.48
Operating Profit	80.89	623.73
Less: Financial Charges	392.71	408.55
Gross Profit	(311.82)	215.18
Less : Depreciation	310.34	392.61
Less: Fringe Benefit Tax	1.49	3.45
Less: Deferred Tax Liability/Asset	27.14	12.16
Net (Loss) / Profit	(596.51)	(168.72)

Review of Operations

Your company has achieved a Turnover of Rs.10295.88 Lakhs (Trading Rs.6401.98 Lakhs) during the year under review as against Rs.10253.48 Lakhs (Trading Rs.5083.19 Lakhs) in the previous year. Despite the reduction in capacity utilization, with the trading activities, the company could maintain its turnover to the last year level. The Operating profit was only of the order of Rs.80.89 Lakhs as compared to the previous year mark of Rs.623.73 Lakhs.

Your Directors have to report a Net Loss of Rs.596.51 Lakhs for the year under report as against a Net Loss of Rs.168.72 Lakhs during the previous year.

The negative performance for the year under report was mainly due to the reduced capacity utilization @67.76% consequent upon the declared power shut down by Tamil Nadu Government. If there was no power shut down, the Operating profit of the company would have been of the positive figure of Rs.397.91 Lakhs as against the actual reported figure of Rs.80.89 Lakhs and the cash accruals of the company for the year under report would have been of the positive figure of Rs.5.20 Lakhs as against the actual reported loss of Rs.311.82 Lakhs. The Company would have declared a negative net result of Rs.305.14 Lakhs as against the reported loss of Rs.596.51 Lakhs. The Company could have averted the situation of referring to BIFR.

Besides, the cost of raw material has gone up by 12.86% as compared to previous year. It may be noted that most

of the mills in Tamil Nadu have posted a negative performance during the year due to reasons beyond the control of the industry.

Dividend

In view of the insufficiency of the profits earned by the Company during the year, your directors not in position to recommend any dividend.

Statutory Statements:

As per the requirements of Sec. 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 the information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure I to this report.

Reply to Auditor's Qualification for Point No.11 of Annexure A to Auditor's Report:

The Auditor's have vide clause 11 of their report qualified that the Company has defaulted in repayment of Financial Institutions.

The Company has represented to the Financial Institutions for restructuring of existing term loan as per RBI guidelines due to the global economic melt down. Besides, due to power shut down by the Tamil Nadu Government, the capacity utilization was under 67%. However, the Company is yet to receive any formal communication from the Institutions regarding the restructuring.

Particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act 1956

The particulars required pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not applicable to the Company as none of the employees was in receipt of remuneration in excess of Rs.2,00,000 p.m.

As required under Section 217(2AA) of the Companies Act 1956, the Directors' Responsibility Statement is enclosed in Annexure II to this Report.

Directors

Under Article 110 of the Articles of Association of the Company,

Mr.S.R. Asaithambi to retire at this Annual General Meeting and being eligible offers himself for reappointment.

During the year under report, ICICI has withdrawn its nominee Mr.R. Kannan.

During the year under report, Mr.S.R. Kumar has resigned from the Board

Deposits

Your Company has not accepted any deposit from the Public during the year under review.

Auditors

M/s. Vijai Sarathy & Co., and M/s. CNGSN & Associates, Auditors of the company retire at this Annual General Meeting and being eligible, offer themselves for reappointment.

ANNEXURE TO THE DIRECTORS' REPORT

Additional Information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

1. A. Conservation of Energy

By Implementing energy conservation measures actual UKG was reduced from 5.54 units in 2007-08 to 5.26 units in 2008-09 which is 17.98% reduction in overall power consumption.

- a. We have conducted Energy Audit through M/s. Systel Energy Solution (India) Pvt Ltd. by which we have saved 480 Units per day.

B. Technology Absorption, Adoption and Innovation

a. Efforts made towards Technology Absorption and Innovation

Technology, which was obtained from world leaders on Machinery design, has been fully absorbed.

b. Benefits derived as a result of the above.

- i. Optimum use of Raw Material
- ii. Ability to spin yarn of international standard
- iii. Safety for the workers and better environment with references to noise and pollution.

c. Details about import of technology during the last five years

Not Applicable

2. Foreign Exchange Earnings and Outgo :

- i) Activity relating to exports:
Cotton Yarn and Knitted Fabric exports
- ii) Initiative taken to increase exports:
 - * Being in constant touch with the foreign buyers and their agents.
 - * Arranging for the visits of the buyers to the mills to convince them about the most modern machines installed.

Acknowledgement:

The Directors wish to place on record their appreciation for the assistance received from IDBI, ICICI, SBI, IOB, State and Central Government Authorities. The Directors also wish to acknowledge the active co-operation extended by workers and staff at all levels.

On behalf of the Board

Place : Chennai - 86

R. Veeramani

Date : 18.06.2009

Chairman & Managing Director

3. Development of new export markets for products and services;

- i) The company is corresponding with Indian Embassies and Trade Bodies abroad to get the addressees of prospective buyers.
- ii) Visits by Directors and executives abroad to build up new contacts

4. Total foreign exchange used and earned:

	2008-09	2007-08
	(Rs. In Lakhs)	
i) CIF value of imports (Raw material, Spares & Capital goods)	139.03	71.79
ii) Expenditure in foreign currency (Travel and Commission)	79.25	100.82
iii) Foreign exchange earned	8564.14	8233.84

Directors' Responsibility Statement (Pursuant to Section 217(2AA) of the Companies Act 1956)

Your Directors report that:

- > In the preparation of the annual accounts, the applicable accounting standards had been followed and that there were no material departures.
- > The accounting policies selected by them have been applied consistently, judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2009 and loss of the Company for the year 31st March 2009.
- > 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 the Company and for preventing and detecting fraud and other irregularities.
- > The Annual accounts have been prepared on a going concern basis.

On behalf of the Board

Place : Chennai - 86

R. Veeramani

Date : 18.06.2009

Chairman & Managing Director

FORM A

Form for Disclosure of Particulars with respect to conservation of Energy

A. Power & Fuel Consumption **2008-2009** **2007-08**

1. Electricity

a. Purchased Units	13382550	19429200
Total amount (Rs.)	57534289	81983073
Rate/Unit Rs.	4.30	4.22

b. Own Generation

(i) Through Diesel Generator

Units	24394	153383
Units per litre of Diesel oil	2.56	2.82
Cost per Unit (Rs.)	13.57	13.36

(ii) Through steam

Turbine/Generator

Units

Units per litre of fuel oil/gas

Cost per Unit (Rs.) -

2. Coal

Quantity (tonnes) -

Total Cost -

Average Rate -

3. Furnace Oil/L.S.H.S

Quantity (KI) -

Total Cost -

Average Rate -

4. Others/ Internal Generation

Generation -

Quantity (tonnes) -

Total Cost -

Average Rate -

B. Consumption per unit of Production

1. Electricity (KWH)	5.26	5.54
(Yarn & Knitted Fabric (per KG)		

2. Furnace Oil/L.S.H.S	-
Yarn (per Kg)	-

3. Coal (M.T)	-
Yarn (per Kg)	-

4. Others per Kg	-
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FORM B

Form for Disclosure of Particulars with respect to Technology Absorption

Research & Development (R & D)

1. Specific areas in which R&D carried out by the Company

Fiber and Yarn

2. Benefits derived as a result of the above R&D

Optimum utilization of fiber and its parameters

3. Future Plan of Action

Extension of R&D activities till knitted fabrics to ensure saving of raw materials, machinery usage and energy

4. Expenditure on R & D

Separate account has not been maintained

Technology Absorption, Adoption and Innovation

1. Efforts made towards Technology Absorption and Innovation

Technology which was obtained from world leaders on machinery design, has been fully absorbed.

