

# **GEM SPINNERS INDIA LIMITED**

## **TWENTY FIRST ANNUAL REPORT**

**2010 - 2011**

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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 Director**

Mr. SHEKHAR R.RAO  
Mrs. RADHA SRIDHAR } - IDBI

**Executive Director**

Mr. A. M. DURAIRAJ

**Company Secretary**

Mr. S. VASUDEVAN

**AUDITORS**

M/s.VIJAI SARATHY&CO.  
Chartered Accountants  
18-A, Rajamannar Street,  
T.Nagar, 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 Twentyfirst Annual General Meeting of the shareholders of GEM SPINNERS INDIA LIMITED, Chennai will be held on Tuesday, the 09<sup>th</sup> August 2011 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 31<sup>st</sup> March 2011, 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.P.P. Doddanavar 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 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(s), the following resolution as a SPECIAL Resolution:

RESOLVED THAT in accordance with the provisions of Section 198,269,309,310,314 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 Mr.R.Veeramani be and is hereby reappointed as the Chairman & Managing Director of the Company for a period of five years with effect from 1.10.2011 with remuneration as per the terms and conditions laid down in the Explanatory Statement annexed hereto.

Further Resolved that the authority be and is hereby granted to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or agreement including authority from time to time, to determine the amount of salary and commission as also the type and amount of

perquisites and other benefits payable to Mr.R.Veeramani, Chairman & Managing Director, on such term and manner as may be agreed to between the Board of Directors and Mr.R.Veeramani provided, however, that the remuneration payable to him shall not exceed the limits prescribed under Schedule XIII of the Companies Act 1956, including any amendment, modification, variation or reappointment thereof.

Resolved Further that the Board be and is hereby authorized to do all such acts, deeds and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any committee of Directors or Director(s) to give effect to the aforesaid resolutions.

### 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 net all the material facts in respect of Item No. 4 of the notice is annexed to and forms part of the Notice.
3. The Register of Members of the Company shall remain closed from 1<sup>st</sup> August 2011 to 9<sup>th</sup> August 2011 (Both days inclusive).
4. Details of Directors seeking appointment / reappointment is enclosed.
5. The shares of the Company have been admitted for dematerialization with Central Depository Services (India) Limited with effect from 12<sup>th</sup> 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 : 27.05.2011

**S. Vasudevan**  
Company Secretary

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

**Item No.4.**

The tenure of Mr.R.Veeramani, Chairman and Managing Director expires on 30<sup>th</sup> September 2011. The resolution is to seek the approval of members for his reappointment for a period of five years with effect from 1.10.2011. The terms of re-appointment is as under :

- a) Salary : Rs.1,25,000 p.m
- b) Contribution to Provident Fund, Superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act 1961.
- c) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- d) Encashment of leave at the end of the tenure.

Further the above terms of appointment have been approved by the Remuneration Committee at their meeting held on 27<sup>th</sup> May 2011.

The particulars given above may be treated as an abstract under Section 302 of the Companies Act, 1956.

Except Mr.R.Veeramani himself and Mr.S.R.Asaithambi, none of the Directors are interested in the above resolution.

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

1. Mr. R. Veeramani Chairman & Managing Director, whose tenure expires on 30<sup>th</sup> September 2011 is being considered for reappointment.
2. Mr. P.P. Doddanavar 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 Director ship	Company Name
1.Mr.R.Veeramani	B.Sc., B.L	Lawyer turned technocrat entered into the Stone Industry in 1971. He is in the business of Mining Textiles, Sugar, Hotel and IT Industry.	19	Numeric Power Systems Ltd Gem Agro Industries Ltd Gem Energy Industry Ltd Gem Holiday Resorts Ltd Stone Wonders (India) Ltd Gem Leathers Ltd Ferro Magnets & Allied Products Ltd Gem Global Trade Ltd Gem Sugars Ltd Balaji Bonded Brake Linings Pvt Ltd Celia Leather Pvt Ltd Gem Earth Treasures Pvt Ltd Gem Granites Pvt Ltd Gem Graphites Pvt Ltd Gem Quartz Pvt Ltd Gem Stone Beach Resorts Pvt Ltd Imperial Tiles Pvt Ltd Imperial Granites Pvt Ltd Get Minerals and Coal Pvt Ltd
2.Mr.P.P.Doddanavar	Metric	He has got wide Experience in the granite industry. He has also got high pragmatic exposure on present trends in textile industry.	NIL	

## DIRECTORS' REPORT FOR THE YEAR 2010-2011

Your Directors have pleasure in presenting the 21st Annual Report on the performance of our Company along with the Audited Balance Sheet and Profit and Loss Account for the year ended 31.3.2011.

### Financial Results

Particulars	2010-11	2009-10
	Rs. in Lakhs	Rs. in Lakhs
<b>SALES</b>		
Export	6849.39	7457.77
Domestic	1953.49	1401.46
Waste	357.36	424.28
Total	9160.24	9283.51
Operating Profit	307.38	67.66
Less: Financial Charges	285.16	398.64
Gross Profit / (Loss)	22.22	(330.98)
Less : Depreciation	256.25	327.95
Loss before Tax	234.03	-
Less: Prior years excess provision of interest written back	170.16	-
Less: Deferred Tax Liability / Asset	37.41	26.52
Net (Loss) / Profit	(26.46)	(632.41)

### Review of Operations

Your company has achieved a Turnover of Rs.9160.24 Lakhs (Trading Rs.4317.09 Lakhs) during the year under review as against Rs.9283.51 Lakhs (Trading Rs.4871.26 Lakhs) in the previous year. The 1.33% reduction in turnover as compared to last year is due to ban on export of cotton yarn. The Operating profit was of the order of Rs.307.38 Lakhs as compared to the previous year mark of Rs.67.66 Lakhs.