2. Benefits derived as a result of the above

1. Optimum use of raw material

2. Ability to spin yarn of international standard

3. Safety for the workers and better environment with references to noise and pollution

3. Details about import of technology during the last five years

Not Applicable

On behalf of the Board

R. Veeramani

Chairman & Managing Director

Place : Chennai - 86

Date : 18.06.2009



CORPORATE GOVERNANCE

1. A brief statement on the company's philosophy on Code of Governance.

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enable companies to perform efficiently and thereby maximize long term value for shareholders, while respecting the aspect of multiple stakeholders. Our Company has been practicing the principle of good corporate governance since inception, not on account of regulatory requirements but on account of sound management practices for enhancing customer satisfaction and value for shareholders.

The Company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equity in all spheres of its operations and in all its dealings with the shareholders, employees, the Government and other parties.

2. BOARD OF DIRECTORS

Boards of Directors of the Company consist of one Executive, One Non-Executive and three Non-Executive independent Directors as on 31.3.2009.

Name of the Directors and	Category	No. of Other Directorship Committee Memberships excluding Pvt. Ltd. Cos. & (Excluding this Company)			
		Other Directorship		Committee Membership	
		As Chairman	As Member	As Chairman	As Member
Mr. R. Veeramani	Chairman & Managing Director	2	10	Nil	1
Mr. S.R. Asaithambi	Non - Executive Director	Nil	10	1	1
*Mr. S.R. Kumar	Non-Executive Director	Nil	6	1	Nil
Mr. P.P. Doddanavar	Independent Director	Nil	Nil	2	Nil
Mr. Shekhar R. Rao	Independent Director - Nominee Director - IDBI	Nil	Nil	Nil	2
**Mr. R. Kannan	Independent Director - Nominee Director - ICICI	Nil	7	0	1
Mr. K.M. Lal	Independent Director	Nil	5	Nil	2

* Mr.S.R.Kumar resigned from the Board since 31.10.2008

** ICICI has withdrawn their nominee Mr.R.Kannan from the Board w.e.f. 18.03.2009

Attendance Record of the Directors

Director	No. of Meetings		Attended last AGM on 11.09.2008
	Held	Attended	
Mr. R. Veeramani	4	4	Yes
Mr. S.R. Asaithambi	4	4	Yes
*Mr. S.R. Kumar	4	2	Yes
Mr. P.P. Doddanavar	4	1	No
Mr. Shekhar R. Rao	4	4	Yes
**Mr. R. Kannan	4	4	No
Mr. K.M. Lal	4	1	No

* Mr.S.R.Kumar resigned from the Board since 31.10.2008

** ICICI has withdrawn their nominee Mr.R.Kannan from the Board w.e.f. 18.03.2009

Number of Board Meetings held, dates on which held :

Date of Board Meeting	Place / City	No. of Directors present
22.05.2008	Chennai	6
29.07.2008	Chennai	5
31.10.2008	Chennai	4
31.01.2009	Chennai	5

3. Audit Committee

The Audit Committee is reconstituted consequent upon the withdrawal of Mr.R. Kannan as Nominee Director by ICICI, the Committee is reconstituted consisting of Mr. P.P. Doddanavar as Chairman and Mr. Shekhar R. Rao and Mr.K.M.Lal as members and Mr.S. Vasudevan as the Member Secretary

Date of Meetings:

22.05.2008, 29.07.2008, 31.10.2008, 31.01.2009.

Name	Designation	No. of Meeting attended
Mr. P.P. Doddanavar	Chairman	1
**Mr. R. Kannan	Member	4
Mr. Shekhar R. Rao	Member	4
Mr. K.M. Lal	Member	1

** ICICI has withdrawn their nominee Mr.R.Kannan from the Board w.e.f. 18.03.2009

Mr. S. Vasudevan, Company Secretary, is the Secretary of the Audit Committee.

Terms of reference of Audit Committee

The Audit Committee shall oversee financial reporting process and disclosures, review annual financial statements, management discussion and analysis of financial condition and results of operation, review adequacy of internal audit



function, management letters / letters of internal control weakness issued by the statutory auditors, internal audit report relating to internal control weakness, related party transactions, review financial and risk management policies, to look into the reasons for substantial defaults in the payment to depositors, debenture / shareholders and creditors, oversee compliance with Stock Exchange and legal requirements concerning financial statements, review auditors qualifications(draft), compliance with Accounting Standards, recommending the appointment and renewal of external Auditors / Chief internal auditors / fixation of audit fee and also approval for payment for any other services etc.

The Audit Committee of the Company provides assurance to the Board on the adequacy of the internal control systems and financial disclosures. This is done at meetings of the committee wherein the statutory auditor, internal auditor and the senior management are present. All the Directors forming part of the committee are independent directors.

Prevention of Insider Trading:

The Audit Committee also monitors implementation and compliance of the Company's Code of Conduct for prohibition of insider trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations 1992. The Board has designated Shri.S.Vasudevan, Company Secretary as the Compliance Officer.

Risk Management

The Company has laid down procedures to inform the Board Members about the risk assessment and minimization procedures. The Designated Officials submit quarterly reports, which are reviewed periodically by the Management Committee to ensure effective risk management.

4. Shareholders Committee

Name	Designation	No. of Meetings held	No. of Meetings Attended
*Mr. S.R. Kumar	Chairman	24	18
Mr. R. Veeramani	Member	24	23
**Mr.S.R. Asaithambi	Member	24	23

*Mr.S.R.Kumar resigned from the Board since 31.10 2008

**Consequent to the resignation of Mr.S.R.Kumar, Director, Mr.S.R.Asaithambi was nominated to the Shareholders Committee as New Chairman by the Board

Mr. S. Vasudevan, Company Secretary, is the Compliance Officer

Number of share complaints received so far - 12

Number of complaints not solved to the

Satisfaction of shareholders - Nil

Number of pending share transfers - Nil

5. Remuneration Committee

Name	Designation
Mr. P.P.Doddanavar	Chairman
* Mr. S.R. Kumar	Member
Mr.Shekar R.Rao	Member
**Mr.S.R.Asaithambi	Member
Mr.K.M.Lal	Member

* Mr.S.R. Kumar resigned from the Board since 31.10.2008

**Consequent to the resignation of Mr.S.R.Kumar, Director, Mr.S.R.Asaithambi was nominated to the Remuneration Committee by the Board

There were no meetings of the remuneration committee during the year.

Remuneration of Directors

Remuneration of Executive Director is recommended by the Remuneration committee and approved by the Board of Directors and the Shareholders of the Company.

Non-Executive Directors were paid a sitting fee of Rs.3000/- for each Board Meeting attended by them

There is no pecuniary relationship or transactions by Non-executive Directors with the Company.

The details of the Remuneration paid to the Directors for the financial year 2008 – 2009 are given below

Director	Relation with other Director	Business Relationship With the Company	Remuneration paid During April 08 – March 09			
			Sitting Fees (Rs)	Salary & Perks (*) Commn (Rs)	Commn Paid (Rs)	Total (Rs)
Mr.R.Veeramani	Brothers	Promoter	N	1500000	N	1500000
Mr.S.R.Asaithambi		Promoter	12000	N	N	12000
Mr.S.R.Kumar		Promoter	6000	N	N	6000
Mr.P.P.Doddanavar	N	Independent Director	3000	N	N	3000
Mr.Shekar R.Rao	N	Nominee Director	12000	N	N	12000
Mr.K.M.Lal	N	Independent Director	3000	N	N	3000
**Mr.R.Kannan	N	Nominee Director	12000	N	N	12000

* Mr. S.R. Kumar resigned from the Board since 31.10.2008

** ICICI has withdrawn their nominee Mr. R. Kannan from the Board w.e.f. 18.03.2009

Details of Shareholding of Non-Executive Directors

Name of the Director	No. of Shares held
Sri.S.R.Asaithambi	5369900
Sri.S.R.Kumar	5142200



6. General Body Meetings

General Body Meeting	Date	Venue	Time	Special Resolution passed at AGM
AGM for the year 31.3.2008	11.09.2008	14 Mangalam Village Kancheepuram Dist.	11.00 a.m	Yes *
AGM for the year 31.3.2007	23.08.2007	14 Mangalam Village Kancheepuram Dist.	11.00 a.m	Yes *
AGM for the year 31.3.2006	07.08.2006	14 Mangalam Village	11.00 a.m	Yes *

*The Company has passed a special Resolution by way of appointment of Auditors of the Company under section 224A of the Companies Act.

No Special Resolution was passed during the Financial Year 2008-09 through Postal Ballot.

7. Disclosures

a) Related party transaction:

The company has not entered in to any significant related party transactions during the year.

b) Compliances by the company:

The Company has complied with the requirements of the Stock Exchanges, SEBI etc., on all matters related to Capital market. No penalties or strictures have been imposed on the company by the Stock Exchanges/SEBI during the last three years.

c) Disclosure on accounting treatment

No differential treatment from the Accounting Standard was followed in the preparation of the financial statements.

d) Whistle Blower Policy :

Presently the Company does not have a Whistle Blower Policy. No employee has been denied access to approach the Audit Committee to report any serious concerns.

e) The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement and the extent of compliance of the non-mandatory requirements is given in the end of this report.

8. Means of communication

Half yearly and quarterly results:

- Financial reporting for the quarter ending June 30, 2008: 29th July 2008
 - Financial reporting for the half year ending Sep 30, 2008: 31st October 2008
 - Financial reporting for the quarter ending Dec.31, 2008: 31st January 2009
 - Financial reporting for the quarter ending Mar 31, 2009: 18th June 2009
 - Annual General Meeting for the year ending Mar 31, 2009: 9th September 2009
- The quarterly results are published in News Today and Makkal Kural.
No presentation has been made to International Investors or to the Analysts

9. General Shareholder Information

AGM Date, time and venue : 9th September 2009 11.00 a.m. At Registered office at 14, Mangalam Village Maduranthagam Taluk Kancheepuram Dist. Tamilnadu - 603 107

Financial Year: 1st April to 31st March

Date of Book Closure : 01.09.2009 to 09.09.2009 (Both Days Inclusive)

Dividend payment date : Nil

Listing on Stock Exchange at (Listing Fees for equity paid upto 31.3.2009) : Madras Stock Exchange Ltd. Exchange Building, Post Box No.183, 11, Second Line Beach, Chennai - 600 001

Bombay Stock Exchange, P.J. Tower, Dalal Street Mumbai - 400 001

The Delhi Stock Exchange Assn Ltd DSE House, 3/1 Asaf Ali Road, New Delhi - 110 002

Stock Code (Bombay Stock Exchange): GEMSPN 521133

Market price Data : High/Low during each month in last financial year

Month & Year	Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)
April 08	3.86	3.20
May 08	3.45	3.40
June 08*	3.54	3.40
August 08	3.24	3.24
September 08	3.30	3.25
October 08	3.40	3.40
November 08	3.40	3.40
February 09	3.24	3.24
March 09	3.15	3.10

** July'08, December'08 and January'09, the Shares were not traded in the Exchange

Registrars and

Share Transfer Agents. : Cameo Corporate Services Ltd "Subramanian Building" 1, Club House Road Chennai - 600 002

Share transfer system : Physical and Electronic



Dematerialisation of Shares

The shares are available for trading in the Central Depository Services Limited (CDSL). So far 86.08% shares are in the dematerialized form. The International Standard Identification (ISIN) No is INE165F01020.

Distribution of Shareholding as on 31.03.2009

No. of Shares held	No. of Share Holders	% of Total	Share Amount (In Rs.)	% of Total
(1)	(2)	(3)	(4)	(5)
Upto 5000	29592	98.50	21420000	10.35
5001 10000	229	0.76	1672000	0.81
10001 20000	83	0.28	1156000	0.56
20001 30000	72	0.24	1785000	0.86
30001 40000	11	0.04	396000	0.19
40001 50000	19	0.06	941000	0.45
50001 100000	16	0.05	1271000	0.61
100001 and above	22	0.07	178218950	86.15
TOTAL	30044	100.00	206859950	100.00

Share holding Pattern as on 31.03.2009

Category	No. of Shares held	%
Indian Promoters	22443500	54.25
Financial Institutions	12772190	30.87
Bodies Corporate	185600	0.45
Non Resident Indians	NIL	NIL
Indian Public	5956500	14.40
Others	14200	0.03
Total	41371990	100

Dematerialization of shares : Central Depository Services Ltd

and liquidity Phiroze Jeejee Bhoy Towers
28th Floor, Dalal Street
Mumbai - 400 023
ISIN No: INE165F01020

Plant Location : No.14 Mangalam Village,
Maduranthagam Taluk
Kancheepuram District
Tamilnadu - 603 107

Address for Correspondence : S. Vasudevan,
(Compliance Officer) Company Secretary
Gem Spinners India Limited
78 Cathedral Road
Chennai - 600 086
Tel : 28115190
Fax : 28114304

Email Id for Investor Grievances : accounts@gemspin.com

Non-Mandatory Requirements :

1. Chairman of the Board

The Company maintains the office of the Chairman at its Corporate Office and also reimburses the expenses incurred in performance of duties.

2. Remuneration Committee

The Board has duly constituted a Remuneration Committee which determines the remuneration package for the directors

3. Shareholder's Rights :

The quarterly financial results are published in the newspapers as mentioned at 8 above. The results are not separately circulated to the shareholders.

4. Audit qualifications

The Auditors have vide clause 11 of their report qualified that the Company has defaulted in repayment to Financial Institutions.

The Company has represented to the Financial Institutions for restructuring of the existing term loan as per RBI guidelines due to the global economic melt down. Besides, due to power shut down by the Tamil Nadu Government, the capacity utilization was under 67%. However, the Company is yet to receive any formal communication from the Institutions regarding the restructuring.

5. Training of Board Members

Periodical meetings are held with outside skilled consulting agencies for Board Members to appraise them in recent developments and existing laws and practices.

6. Mechanism for evaluating non-executive Board Members

Same as above.