Your Directors have to report a Net Loss of Rs.26.46 Lakhs for the year under report as against a Net Loss of Rs.632.41 Lakhs during the previous year.

The power cut in Tamil Nadu continue since October 2008 and its impact is full during the year under report.

Besides, during the year 2010-11 the cotton price has gone up to Rs.64000 per candy from Rs.30,000/- prevailing during the beginning of the year 2010-11.

Your Directors report that the Company has entered into a scheme of One Time Settlement with ICICI Bank Ltd and IDBI Bank Ltd during the year and have fully settled the dues.

### Dividend

In view of the insufficiency of the profits earned by the Company during the year, your Directors are not in a 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.

### 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.P.P. Doddanavar to retire at this Annual General Meeting and being eligible offers himself for reappointment.

### 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.

### Acknowledgement:

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

Place : Chennai - 86  
Date : 27.05.2011

On behalf of the Board  
R. Veeramani  
Chairman & Managing Director

## ANNEXURE I TO THE DIRECTORS' REPORT

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

### 1. Conservation of Energy

#### FORM A

Form for Disclosure of Particulars with respect to conservation of Energy

#### A. Power & Fuel Consumption

2010-2011 2009-2010

##### 1. Electricity

a. Purchased Units	9848070	10815130
Total amount (Rs.)	47451185	48707083
Rate / Unit Rs.	4.82	4.50

##### b. Own Generation

(i) Through Diesel Generator		
Units	0	2822
Total Amount (Rs.)	0.00	2.52
Cost per Unit (Rs.)	0.00	12.84

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 (Kl)	-	-
Total Cost	-	-
Average Rate	-	-

##### 4. Others / Internal Generation

Generation	-	-
Quantity (tonnes)	-	-
Total Cost	-	-
Average Rate	-	-

#### B. Consumption per unit of Production

1. Electricity (KWH)	4.38	3.89
(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	-	-

#### 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

**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.

**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:**

	2010-11	2009-10
	(Rs. In Lakhs)	
i) CIF value of imports (Raw material, Spares & Capital goods)	48.17	40.33
ii) Expenditure in foreign currency (Travel and Commission)	108.22	98.71
iii) Foreign exchange earned	6714.14	6410.40

On behalf of the Board  
Place : Chennai - 86 R. Veeramani  
Date : 27.5.2011 Chairman & Managing Director

**Annexure II**

**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 2011 and loss of the Company for the year 31st March 2011.
- 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 : 27.5.2011 Chairman & Managing Director

**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.

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Corporate Governance Report forms part of the Annual Report. Your Company is in full compliance with the requirements and disclosures as stated

therein. A certificate from the Statutory Auditors of the Company confirming compliance of the Corporate Governance is appended to the Report on Corporate Governance.

## 2. BOARD OF DIRECTORS

Board of Directors of the Company consist of one Executive, One Non-Executive and three Non-Executive independent Directors as on 31.3.2011.

Name of the Director	Category	No. of Other Directorships and 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	1	18	Nil	Nil
Mr. S.R. Asaithambi	Non - Executive Director	Nil	16	1	1
Mr. P.P. Doddanavar	Independent Director	Nil	Nil	2	Nil
Mr. K.M.Lal	Independent Director	Nil	5	Nil	2
Mr. Shekhar R.Rao	Nominee Director IDBI	Nil	Nil	Nil	1
Mrs.Radha Sridhar		Nil	Nil	Nil	1

Ms.Radha Sridhar was nominated in the place of Mr.Shekhar R.Rao on 6.10.2010.

### Attendance Record of the Directors

Director	No. of Meetings		Attended last AGM on 24.09.2010
	Held	Attended	
Mr. R. Veeramani	4	4	Yes
Mr. S.R. Asaithambi	4	4	Yes
Mr. P.P. Doddanavar	4	3	Yes
Mr. K.M. Lal	4	4	No
Mr. Shekhar R.Rao	4	1	No
Mrs.Radha Sridhar	4	2	No

Mr.Shekhar R.Rao resigned and replaced by Mrs.Radha Sridhar on 6.10.2010.

### Number of Board Meetings held, dates on which held :

Date of Board Meeting	Place / City	No. of Directors present
28.05.2010	Chennai	4
12.08.2010	Chennai	4
28.10.2010	Chennai	5
10.02.2011	Chennai	5

### Board Committees:

The Board of Directors of the Company have set up Committees to carry out various functions, as entrusted, and give the suitable recommendations to the Board on the significant matters, from time to time.

### Mandatory Committees :

- Audit Committee
- Shareholders'/Investors Grievance Committee

### Optional Committees:

- Remuneration Committee
- Finance Committee

The composition, scope and details of the aforesaid Committees are given as under :

The Audit Committee consists of Mr. P.P. Doddanavar as Chairman and Mr.K.M.Lal, Mr. Shekhar R.Rao and Mrs.Radha Sridhar as members and Mr.S.Vasudevan as the Member Secretary.

### Date of Meetings:

27.5.2010, 12.8.2010, 28.10.2010, 10.2.2011.

Name	Designation	No. of Meeting attended
Mr. P.P. Doddanavar	Chairman	3
Mr.K.M.Lal	Member	4
Mr.Shekhar R.Rao	Member	1
Ms. Radha Sridhar	Member	2

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.

The Board has delegated the power of Share Transfer to Registrar & Share Transfer Agent, who processes the transfers. The Committee also looks after redressal of investors' grievances and performances of the Registrar and Transfer Agent of the Company.

Name	Designation	No. of Meetings held	No. of Meetings Attended
Mr. S.R. Asaithambi	Chairman	15	15
Mr. R. Veeramani	Member	15	15

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

Number of share complaints received so far - Nil  
 Number of complaints not solved to the Satisfaction of shareholders - Nil  
 Number of pending share transfers - Nil

### 3. Remuneration Committee

Name	Designation
Mr. P.P.Doddanavar	Chairman
Mr. Shekhar R.Rao	Member
Mr. S.R.Asaithambi	Member
Mr. K.M.Lal	Member

During the year one remuneration committee meeting was held on 27.5.2011.