7. Whistle Blower Policy:

As mentioned above, the Company does not have Whistle Blower Policy.

8. Code of Business Conduct and Ethics for Board Members and Senior Management Personnel.

The Board has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The Code of Conduct is available on www.gemspin.com. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

A declaration signed by the Managing Director is given below :

This is to certify that as per Clause 49 of the Listing Agreement, the Code of Conduct has been laid down for all the Board Members and Senior Management of the Company. The Board Members and Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for the financial year 2008-09.

MANAGEMENT DISCUSSION & ANALYSIS

1. INDUSTRY STRUCTURE & DEVELOPMENTS

The textile industry plays a vital role in the Indian economy in terms of industrial production, employment and exports. Its contribution to Forex earnings is around 16 per cent.

The Industry outlook has improved during the year 2008-09 for exporters in terms of strong Dollar as against weak Dollar during 2007-08. However the appreciation of Dollar was not commensurate with the Exchange loss the Indian industries had faced during the last year. The imposition of Market Support Price for 2008-09 by the Government of India at 39% i.e., from Rs. 1800 per quintal to Rs. 2500 per quintal has caused serious concern to the spinning industry. This has resulted not only hike in cotton price but also created an artificial scarcity for cotton. In addition liberal financial support was extended to Cotton Corporation of India to go in for bulk purchase which has led to the crisis in the Indian cotton textile and clothing industry.

The power scenario in Tamilnadu hit the spinning industry by 40% loss in capacity utilization from April 2008 which has resulted in huge cash loss to many spinning mills. On the other hand, using the Genset for filling the gap was also not economical as the unit cost was more by Rs. 8 per unit.

The global economic melt down continued during the year 2008-09. While reduced and restricted buying by developed countries and stiff competition from other textile manufacturing countries like China, Pakistan, Bangladesh and Vietnam have squeezed export trade, the increased number of job losses, rising prices of food articles, education and health care have pushed the buying of textile items to the bottom of the purchasing basket in the domestic market. The industry, which is already functioning under water-thin margins, continues to lose its capital investment because of adverse trade conditions, both in domestic, as well as in export markets.

2. OPPORTUNITIES AND THREATS

The raw material 'cotton' being agricultural commodity, the crop is always subject to climatic conditions and also subject to pest attacks etc. Huge quantity of cotton has been exported to competing countries like China where lot of infrastructure facilities are available as compared to India. Export prospect for textile products to developed countries depend on recovery from Global recession.

3. SEGMENT-WISE OR PRODUCT WISE PERFORMANCE

The Company is engaged in the business of manufacture and export of cotton yarn and gray fabrics, and also

trade in the same commodity and accordingly trading is considered as a segment.

4. OUTLOOK

The company which has opted an exit route from EOU status during the year 2006 continues to be in global net due to its established brand. It is concentrating more on export of gray knit fabrics to USA, where its brand and quality is well acclaimed.

5. RISKS AND CONCERNS

(i) Raw material viz., the cotton being the agricultural product is always subject to vagaries of monsoon. The availability of quality cotton is a major concern and the requirement of cotton has to be covered within the season

(ii) Your Company has been cautiously looking at the external factors namely Raw material price, Interest rate, Foreign Exchange Rate and the Competitors by continuous monitoring so that it can eliminate the avoidable losses.

(iii) Textile mills have been taking lot of hardship on the labour front. The Government of Tamilnadu has been frequently announcing various schemes for the welfare of the labour force, like reduction in the apprenticeship period from 3 years to 1 year, increase in minimum wages etc., In spite of all these the industry finds it very difficult to get the required labour force for their operations.

6. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly.

The internal control is supplemented by an extensive programme of internal audit, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial statements and other data for maintaining accountability of assets.

7. DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This has already been reported as Review of Operation in the Directors Report

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Your Company recognizes the value of Human Resources for its growth and development and it maintains cordial and satisfactory relationship with their employees and workers and always concerned about the welfare of the workforce. Training and development is a continuous process.

As on 31st March 2009 the Company has 390 employees in its fold.

9. CAUTIONARY STATEMENT

The projections and perceptions are subjected to various external factors from Government, market, supply and demand and other factors.

COMPLIANCE CERTIFICATE

We have examined the compliance of corporate governance by Gem Spinners India Limited for the year ended on 31.03.2009, as stipulated in Clause 40 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the condition of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We further stat that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Chennai - 17
Date : 18.06.2009

For Vijai Sarathy & Co.,
Chartered Accountants

R. Parthasarathy
Partner

For CNGSN & Associates
Chartered Accountants

C.N.Gangadaran
Partner

AUDITORS' REPORT

TO THE MEMBERS OF

M/s. GEM SPINNERS INDIA LIMITED, CHENNAI

1. We have audited the attached Balance Sheet of Gem Spinners India Ltd, as at March 31, 2009 and the related Profit and Loss Account and Cash Flow Statement for the year ended on the date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company

so far as appears from our examination of those books;

- c. The Balance Sheet, Profit and Loss account and Cash Flow Statements dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- e. On the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Act;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 2009
 - ii) in the case of the Profit and Loss account of the loss for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

For Vijai Sarathy & Co., For CNGSN & Associates
Chartered Accountants Chartered Accountants

Place : Chennai - 17
Date : 18.06.2009

R.Parthasarathy
Partner

C.N.Gangadaran
Partner

ANNEXURE 'A' TO THE AUDITORS' REPORT

Referred to in paragraph 4 of the Auditors' Report of even date to the members of Gem Spinners India Ltd on the financial statements for the year ended 31st March, 2009.

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management during the year and no material discrepancies were noticed on such verification as compared to the available records, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year and in our opinion, the frequency of verification was reasonable.
(b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the book records which has been dealt with in the books of account were not material.
3. (a) The Company has not granted any loans, secured or unsecured from Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
(b) The Company has not taken any loans secured or unsecured from Companies covered in the register maintained under Section 301 of the Companies Act, other than interest free unsecured loan from the Directors of the Company.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased/sold are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of the Companies Act, 1956, have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time or the prices at which the transactions for similar goods have been made with other parties.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (I) of Section 209 of the Companies Act, 1956 and are of the opinion that Prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, VAT, wealth tax, customs duty, excise duty, Service Tax, cess and other material statutory dues as applicable with the appropriate authorities.
10. The Company has accumulated losses as at March 31, 2009 and it has incurred cash losses in the financial year ended on that date but not incurred cash losses in the immediately preceding financial year.