### 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 2010 – 2011 are given below

Director	Relation with other Director	Business Relationship With the Co. If any	Remuneration paid During April 10 – March 11			
			Sitting Fees (Rs.)	Salary & Perks (*) Commn. (Rs.)	Commn Paid (Rs.)	Total (Rs.)
Mr. R. Veeramani	} Brothers	Promoter	Nil	1500000	Nil	500000
Mr. S.R. Asaithambi		Promoter	12000	Nil	Nil	12000
Mr. P.P. Doddanavar	Nil	Independent Director	9000	Nil	Nil	9000
Mr. K.M.Lal	Nil	Independent Director	12000	Nil	Nil	12000
Mr. Shekhar R.Rao	Nil	Nominee Director	3000	Nil	Nil	3000
Ms. Radha Sridhar	Nil	Nominee Director	6000	Nil	Nil	6000

#### Number of Shares held by Directors

Sri.R.Veeramani	Chairman & Managing Director	6699200
Sri.S.R.Asaitambi	Director	5369900

#### 4. General Body Meetings

General Body Meeting	Date	Venue	Time	Special Resolution passed At AGM
AGM for the year 31.3.2010	24.09.2010	14 Mangalam Village Kancheepuram Dist.	11.00 a.m	Yes *
AGM for the year 31.3.2009	09.09.2009	14 Mangalam Village Kancheepuram Dist.	11.00 a.m	Yes *
AGM for the year 31.3.2008	11.09.2008	14 Mangalam Village Kancheepuram Dist.	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.

One Special Resolution was passed during the Financial Year 2010-11 through Postal Ballot as per the Provisions of Section 81(1A).

#### 5. Disclosures

##### a) Related party transaction:

During the year, the Promoters have brought in as unsecured loan of Rs.1033.69 Lakhs towards One Time Settlement of loan with Financial Institutions.

##### 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.

#### 6. Means of communication

Half yearly and quarterly results:

- Financial reporting for the quarter ending June 30, 2010: 12.08.2010
  - Financial reporting for the half year ending September 30, 2010: 28.10.2010
  - Financial reporting for the quarter ending December 31, 2010: 10.02.2011
  - Financial reporting for the quarter ending March 31, 2011: 27<sup>th</sup> May 2011
  - Annual General Meeting for the year ending March 31, 2011: 9<sup>th</sup> August 2011
- The quarterly results are published in News Today and Makkal Kural.  
No presentation has been made to International Investors or to the Analysis

#### 7. General Shareholder Information

AGM Date, time and venue : 9<sup>th</sup> August 2011 11.00 a.m.  
At Registered office  
at : 14, Mangalam Village  
Maduranthagam Taluk  
Kancheepuram Dist.  
Tamilnadu - 603 107

Financial Year : 1<sup>st</sup> April to 31<sup>st</sup> March  
Date of Book Closure : 1.8.2011 to 9.8.2011  
(Both Days Inclusive)

Dividend payment date : Nil

Listing on Stock Exchange at : Madras Stock Exchange Ltd  
Exchange at : Exchange Building,  
(Listing Fees for equity paid upto 31.3.2011)  
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  
Association Limited  
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	Low
April 2010	3.55	3.45
May 2010	3.75	3.50
June 2010	3.75	3.75
July 2010	3.88	2.88
August 2010	3.50	2.85
September 2010	3.15	2.78
October 2010	3.15	2.80
November 2010	3.00	2.81
December 2010	3.00	1.70
January 2011	1.98	1.58
February 2011	2.22	1.58
March 2011	2.66	1.80

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

Share transfer system : Physical and Electronic

Address for Correspondence : Gem Spinners India Ltd  
 78, Cathedral Road,  
 Chennai 600 086  
 Tel : 28115190  
 Fax : 28114304

Email Id for Investor Grievances : accounts@gemspin.com

### Dematerialisation of Shares

The shares are available for trading in the Central Depository Services Limited (CDSL). So far 86.17% shares are in the dematerialized form. The International Standard Identification (ISIN) No is INE165F01020.

### Distribution of Shareholding as on 31.03.2011

No. of Shares held Holders	No. of Share	% of Total (In Rs.)	Share Amount	% of Total
(1)	(2)	(3)	(4)	(5)
Upto 5000	29487	98.36	21425505	10.36
5001 10000	238	0.79	1754000	0.85
10001 20000	88	0.29	1226000	0.59
20001 30000	85	0.28	2104995	1.02
30001 40000	15	0.05	534500	0.26
40001 50000	19	0.06	946000	0.46
50001 100000	23	0.07	1788000	0.86
100001 and above	23	0.07	177080950	85.60
TOTAL	29978	100.00	206859950	100.00

### Share holding Pattern as on 31.03.2011

Category	No. of Shares held	%
Indian Promoters	22443500	54.25
Financial Institutions	12493990	30.20
Bodies Corporate	262590	0.63
Non Resident Indians	NIL	NIL
Indian Public	6163810	14.90
Others	8100	0.02
Total	41371990	100.00

Dematerialization of shares and liquidity : Central Depository Services Limited  
 Phiroze Jeejee Bhoy Towers  
 28<sup>th</sup> Floor, Dalal Street  
 Mumbai - 400 023  
 ISIN No: INE165F01020

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

Compliance Officer : S.Vasudevan  
 Company Secretary

### 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. 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.

#### 5. Mechanism for evaluating non-executive Board Members

Same as above.

#### 6. Whistle Blower Policy:

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

### 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](http://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 2010-11.