11. **According to the records of the company examined by us and the information and explanations given to us, the Company has defaulted in repayment of dues to Financial Institution as at the balance sheet date.**
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
14. In our opinion the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given

to us, there are no funds raised on a short-term basis, which have been used for long-term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
19. The Company is a sick company within the meaning of 3(1) (o) the Sick Industrial Companies (Special Provisions) Act 1985.
20. The Company has not raised any money by public issue during the year
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

For Vijal Sarathy & Co.,
Chartered Accountants

For CNGSN & Associates
Chartered Accountants

Place : Chennai - 17
Date : 18.06.2009

R.Parthasarathy
Partner

C.N.Gangadharan
Partner

BALANCE SHEET AS AT 31st MARCH, 2009

Particulars	Schedule No	31.03.2009 Rs.	31.03.2008 Rs.
SOURCES OF FUNDS			
Share Holders Funds			
Share Capital	1	206,859,950.00	206,859,950.00
Loan Fund			
Secured	2	315,123,567.99	348,485,993.64
Unsecured	3	89,726,230.37	89,613,230.37
		404,849,798.36	438,099,224.01
		611,709,748.36	644,959,174.01
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block		799,380,435.61	789,706,440.35
Less: Depreciation		528,462,172.28	497,428,369.77
Net Block	4	270,918,263.33	292,278,070.58
Current Assets, Loans & Advances			
Inventories	5	182,366,808.78	241,533,214.49
Sundry Debtors	6	236,949,788.98	320,697,674.14
Cash & Bank Balances	7	25,129,130.95	21,728,162.51
Other Current Assets	8	45,546,159.18	58,577,849.52
Loans And Advances	9	10,993,393.76	10,330,454.76
		500,985,281.65	652,867,355.42
Less: Current Liabilities & Provisions	10	373,716,106.49	454,517,223.49
Net Current Assets		127,269,175.16	198,350,131.93
Miscellaneous Expenditure		958,343.00	1,418,339.00
Profit & Loss Account		212,563,966.87	152,912,632.50
		611,709,748.36	644,959,174.01

For and on behalf of the Board

As per our report of even date

R.Veeramani
Chairman & Managing Director

S.R.Asalthambi
Director

For VIJAI SARATHY & CO
Chartered Accountants

CNGSN & ASSOCIATES
Chartered Accountants

Place : Chennai
Date : 18.06.2009

S.Vasudevan
Company Secretary

R.Parthasarathy
Partner

C.N.Gangadaran
Partner



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

Particulars	Schedule No	31.03.2009 Rs.	31.03.2008 Rs.
INCOME			
Sales	11	1,029,588,010.20	1,025,348,313.74
Other Income	12	20,582,202.47	35,106,235.77
Increase/(Decrease) In Stock	13	17,396,474.00	7,616,637.00
		1,067,566,686.67	1,068,071,186.51
EXPENDITURE			
Raw Materials Consumed	14	267,777,305.96	307,458,004.57
Other Manufacturing Expenses	15	24,016,881.64	22,987,000.33
Trading Expenses		628,505,549.93	498,083,949.01
Stores Consumed	16	10,130,663.96	14,316,000.20
Power and Fuel	17	58,067,951.86	84,031,781.98
Personnel Expenses	18	28,515,933.36	28,280,463.98
Administrative, Selling & Other Expenses	19	36,499,783.13	45,274,000.00
Repairs & Maintenance	20	5,963,526.35	5,266,999.82
		1,059,477,596.19	1,005,698,199.89
PROFIT BEFORE INTEREST, DEPRECIATION & TAX		8,089,090.48	62,372,986.62
Financial Charges	21	39,271,271.35	40,855,040.55
Depreciation		31,033,802.50	39,261,150.05
PROFIT / (LOSS) BEFORE TAX		(62,215,983.37)	(17,743,204.88)
Fringe Benefit Tax		149,423.00	344,971.00
Deferred Tax		2,714,072.00	1,216,140.00
Loss carried to Balance Sheet		(59,651,334.37)	(16,872,035.88)
Notes On Account	22		

For and on behalf of the Board

As per our report of even date

R.Veeramani **S.R.Asalthambi**
Chairman & Managing Director Director

For VIJAI SARATHY & CO **CNGSN & ASSOCIATES**
Chartered Accountants Chartered Accountants

Place : Chennai
Date : 18.06.2009

S.Vasudevan
Company Secretary

R.Parthasarathy
Partner

C.N.Gangadaran
Partner

SCHEDULE NO. 4
FIXED ASSETS SCHEDULE

GEM

PARTICULARS	GROSS BLOCK				DEPRECIATION BLOCK			NET BLOCK	
	AS ON 01.4.2008	ADDITIONS	DELETIONS	TOTAL AS ON 31.03.2009	UP TO 31.03.2008	DEPRECIATION FOR THE YEAR	TOTAL AS 31.03.2009	S.L.M. VALUE AS ON 31.03.2009	S.L.M. VALUE AS ON 31.03.2008
	Rs. Ps.	Rs. Ps.	Rs. Ps.	Rs. Ps.	Rs. Ps.	Rs. Ps.	Rs. Ps.	Rs. Ps.	Rs. Ps.
1. LAND	11720808.12	134033.00	0.00	11854841.12	0.00	0.00	0.00	11854841.12	11720808.12
2. BUILDING	68165755.93	169555.00	0.00	68335310.93	29099081.75	2281577.07	31380658.82	36954652.11	39066674.18
3. PLANT & MACHINERY	617799254.61	8848497.23	0.00	626647751.84	408428030.41	25612745.30	434040775.71	192606976.13	209371224.55
4. ELECTRICAL INSTALLATION	33808578.95	473326.00	0.00	34281904.95	20123715.28	563704.09	20687198.71	13594706.24	13684863.67
5. OFFICE EQUIPMENTS, FURNITURE AND FITTINGS	5114909.52	44928.00	0.00	5159837.52	4777120.89	338998.89	5116119.79	43717.73	337789.63
6. VEHICLES	2687919.05	0.00	0.00	2687919.05	1312777.29	38329.72	1351107.01	1336812.04	1375141.76
7. GENERATOR	16102809.23	0.00	0.00	16102809.23	13263404.97	683470.45	13946875.42	2155933.81	2839404.26
8. COMPRESSOR	5420399.16	0.00	0.00	5420399.16	2798251.63	215383.13	3013634.76	2406764.40	2622147.53
9. AIR CONDITIONER	760185.00	0.00	0.00	760185.00	724409.40	35775.60	760185.00	0.00	35775.60
10. MISCELLANEOUS ASSETS	18378808.58	3656.00	0.00	18382464.58	10149635.42	749176.40	10898811.81	7483652.77	8229173.16
11. LAB EQUIPMENT	9747012.23	0.00	0.00	9747012.23	6751942.72	514641.86	7266584.58	2480427.65	2995068.13
TOTAL	789706440.38	9673995.23	0.00	799,380,435.61	497,428,369.77	31,033,802.50	528,462,172.28	270,918,263.33	292278070.58



SCHEDULE 5

Inventories

Cotton

31.03.2009
Rs.

31.03.2008
Rs.

113,212,321.07

189,216,604.35

Bought Yarn

413,301.75

413,301.75

Stock-Stores

12,644,294.96

13,202,891.39

Finished Goods

Yarn

24,629,923.00

16,771,719.00

Fabric

23,647,350.00

13,270,666.00

Stock-in-Process

6,568,949.00

7,445,066.00

Waste

1,250,669.00

1,212,966.00

182,366,808.78

241,533,214.49

SCHEDULE 6

Sundry Debtors (Unsecured-considered good)

Exceeding six months

15,155,000.00

13,192,141.90

Others

221,794,788.98

307,505,532.24

236,949,788.98

320,697,674.14

SCHEDULE 7

Cash & Bank Balances

Cash on Hand

308,472.75

270994.50

Balances with Scheduled Banks in:

a. Current Account

11,146,334.17

9,761,928.98

b. Margin Money Account

9,471,610.03

8,486,889.03

c. Term Deposit

3,756,488.00

2,762,124.00

d. Others

446,226.00

446,226.00

25,129,130.95

21,728,162.51

SCHEDULE 8

Other Current Assets:

Claims Receivable

4,974,072.16

4,974,072.16

Prepaid expenses

405,857.00

1,110,603.00

Deposit

16,261,433.68

20,562,756.28

Income Receivable

18,668,894.34

29,408,588.08

Deffered tax

5,235,902.00

2,521,830.00

45,546,159.18

58,577,849.52

SCHEDULE 9

Loans and Advances (Unsecured-considered good)

(Advances recoverable in cash or in kind or for value to be received)

Advances

10,791,531.76

10,196,805.76

Others

201,862.00

133,649.00

10,993,393.76

10,330,454.76

SCHEDULE 10

Current Liabilities & Provisions

Sundry Creditors
Provisions

31.03.2009 Rs.	31.03.2008 Rs.
370,553,740.97	453,765,949.99
3,162,365.52	751,273.50
373,716,106.49	454,517,223.49

SCHEDULE 11

Sales - Yarn

Direct Export
Merchant Export
Garment Export
Trading Export
DTA Sales

132,152,553.63	223,234,904.59
8,405,873.00	-
-	9,084,716.81
640,197,304.54	499,234,112.34
66,403,786.00	97,659,549.00

Sales - Fabric

Direct Export

133,607,366.53	147,493,592.00
----------------	----------------

Sales - Others

Waste

48,821,126.50	48,641,439.00
1,029,588,010.20	1,025,348,313.74

SCHEDULE 12

Other Income

Interest Received
Draw Back
Miscellaneous income

1,977,104.60	223,235.40
13,047,586.00	20,477,371.00
5,557,511.87	14,405,629.37
20,582,202.47	35,106,235.77

SCHEDULE 13

Increase/(Decrease) in Stock of Goods

Stocks at Close:

a. Finished Goods - Yarn
b. Knitted Fabrics
c. Stock in Process
d. Waste

24,629,923.00	16,771,719.00
23,647,350.00	13,270,666.00
6,568,949.00	7,445,066.00
1,250,669.00	1,212,966.00
56,096,891.00	38,700,417.00

(A)

Less: Stocks at Commencement

a. Finished Goods
b. Knitted Fabrics
c. Stock in process
d. Waste

16,771,719.00	14,488,005.00
13,270,666.00	9,716,044.00
7,445,066.00	5,861,971.00
1,212,966.00	1,017,760.00
38,700,417.00	31,083,780.00
17,396,474.00	7,616,637.00

(B)

(A-B)

SCHEDULE 14

RAW MATERIAL CONSUMPTION

Cotton

Stock at Commencement

Add: Purchases

Less: Stock at Close

Consumption

(A)

Yarn for Knitting-mill

Stock at Commencement

Add: Purchases

Less: Stock at close

Consumption

(B)

Total Consumption

(A+B)

31.03.2009
Rs.

31.03.2008
Rs.

189,216,604.35

114,662,628.76

181,490,621.03

370,658,521.16

370,707,225.38

485,321,149.92

113,212,321.07

189,216,604.35

257,494,903.96

296,104,545.57

10,282,402.00

11,353,459.00

10,282,402.00

11,353,459.00

267,777,305.96

307,458,004.57

SCHEDULE 15

Other Manufacturing Expenses

Excise Duty

Packing

Factory Maintenance

Testing

Freight Inward

Job work conversion

Loading & Unloading

8,128,214.49

10,274,347.58

6,324,965.40

6,187,251.00

307,556.00

112,134.00

345,068.00

144,867.50

8,765,103.75

6,134,429.25

145,974.00

133,971.00

24,016,881.64

22,987,000.33

SCHEDULE 16

Stores Consumption

Consumption of Spares

10,130,663.96

14,316,000.20

10,130,663.96

14,316,000.20

SCHEDULE 17

Power and Fuel

Electricity

Fuel

57,534,289.00

81,983,034.00

533,662.86

2,048,747.98

58,067,951.86

84,031,781.98

SCHEDULE 18

Personnel Expenses

Salaries and Wages

Staff Welfare

Contribution to Funds

26,384,324.86

21,298,254.98

723,679.50

5,756,267.00

1,407,929.00

1,225,942.00

28,515,933.36

28,280,463.98

SCHEDULE 19

Administrative, Selling & Other Expenses

	31.03.2009 Rs.	31.03.2008 Rs.
Insurance	1,719,895.00	2,104,908.81
Communication Charges	667,016.25	966,932.06
Rates and Taxes	352,734.51	907,318.86
Donation	23,536.00	24,002.00
Travelling & Conveyance	720,957.75	2,708,048.70
Audit Fees	245,320.00	245,320.00
Miscellaneous Expenses	13,862,254.12	13,516,632.42
Misc. Expenses Written Off	475,696.00	421,663.00
Freight Outward	11,127,919.85	16,036,537.62
Sales Commission	7,304,453.65	8,342,636.53
	36,499,783.13	45,274,000.00

SCHEDULE 20

Repairs and Maintenance

Building	897,807.74	423,025.36
Machinery	3,617,130.58	2,035,343.34
Others	1,448,588.03	2,808,631.12
	5,963,526.35	5,266,999.82

SCHEDULE 21

Interest and Finance Charges

a. Interest on hire purchase	2,501,487.00	3,088,223.00
b. Term Loan	13,056,668.91	14,182,106.47
c. Packing Credit	11,501,702.00	11,140,655.98
Bank Charges	12,211,413.44	12,444,055.10
	39,271,271.35	40,855,040.55

For and on behalf of the Board

As per our report of even date.

R.Veeramani

S.R.Asaithambi

For VIJAI SARATHY & CO CNGSN & ASSOCIATES

Chairman & Managing Director

Director

Chartered Accountants

Chartered Accountants

Place : Chennai

S.Vasudevan

R.Parthasarathy

C.N.Gangadaran

Date : 18.06.2009

Company Secretary

Partner

Partner

SCHEDULE NO. 22

Accounting Policies and Notes on accounts for the year ended 31.3.2009

A. Accounting Policies

1. The accompanying financial statements are prepared on historical cost basis.
2. Fixed Assets are stated at their cost of acquisition including other expenses related to installation, in respect of borrowing in Foreign Currency for acquisition of Fixed Assets, increase/decrease in liability consequent to change in rupee/foreign currency on account of repayment/reinstatement of the liability as the Balance Sheet date has been added to the cost of the Fixed Assets.
3. **Depreciation:**
 - a. Depreciation is provided on straight line method at the rates prescribed under Schedule XIV of the Companies Act, 1956, for all assets except plant and machinery and electrical installations which have been considered as continuous process plant as defined in Schedule XIV to the Companies Act, 1956, on technical assessment and accordingly depreciation is provided.
 - b. Depreciation is provided after adjusting for the exchange fluctuation arising due to repayment/reinstatement as at the balance sheet date.
4. **Foreign Currency Transaction:**
Assets and liabilities related to foreign currency transaction remaining unsettled at the end of the year are translated at the relevant rates of exchange prevailing at the year-end. In case of the long term borrowing for the acquisition of fixed assets, the gains or losses on transactions are adjusted to the cost of such assets.
5. **Disclosure under Accounting Standard 15 (revised 2005) "employee benefits":**
 - i) **Defined Contribution Plans**
 - i) Provident Fund
 - ii) State defined contribution plans
- Employees' Pension Scheme 1995

The Provident Fund and the state defined contribution plan are operated by the regional provident fund commissioner.