**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 12 per cent in 2010-11.

Due to global recession and economic slow down leading to a sharp fall in consumer demand for textile products, the industry faced a very difficult situation since 2007-08.

The unprecedented hike in minimum support price of cotton and export of raw cotton has resulted substantial increase in cotton prices.

During the year under report 2010-11, the cotton yarn export was looking up and market was buoyant and the domestic market was also showing better sign. Currently there is a slow down in demand both domestic and international market and it is a threat to the industry.

**MARKETING**

India is a large supplier of cotton yarn in the world market. Due to recession in global markets, volume and value of exports have come down significantly. Your Company being predominantly into overseas market, maintained excellent relations with all its overseas customers which have been dealing with the Company over the years by adhering to quality standards, delivery schedules and competitive prices.

**2. OPPORTUNITIES AND THREATS**

The textile industry as such is more dependent on its raw material that is raw cotton availability. There is much scope for India to have more crops year by year due to its technology improvement and introduction of new varieties of cotton but of course subject to monsoon changes.

The Indian textile export market will have better days as China is under heavy pressure.

**3. RISKS AND CONCERNS**

Every Country has to become cost competitive and efficient considering the global competition due to withdrawal of quota. Due to high cost of labour and power and raw material, India is suffering and not able to compete with other Countries.

Cotton being an agricultural commodity depends on monsoon. Any failure on monsoon and availability of cotton will affect the cotton yarn manufacturing industry and frequent escalating cotton prices also contribute uncertainty in the profit margin.

However, fluctuation in cotton price, exchange rates, availability of labour, increasing interest rates to contain the inflation and power are threats to the industry. Withdrawal of Duty Drawback is another set back to the industry.

**4. 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.

**5. OUTLOOK**

The Company continues to be an exporter of its cotton yarn and grey fabrics. The Company will cash the prospects of improving exports of cotton yarn to Asian Countries including China. Exploring new markets is a continuous process of the Company.

The year 2010-11 has witnessed significant increase in demand both in domestic and export market though the first quarter of the current year is showing declining demand trend, which appears to be temporary and outlook for the Indian spinning industry seems to be promising.

**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. FINANCIAL PERFORMANCE**

Please refer Directors' Report on performance review.

#### **8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS (INCLUDING NUMBER OF PEOPLE EMPLOYED)**

The Company recognizes the importance and contributions of its human resources for its growth

and development and is committed to the development of its people. The Company has been adopting methods and practices for Human Resources Development. With utmost respect to human values, Company serves its human resources with integrity through a variety of services by using appropriate training, motivation, techniques and employee welfare activities etc. Industrial relations were cordial and satisfactory during the year under review. As on 31<sup>st</sup> March 2011, the Company has about 165 permanent employees in its offices and plant.

#### **9. CAUTIONARY STATEMENT**

The factors like availability of quality raw cotton, market prices, foreign exchange rates, changes in Government regulations and tax laws, economic conditions affecting demand / supplies and other environmental factors over which the Company does not have any control.

### **COMPLIANCE CERTIFICATE**

We have examined the compliance of corporate governance by Gem Spinners India Limited for the year ended on 31.03.2011, as stipulated in Clause 49 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.

For **Vijai Sarathy & Co.**,  
Chartered Accountants

For **CNGSN & Associates**  
Chartered Accountants

Place : Chennai - 17  
Date : 27.5.2011

**R. Parthasarathy**  
Partner

**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, 2011 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, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2011 from being appointed as a Director in terms of Clause (g) of sub-section (l) 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 2011.
      - 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.,**  
Chartered Accountants

For **CNGSN & Associates**  
Chartered Accountants

Place : Chennai - 17  
Date : 27.5.2011

**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 31<sup>st</sup> March , 2011.

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 (1) 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, 2011 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. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.
13. In our opinion the Company is not a dealer or trader in shares, securities, debentures and other investments.
14. 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.
15. 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.
16. 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.
17. 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.
18. The Company is a sick company within the meaning of 3(1) (o) the Sick Industrial Companies (Special Provisions) Act 1985.
19. The Company has not raised any money by public issue during the year
20. 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 **Vijai Sarathy & Co.,**  
Chartered Accountants

For **CNGSN & Associates**  
Chartered Accountants

Place : Chennai - 17  
Date : 27.5.2011

**R. Parthasarathy**  
Partner

**C.N.Gangadaran**  
Partner





**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2011**

PARTICULARS	SCHEDULE NO	31.03.2011 Rs.	31.03.2010 Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
SHARE CAPITAL	1	206,859,950.00	206,859,950.00
RESERVES AND SURPLUS (CAPITAL RESERVE)	1A	19,719,617.83	-
<b>LOAN FUNDS</b>			
SECURED	2	182,816,871.68	317,616,202.03
UNSECURED	3	201,668,938.26	98,299,713.37
		<b>384,485,809.94</b>	<b>415,915,915.40</b>
		<b>611,065,377.77</b>	<b>622,775,865.40</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
GROSS BLOCK		803,088,300.20	802,602,467.20
LESS: DEPRECIATION		586486747.73	561,257,108.60
<b>NET BLOCK</b>	<b>4</b>	<b>216,601,552.47</b>	<b>241,345,358.60</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
INVENTORIES	5	193,157,663.05	172,560,591.70
SUNDRY DEBTORS	6	157,848,895.55	228,249,902.15
CASH & BANK BALANCES	7	24,811,238.64	22,863,779.66
OTHER CURRENT ASSETS	8	54,069,069.00	68,211,382.85
LOANS AND ADVANCES	9	3,799,582.64	5,674,983.66
		<b>433,686,448.88</b>	<b>497,560,640.02</b>
LESS: CURRENT LIABILITIES & PROVISIONS	10	317,673,762.08	392,179,908.65
<b>NET CURRENT ASSETS</b>		<b>116,012,686.80</b>	<b>105,380,731.37</b>
MISCELLANEOUS EXPENDITURE		<b>0.00</b>	<b>244823.00</b>
PROFIT & LOSS ACCOUNT		278,451,138.50	275,804,952.43
		<b>611,065,377.77</b>	<b>622,775,865.40</b>

For and on behalf of the Board

As per our report of even date

**R.Veeramani**  
Chairman & Managing Director

**S.R.Asaithambi**  
Director

**VIJAISARATHY & CO**  
Chartered Accountants

**CNGSN & ASSOCIATES**  
Chartered Accountants

Place : Chennai  
Date : 27.05.2011

**S.Vasudevan**  
Company Secretary

**R.Parthasarathy**  
Partner

**C.N.Gangadaran**  
Partner



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2011

PARTICULARS	SCHEDULE NO	31.03.2011	31.03.2010
		Rs.	Rs.
<b>INCOME</b>			
SALES	11	916,024,540.27	928,351,786.79
OTHER INCOME	12	19,597,173.65	29,535,321.78
INCREASE/(DECREASE) IN STOCK	13	(12,115,092.00)	(28,005,314.00)
		<b>923,506,621.92</b>	<b>929,881,794.57</b>
<b>EXPENDITURE</b>			
RAW MATERIALS CONSUMED	14	335,413,337.56	305,675,741.16
OTHER MANUFACTURING EXPENSES	15	12,933,059.31	13,543,059.03
TRADING EXPENSES		421,668,030.00	475,045,331.12
STORES CONSUMED	16	11,000,128.03	11,353,463.24
POWER AND FUEL	17	47,451,185.00	48,743,319.56
PERSONNEL EXPENSES	18	29,474,459.13	28,432,951.87
ADMINISTRATIVE, SELLING & OTHER EXPENSES		30,933,694.00	36,097,831.76
REPAIRS & MAINTENANCE	20	3,895,032.69	4,224,462.24
		<b>892,768,925.72</b>	<b>923,116,159.98</b>
<b>PROFIT BEFORE INTEREST , DEPRECIATION &amp; TAX</b>		<b>30,737,696.20</b>	<b>6,765,634.59</b>
FINANCIAL CHARGES	21	28,516,968.52	39,863,683.15
DEPRECIATION		<b>25,625,000.00</b>	<b>32,794,937.00</b>
<b>PROFIT BEFORE TAX</b>		<b>(23,404,272.32)</b>	<b>(65,892,985.56)</b>
<b>Prior Years Excess Provision of Interest Written Back</b>		17,016,426.00	-
DEFERRED TAX		3741660.25	2652000.00
Loss carried to Balance Sheet		<b>(2,646,186.07)</b>	<b>(63,240,985.56)</b>
<b>NOTES ON ACCOUNT</b>	22		

For and on behalf of the Board

**R.Veeramani**  
Chairman & Managing Director

**S.R.Asaithambi**  
Director

**VIJAISARATHY & CO**  
Chartered Accountants

**CNGSN & ASSOCIATES**  
Chartered Accountants

Place : Chennai  
Date : 27.05.2011

**S.Vasudevan**  
Company Secretary

**R.Parthasarathy**  
Partner

**C.N.Gangadaran**  
Partner

**SCHEDULE 1**

**SHARE CAPITAL**

**Authorised:**

4,50,00,000 Equity Shares of Rs.10/- each

**31.03.2011  
Rs.**

**31.03.2010  
Rs.**

450,000,000.00

450,000,000.00

**Issued,Subscribed & Paidup:**

4,13,71,990 Equity Shares of Rs.5/- each fully paid up

206,859,950.00

206,859,950.00

Reserves and Surplus (Capital Reserve)

19719617.83

**SCHEDULE 2**

**Secured Loans**

**a. Term Loans**

**From Financial Institutions**

I.D.B.I.

0

90256099.00

I.C.I.C.I.

0

44219617.83

**b. Working Capital from Banks \***

IOB

145409856.01

127864449.53

SBI

37407015.67

38259609.67

Interest Accrued and Due

0

17016426.00

**182816871.68**

**317616202.03**

\* (Secured by way of Hypothecation of stock)

**SCHEDULE 3**

**Unsecured Loan**

Loan from Directors

**201668938.26**

**98299713.37**

**SCHEDULE NO. 4  
FIXED ASSETS SCHEDULE**

PARTICULARS	GROSS BLOCK						DEPRECIATION BLOCK						NET BLOCK							
	AS ON 01.04.2010		ADDITIONS		DELETIONS		Total As on 31.03.2011		UP TO 31.03.2010		DEPRECIATION FOR THE YEAR		DEDUC TION		Total As on 31.03.2011		S.L.M. VALUE As On 31.03.2010		S.L.M. VALUE As On 31.03.2011	
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
1. LAND	13162190.12		148420.00		120191.00		13190419.12		0.00		0.00		0.00		13190419.12		13162190.12			
2. BUILDING	68351310.93		89172.00		0.00		68440482.93		33663056.11		2287952.13		35951010.24		32489472.69		34688252.82			
3. PLANT & MACHINERY	627774717.84		0.00		0.00		627774717.84		460731898.79		20444146.85		481176045.64		146598672.20		167042819.05			
4. ELECTRICAL INSTALLATION	34281904.95		37511.00		0.00		34319415.95		22145405.32		1099970.63		23245375.94		11074040.24		12136499.63			
5. OFFICE EQUIPMENTS, FURNITURE AND FITTINGS	5269127.52		23790.00		0.00		5292917.52		5167995.94		124921.58		5292917.52		0.00		101131.58			
6. VEHICLES	2687919.05		819173.00		511042.00		2996050.05		1586343.05		244355.87		1435337.37		1560712.68		1101576.00			
7. GENERATOR	16102809.23		0.00		0.00		16102809.20		14631716.87		517125.17		15148842.04		953967.40		1471092.36			
8. COMPRESSOR	6082827.16		0.00		0.00		6082827.16		3247514.51		195343.74		3442858.25		2639968.91		2835312.65			
9. AIR CONDITIONER	760185.00		0.00		0.00		760185.00		760185.00		0.00		760185.00		0.00		0.00			
10. MISCELLANEOUS ASSETS	18382464.58		0.00		1000.00		18381464.58		11641872.68		398168.78		12040041.46		6341423.34		6740591.90			
11. LAB EQUIPMENT	9747010.85		0.00		0.00		9747009.47		7681118.33		313015.24		7994133.57		1752875.90		2065892.52			
TOTAL	802602467.20		1118066.00		632233.00		803088300.20		561257108.60		25625000.00		395361.55		216601552.47		241345358.60			