The Company has recognized the following amounts in the Profit and Loss Account for the year:

S.No	Particulars	2008-09 Rs.	2007-08 Rs.
i)	Contribution to Provident Fund	371370	329890
ii)	Contribution to employees' pension scheme 1995	824915	748435

II) Defined Benefit Plans

a) Gratuity

Valuations in respect of Gratuity have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:

S.No	Particulars	Gratuity 2008-09
i)	Discount Rate (Per annum)	8%
ii)	Rate of increase in compensation Levels	5%
iii)	Rate of return on Plan Assets	8%
iv)	Expected Average remaining working Lives of employees in no of years	12

b) Leave Encashment

The Company normally allows its employees to utilize the leave and no encashment leave has been demanded.

6. Disclosure under Accounting Standard 17 – SEGMENT REPORTING

Segment Reporting for the year ended 31.03.2009		(Rs. in Lakhs)	
S. No	Particulars	Year Ended on 31.03.2009	Year ended on 31.03.2008
1	Segment Revenue / Income		
	a. Mill	3893.90	5170.29
	b. Trading	6401.98	2083.19
	Total	10295.88	10253.48
2	Segment Results		
	a. Mill	(552.18)	(222.29)
	b. Trading	116.91	102.35
	Total	(435.27)	(119.94)
	Add: Unallocable Income	205.82	351.06
	Less: Interest - Unallocable Expenditure	392.71	408.55
	Tax [(including - FBT) / (+) Deferred Tax]	25.65	8.71
		(596.51)	(168.72)
3	Capital Employed (Segment Assets - Segment Liabilities)		
	a. Mill	1273.83	1983.50
	b. Trading	Nil	Nil

7. Valuation of Inventories:

Raw Materials, Stores and Spares are valued at cost. Finished Goods are valued at lower of cost or net realizable value. Stock-in-process is valued at estimated cost. Waste is valued at net realizable value.

B. Notes on Accounts

- Contingent liabilities not provided for:
Bank Guarantee - Rs. 15.00 Lacs (Rs.15.00 Lacs)
- The debit and credit balances of parties are subject to confirmation.
- In the absence of taxable income as per the provisions of the Income Tax Act, 1961, no provision has been made for taxation in the accounts.
- The inventories are valued as per the revised Accounting Standard-2 (Valuation of inventories) issued by the Institute of Chartered Accountants of India (ICAI)
- Sitting Fee to Directors – Rs. 48000/- (Rs.45000/-)
- Loans and Advances for the year under report from the Group Company is 'NIL'
- Auditor's remuneration *:

Statutory Audit	:	Rs.200000 (Rs.20,000)
Tax Audit	:	Rs.15000 (Rs.15,000)
Management Services	:	Nil (Rs.15,000)
Certification	:	Nil (Rs.10,000)
Cost Audit fees	:	Rs. 30,320 (Rs.30,320)

* Excluding Service Tax
- The Company has not received any information from any of the suppliers of their being a Small Scale Industrial unit. Hence, the amounts due to the Small Scale Industrial units outstanding as on 31.3.2009 are not ascertainable.
- Figures in brackets represent previous year's figures.
- Additional Information pursuant to Part II of Schedule VI to the Companies Act, 1956

a)	Capacities	2008 - 09	2007 - 08
i)	Licensed Capacity (since de-licensed)	-	-
ii)	Installed Capacity (As certified by management) Spindles	25,960	25,960

		2008-09		2007 - 2008	
		(In Kgs)	Rs.	(In Kgs)	Rs.
b)	Cotton Yarn Production and Stock				
i)	Opening Stock	117288	16771720	109251	14609330
ii)	Production	2551069		3535304	
iii)	Closing Stock	164028	24635372	117288	16771720
c)	Knitted Fabric Production and Stock				
i)	Opening Stock	119673	13270666	89484	9716044
ii)	Production	1494972		1567783	
iii)	Closing Stock	165907	23641901	119673	13270666
d)	Purchase of :				
i)	Cotton Yarn - mills knitting	77475	10282402	58114	6854614
ii)	Cotton Yarn - knitting	367996	47606949	154242	19646604
iii)	Cotton Yarn - Trading	4127948	540146501	3595504	451249821
iv)	Garments -T shirt	-	-	45804	9562369
e)	Sales:				
i)	Cotton Yarn	1454828	197709534	2186550	305206640
ii)	Knitted Fabric	1448738	198186746	1537594	186362234
iii)	Waste	1076146	48821127	1358133	48641439
iv)	Cotton Yarn (Trading)	4127948	584870603	3595504	476053284
v)	Garments				9116998
f)	Consumption of Raw Materials (Indigeneous) :				
i)	Cotton	3798267	257494904	4966981	307458865
g)	Stores, Spares and Packing Material Consumed				
		%		%	
i)	Imported	36.27	9363909	25.94	7179576
ii)	Indigenous	63.73	16455629	74.06	20503251
		<u>100.00</u>		<u>100.00</u>	
h)	Value of Imports calculated on CIF basis				
i)	Components and Spare Parts	67.35	9363909	25.94	7179576
ii)	Capital goods	32.65	4538853	-	-
iii)	Imported Raw Materials	-	-	-	-
		<u>100.00</u>		<u>25.94</u>	
i)	Earnings in Foreign Exchange				
i)	FOB value of goods exported		856413668		823384015
j)	Expenditure in Foreign Currency				
i)	Commission		7784635		8750586
ii)	Travel		140793		1331952

11. Previous year's figures have been regrouped / rearranged wherever necessary.

For and on behalf of the Board

As per our report of even date

R.Veeramani

S.R.Asalthambi

For VIJAI SARATHY & CO

CNGSN & ASSOCIATES

Chairman & Managing Director

Director

Chartered Accountants

Chartered Accountants

Place : Chennai

S.Vasudevan

R.Parthasarathy

C.N.Gangadaran

Date : 18.06.2009

Company Secretary

Partner

Partner



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details

Registration No.

1	8	-	1	9	7	9	1
---	---	---	---	---	---	---	---

 State Code

1	8
---	---

Balance Sheet date

3	1
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0	3
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2	0	0	9
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2. Capital Raised during the year (Amount Rs. In Thousands)

<p>Public Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Bonus Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Others <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p>					N	I	L					N	I	L					N	I	L	<p>Right Issue <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Private Placement <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p>					N	I	L					N	I	L
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				N	I	L																														
				N	I	L																														
				N	I	L																														
				N	I	L																														

3. Position of Mobilisation and Deployment of Funds (Amount Rs. In Thousands)

<p>Total Liabilities <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>6</td><td>1</td><td>1</td><td>7</td><td>0</td><td>9</td></tr></table></p> <p>Sources of Funds</p> <p>Paid-up Capital <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>2</td><td>0</td><td>6</td><td>8</td><td>5</td><td>9</td></tr></table></p> <p>Secured Loans <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>3</td><td>1</td><td>5</td><td>1</td><td>2</td><td>4</td></tr></table></p> <p>Application of Funds</p> <p>Net Fixed Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>2</td><td>7</td><td>0</td><td>9</td><td>1</td><td>9</td></tr></table></p> <p>Net Current Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>1</td><td>2</td><td>7</td><td>2</td><td>6</td><td>9</td></tr></table></p> <p>Accumulated Losses <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>2</td><td>1</td><td>2</td><td>5</td><td>6</td><td>3</td></tr></table></p>			6	1	1	7	0	9			2	0	6	8	5	9			3	1	5	1	2	4			2	7	0	9	1	9			1	2	7	2	6	9			2	1	2	5	6	3	<p>Total Assets <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>6</td><td>1</td><td>1</td><td>7</td><td>0</td><td>9</td></tr></table></p> <p>Reserves and Surplus <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Unsecured Loans <table border="1" style="display: inline-table;"><tr><td></td><td></td><td>8</td><td>9</td><td>7</td><td>2</td><td>6</td></tr></table></p> <p>Investments <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p> <p>Miscellaneous Expenditure <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>9</td><td>5</td><td>8</td></tr></table></p>			6	1	1	7	0	9					N	I	L			8	9	7	2	6					N	I	L					9	5	8
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4. Performance of Company (Amount Rs. In Thousands)

<p>Turnover / Income <table border="1" style="display: inline-table;"><tr><td></td><td>1</td><td>0</td><td>6</td><td>7</td><td>5</td><td>6</td><td>6</td></tr></table></p> <p>Profit / Loss Before Tax <table border="1" style="display: inline-table;"><tr><td></td><td>(</td><td>6</td><td>2</td><td>2</td><td>1</td><td>5</td><td>)</td></tr></table></p> <p>Earnings per Share (Paise) <table border="1" style="display: inline-table;"><tr><td></td><td>(</td><td>1</td><td>4</td><td>4</td><td>)</td></tr></table></p>		1	0	6	7	5	6	6		(6	2	2	1	5)		(1	4	4)	<p>Total Expenditure <table border="1" style="display: inline-table;"><tr><td></td><td>1</td><td>1</td><td>2</td><td>9</td><td>7</td><td>8</td><td>1</td></tr></table></p> <p>Profit / Loss After Tax <table border="1" style="display: inline-table;"><tr><td></td><td>(</td><td>5</td><td>9</td><td>6</td><td>5</td><td>1</td><td>)</td></tr></table></p> <p>Dividend Rate (%) <table border="1" style="display: inline-table;"><tr><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table></p>		1	1	2	9	7	8	1		(5	9	6	5	1)					N	I	L
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	(5	9	6	5	1)																																							
				N	I	L																																								

5. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

<p>Item Code No. (ITC Code)</p> <p><table border="1" style="display: inline-table;"><tr><td>5</td><td>2</td><td>0</td><td>5</td><td></td><td>0</td><td>0</td></tr></table></p> <p><table border="1" style="display: inline-table;"><tr><td>6</td><td>0</td><td>0</td><td>2</td><td></td><td>0</td><td>0</td></tr></table></p>	5	2	0	5		0	0	6	0	0	2		0	0	<p>Product Description</p> <p><table border="1" style="display: inline-table;"><tr><td>COTTON YARN</td></tr></table></p> <p><table border="1" style="display: inline-table;"><tr><td>COTTON KNITTED FABRIC</td></tr></table></p>	COTTON YARN	COTTON KNITTED FABRIC
5	2	0	5		0	0											
6	0	0	2		0	0											
COTTON YARN																	
COTTON KNITTED FABRIC																	

For and on behalf of the Board

R.Veeramani S.R.Asaithambi
Chairman & Managing Director Director

Place : Chennai
Date : 18.06.2009

As per our report of even date

For VIJAI SARATHY & CO CNGSN & ASSOCIATES
Chartered Accountants Chartered Accountants

S.Vasudevan R.Parthasarathy C.N.Gangadaran
Company Secretary Partner Partner



CASH FLOW STATEMENT

Particulars	2008-2009	2007-2008
	Rs.	Rs.
A. Cash Flow from operating activities		
Profit/(Loss) for the year	(59,651,334)	(16,872,036)
Adjustments for :		
Depreciation	31,033,803	38,761,675
Interest and Finance	39,271,271	40,855,041
Deferred expenses written off	-	-
Less : Interest/Dividend Income	1,977,105	223,235
Operating Profit before Working Capital Changes	8,676,635	62,521,445
Adjustments for :		
Inventories	59,166,406	(83,978,223)
Loans and Advances	(662,939)	951,989
Other Current Assets	13,031,690	(700,591)
Miscellaneous Expenditure	459,996	421,663
Debtors	83,747,885	(78,277,259)
Current Liabilities	(80,801,117)	161,242,366
	74,941,921	(340,055)
Cash generated from Operations (A+B = C)	83,618,556	62,181,390
Interest and Finance Charges	(39,271,271)	(40,855,041)
Net Cash from Operating Profit	44,347,285	21,326,349
B. Cash flow from investing activities		
Purchase of fixed assets	(9,673,995)	(5,181,922)
Interest received	1,977,105	223,235
Bank Deposits	(1,979,085)	(2,054,544)
Net Cash used in investing activities	(9,675,976)	(7,013,231)
C. Cash Flow from financing activities		
Preferential Issue of Shares to Financial Institutions	-	-
Proceeds from long term borrowings	(18,860,426)	(33,497,928)
Proceeds from short term borrowings	(14,389,000)	15,878,545
Net Cash used in Financing Activities	(33,249,426)	(17,619,383)
Net increase in cash and cash equivalents	1,421,883	(3,306,265)
Cash and cash equivalents as at 31.3.2008 (Opening Balance)	10,032,923	13,339,188
Cash and Cash equivalents as at 31.3.2009 (Closing Balance)	11,454,807	10,032,923

On behalf of the Board

Place : Chennai - 86
Date : 18.06.2009

R. Veeramani
Chairman & Managing Director

AUDITORS' REPORT

We have verified the attached Cash Flow Statement of Gem Spinners India Limited, derived from audited financial statements and the books and records maintained by the Company for the year ended 31st March 2009 and found the same in agreement therewith.

For Vijai Sarathy & Co.,
Chartered Accountants

For CNGSN & Associates
Chartered Accountants

Place : Chennai - 17
Date : 18.06.2009

R. Parthasarathy
Partner

C.N.Gangadaran
Partner



GEM SPINNERS INDIA LIMITED

No.14, Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu-603 107.

PROXY FORM

I/We of
being a member(s) of GEM SPINNERS INDIA LIMITED, hereby appoint
of or failing him/ her
of as my/our proxy to vote for me/us on my/our behalf, at
the Nineteenth Annual General Meeting of the Company to be held on Wednesday, the 9th September 2009 at No.14, Mangalam
Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu - 603 107 at 11.00 a.m. and at any adjournment thereof.

Signed this day of 2009

Address :

Signature

Membership Folio No.:

No. of Shares held:

- Note : 1. This proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
2. A proxy need not be a member.

GEM SPINNERS INDIA LIMITED

No.14, Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu-603 107.

ATTENDANCE SLIP

I hereby record my presence at the NINETEENTH ANNUAL GENERAL MEETING of the Company being held at No.14, Mangalam
Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu - 603 107, on Wednesday, the 9th September 2009 at 11.00 a.m

Full name of the member attending

Signature

Folio No.:

Note: Members attending the meeting in person are requested to complete the Attendance Slip and hand it over at the entrance of the meeting hall.

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