**SCHEDULE 5**
**Inventories**

Cotton	153484620.36	130164588.67
Bought Yarn	12828729.00	3329314.75
Stock-Stores	10867828.69	10975111.28

**Finished Goods**

Yarn	7590293.00	11631035.00
Fabric	5929048.00	8312720.00
Stock-in-Process	2043864.00	6867296.00
Waste	413280.00	1280526.00

**31.03.2011**
**Rs.**
**31.03.2010**
**Rs.**
**193157663.05**
**172560591.70**
**SCHEDULE 6**
**Sundry Debtors**

(Unsecured-considered good)

Exceeding six months	4807642.40	11807755.52
Others	153041253.15	216442146.63

**157848895.55**
**228249902.15**
**SCHEDULE 7**
**Cash & Bank Balances**

Cash on Hand	216,594.30	299,343.42
Balances with Scheduled Banks in:		
a. Current Account	13,668,513.31	9,092,982.21
b. Margin Money Account	6,125,593.03	8,998,749.03
c. Term Deposit	4,354,312.00	4,026,479.00
d. Others	446,226.00	446,226.00

**24,811,238.64**
**22,863,779.66**
**SCHEDULE 8**
**Other Current Assets:**

Claims Receivable	2,697,341.19	2,697,341.19
Prepaid expenses	562,028.00	591,093.00
Deposit	12,398,085.30	13,604,135.48
Income Receivable	26,782,080.51	43,430,911.18
Deffered tax	11,629,534.00	7,887,902.00

**54,069,069.00**
**68,211,382.85**
**SCHEDULE 9**
**Loans and Advances** (Unsecured-considered good)

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

Advances	3,733,742.64	5,498,658.16
Others	65,840.00	176,325.50

**3,799,582.64**
**5,674,983.66**

**SCHEDULE 10**
**Current Liabilities & Provisions**

Sundry Creditors

314,878,611.57

388,535,865.59

Provisions

2,795,150.51

3,644,043.06

**317,673,762.08**
**392,179,908.65**
**SCHEDULE 11**
**Sales - Yarn**

Direct Export

127312450.27

137959860.84

Merchant Export

17368701.00

38945191.00

Garment Export

3284136.98

Trading Export

431708876.82

487126212.48

DTA Sales

173516410.00

101201494.30

**Sales - Fabric**

Direct Export

125917805.20

120691394.17

**Sales - Others**

Waste

36916160

42427634

**916,024,540.27**
**928,351,786.79**
**SCHEDULE 12**
**Other Income**

Interest Received

1013354.00

875004.00

Draw Back

6646434.001

4241275.00

Miscellaneous income

11937385.65

14419042.78

**19597173.65**
**29535321.78**
**SCHEDULE 13**
**Increase/(Decrease) in Stock of Goods**

Stocks at Close:

a. Finished Goods - Yarn

7590293.00

11631035.00

b. Knitted Fabrics

5929048.00

8312720.00

c. Stock in Process

2043864.00

6867296.00

d. Waste

413280.00

1280526.00

**15976485.00**
**28091577.00**

Less: Stocks at Commencement

a. Finished Goods

11631035.00

24,629,923.00

b. Knitted Fabrics

8312720.00

23,647,350.00

c. Stock in process

6867296.00

6,568,949.00

d. Waste

1280526.00

1,250,669.00

**28091577.00**
**56,096,891.00**
**(12,115,092.00)**
**(28,005,314.00)**

**SCHEDULE 14**
**RAW MATERIAL CONSUMPTION**
**Cotton**

Stock at Commencement

Add: Purchases

Less: Stock at Close

Consumption

Yarn for Knitting-mill

Stock at Commencement

Add: Purchases

Less: Stock at close

Consumption

**Total Consumption**
**SCHEDULE 15**
**Other Manufacturing Expenses**

Excise Duty

Packing Expenses

Factory Maintenance Charges

Testing Charges

Freight Inward

Job work conversion charges

Loading &amp; Unloading charges

**SCHEDULE 16**
**Stores Consumption**

Consumption of Spares

**SCHEDULE 17**
**Power and Fuel**

Electricity charges

Fuel

**SCHEDULE 18**
**Personnel Expenses**

Salaries and Wages

Staff Welfare

Contribution to Funds

	<b>31.03.2011</b>	<b>31.03.2010</b>
	<b>Rs.</b>	<b>Rs.</b>
	<b>130,164,588.67</b>	<b>113,212,321.07</b>
	343,763,722.50	303,227,493.76
	473,928,311.17	416,439,814.83
	<b>153,484,620.36</b>	<b>130,164,588.67</b>
	<b>320,443,690.81</b>	<b>286,275,226.16</b>
	320,443,690.81	286,275,226.16
	14969646.75	19400515.00
	14,969,646.75	19,400,515.00
	14969646.75	19400515.00
	<b>335,413,337.56</b>	<b>305,675,741.16</b>
	-	-
	6173400.31	7402082.53
	5279454.50	4189168.00
	48221.00	80722.00
	297773.50	173684.50
	1074668.00	1635248.00
	59542.00	62154.00
	<b>12933059.31</b>	<b>13543059.03</b>
	11000128.03	11353463.24
	11000128.03	11353463.24
	47451185.00	48707083.00
	-	36236.56
	47451185.00	<b>48743319.56</b>
	26403510.13	26097446.85
	606016.00	537102.02
	1831513.00	1798403.00
	<b>29474459.13</b>	<b>28432951.87</b>

## SCHEDULE 19

### Administrative, Selling & Other Expenses

	31.03.2011 Rs.	31.03.2010 Rs.
Insurance	986787.00	537833.00
Communication Charges	391782.54	517242.93
Rates and Taxes	1806484.03	444361.05
Donation	38502.00	22502.00
Travelling & Conveyance	2163353.12	870235.63
Audit Fees	248175.00	220600.00
Miscellaneous Expenses	11998460.70	20177510.49
Misc. Expenses Written Off	226315.88	713520.00
Freight Outward	8632767.00	8208793.51
Sales Commission	4441066.73	4385233.15
	<b>30,933,694.00</b>	<b>36,097,831.76</b>

## SCHEDULE 20

### Repairs and Maintenance

Building	304554.64	709712.30
Machinery	1435605.80	2130227.00
Others	2154872.25	1384522.94
	<b>3895032.69</b>	<b>4224462.24</b>

## SCHEDULE 21

### Interest and Finance Charges

Interest on hire purchase	2199870.00	733171.77
Term Loan	0.00	12377889.51
Packing Credit	12747340.00	11725452.00
Bank Charges	13569758.52	15027169.87
	<b>28516968.52</b>	<b>39,863,683.15</b>

For and on behalf of the Board

**R.Veeramani**  
Chairman & Managing Director

**S.R.Asaitambi**  
Director

**VIJAISARATHY & CO**  
Chartered Accountants

**CNGSN & ASSOCIATES**  
Chartered Accountants

Place : Chennai  
Date : 27.05.2011

**S.Vasudevan**  
Company Secretary

**R.Parthasarathy**  
Partner

**C.N.Gangadaran**  
Partner

As per our report of even date



**NOTES FORMING PART OF ACCOUNTS****SCHEDULE 22****1. SIGNIFICANT ACCOUNTING POLICIES****A) GENERAL**

- a) The financial statements are prepared in accordance with Indian General Accepted Accounting Principles ("GAAP") under the historical cost convention (except for certain revalued fixed assets) on the accounting principles of a going concern and the Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis except those with significant uncertainties
- b) The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of financial statements. The recognition, measurement, classification or disclosures of an item or information in the financial statements are made relying on these estimates. Any revision to accounting estimates is recognized prospectively.

**B) FIXED ASSETS**

- i. All fixed assets are stated at cost (net of CENVAT / Value Added Tax) and adjusted by revaluation in case of certain Land, Building, Plant & Machinery and Electrical Installations, less accumulated depreciation and impairment loss, if any. Expenditure during construction period in respect of new project / expansion is allocated to the respective fixed assets on their being ready for intended use.
- ii. In accordance with AS 28 on 'Impairment of Assets' where there is an indication of impairment of the Company's assets related to cash generating units, the carrying amounts of such assets are reviewed at each Balance Sheet date to determine whether there is any impairment. The recoverable amount of such assets is estimated as the higher of its net selling price and its value in use. An impairment loss is recognized in the Profit and Loss Account whenever the carrying amount of such assets exceeds its recoverable amount.

**C) INVESTMENTS**

Long term Investments are stated at cost and provision is made to recognize any decline, other than temporary, in the value of such investments.

**D) INVENTORIES**

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

**E) SALES**

Revenue is recognized when the property and all the significant risks and rewards of ownership are transferred to the buyer and no significant uncertainty exists regarding the amount of consideration. Export Sales are inclusive of deemed exports. Local sales are net of sales tax.

**F) BORROWING COST**

Borrowing Costs directly attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset upto the date when such asset is ready for its intended use. Other borrowing costs are charged to Profit & Loss Account.

**G) 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 of 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.

#### H) EMPLOYEE BENEFITS

- a) **PROVIDENT FUND**  
Provident Fund is a defined contribution scheme and the contributions are charged to the Profit & Loss Account as incurred.
- b) **STATE DEFINED CONTRIBUTION PLANS**  
- EMPLOYEES' Pension Scheme 1995  
The Provident Fund and the State Defined Contribution Plans are operated by the Regional Provident Fund Commissioner.
- c) **GRATUITY**  
Gratuity is a defined benefit retirement plan. The Company contributes to the Scheme with Life Insurance Corporation of India based on actuarial valuation done by them as at the close of the financial year.
- d) **LEAVE ENCASHMENT**  
The Company normally allows its employees to utilize the leave and no encashment leave has been demanded.

#### I) FOREIGN CURRENCY TRANSACTION

Assets and Liabilities related to foreign currency transaction remaining unsettled at the end of the year are translated that 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 transaction are adjusted to the cost of such assets.

#### J) DEFERRED TAX

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax on assets are recognized and carried forward only if there is a virtual / reasonable certainty of realization of such assets in near future and are reviewed for their appropriateness of their respective carrying value at each Balance Sheet date.

#### K) PROVISIONS, CONTINGENT LIABILITES AND CONTINGENT ASSETS

1. A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent liabilities are disclosed in the notes to accounts and are determined based on the management perception.
2. Contingent Liabilities: NIL ( Nil)
3. The Company has entered into a Scheme of One Time Settlement with both IDBI and ICICI and since settled the entire outstanding during the year under report.

#### 4. EMPLOYEE BENEFIT PLANS

The following table set out the status of the gratuity plan as required under AS 15.

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

S.No	Particulars	2010-11	2009-10
a)	Contribution to Provident Fund	462471	484947
b)	Contribution to employees' pension scheme 1995	1041642	1313456

S.No	Particulars	Gratuity 2010-11
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%

5. The debit and credit balances of parties are subject to confirmation.
6. 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.
7. The inventories are valued as per the Accounting Standard – 2 (Valuation of inventories) issued by the Institute of Chartered Accountants of India (ICAI)
8. Account of certain creditors, debtors and advances given are subject to confirmation and reconciliation / adjustment, if any. However, in the opinion of management, there would not be any material impact on the financial statements.

9. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium enterprises Act, 2006 and hence disclosures, if any, relating to amounts unpaid as the year end together with interest paid / payable as required under the said Act have not been given.
10. a) Foreign Exchange difference (Net) credited to Profit and Loss Account Rs.43.04 Lakhs.  
(Previous Year : Credit Rs.57.36 Lakhs).
- b) The Company uses Forward Exchange Contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transaction. The Company does not enter into any such instruments for trading or speculative purpose.
- c) The year end foreign currency exposures that have not been hedged are given below:
- I. Amounts payable in foreign currency on account of the following: (Rs. in Lakhs)

Particulars	2010 - 11			2009 - 10		
	Currency	FC Amount	Rupee Equivalent	Currency	FC Amount	Rupee Equivalent
Purchase of Goods / Services	USD	2.16	96.76	USD	1.91	97.15
	EURO	-	-	EURO	-	-
Loans payable (PCFC)	USD	Nil	1253.92	USD	Nil	1264.05
Term Loans payable	USD	-	-	USD	-	1344.75
Interest payable	USD	-	-	USD	-	170.16

11. Disclosures in respect of provisions pursuant to Accounting standard - 29

Particulars	Opening Balance 01.04.10	Provided during the Year	Utilized During the Year	Reversed During the Year	Closing Balance 31.03.11
Sundry Debtors	Nil	Nil	Nil	Nil	Nil

12. Interest on others in Schedule – 12 is net of interest income of Rs.10.13 Lakhs (Rs.8.75 Lakhs) Tax deducted at source thereon Rs.0.88 Lakhs (Rs.1.41 Lakhs)

13. Disclosure under Accounting Standard 17 – SEGMENT REPORTING

Segment Reporting for the year ended 31.03.2011		(Rs. in Lakhs)	
S. No	Particulars	Year Ended on 31.03.2011	Year Ended on 31.03.2010
<b>1</b>	<b>Segment Revenue / Income</b>		
	a. Mill	4843.15	4412.25
	b. Trading	4317.09	4871.26
	Total	<b>9160.24</b>	<b>9283.51</b>
<b>2</b>	<b>Segment Results</b>		
	a. Mill	(245.25)	(676.41)
	b. Trading	100.41	120.78
	Total	<b>(144.84)</b>	<b>(555.63)</b>
	Add: Unallocable Income	195.97	295.40
	Less: Interest – Unallocable Expenditure	285.16	398.64
	Tax [(including - FBT) / (+) Deferred Tax]	37.41	26.52
	Prior year Excess provision of interest written back	<b>170.16</b>	<b>0.00</b>
	<b>Net (Loss) / Profit</b>	<b>(26.46)</b>	<b>632.41</b>
<b>3</b>	<b>Capital Employed</b>		
	(Segment Assets - Segment Liabilities)		
	a. Mill	<b>1199.90</b>	<b>1368.00</b>
	b. Trading	Nil	Nil

14. Loans and Advances for the year under report from the Group Company is Nil.

15. Earnings Per Share:

Particulars		2010 – 11 (Rs. in Lacs)	2009 -10 (Rs. in Lacs)
Numerator			
Net Loss as disclosed in Profit & Loss Account		(26.46)	632.41
Net Loss attributable to the Equity shareholders		(26.46)	632.41
Denominator			
Weighted average Equity Shares			
Basic and diluted Earnings Per Share (face value of Rs.10 each)	Nos	41371990	41371990
Before Exceptional Items		(0.06)	(0.97)
After Exceptional Items		(0.06)	(1.53)

16. Disclosure in respect of related Parties pursuant to Accounting Standard 18 is disclosed in Corporate Governance in Item No.6.

17. Additional Information pursuant to Part II of Schedule VI to the Companies Act, 1956.

A) Installed Capacity: (As certified by the Management and relied upon by the Auditors being a technical matter)

Description of the Item	2010-11	2009-10
Spindles	25960	25960

B) Sales, Production and Stocks

Kgs. / Rs. (in Lakhs)

Finished Goods	Unit	Opening Stock		Production		Sales		Closing Stock	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Cotton Yarn	Kgs	0.99	1.64	22.48	27.81	18.64	21.03	0.36	0.99
	Rs	154.59	246.30				2680.02	72.13	154.59
Knitted Fabric	Kgs	0.30	1.66	6.94	12.38	7.00	13.74	0.24	0.30
	Rs.	44.85	236.47				1785.39	59.29	44.85

C) Traded Goods (Cotton Yarn)

Finished Goods	2010-11		2009-10	
	Kgs. in Lakhs	Rs. in Lakhs	Kgs in Lakhs	Rs. in Lakhs
Purchase	19.35	4064.95	28.32	4267.96
Sales	19.15	4317.09	28.32	4393.83

D) Raw Material Consumed

Description	2010-11		2009-10	
	Kgs in Lakhs	Rs in Lakhs	Kgs in Lakhs	Rs in Lakhs
Cotton Imported	Nil	Nil	Nil	Nil
Cotton Indigenous	30.46	3204.44	39.14	2862.75

E) Value of Imports calculated on CIF basis

Particulars	2010-11		2009-10	
	%	Rs. in Lakhs	%	Rs in Lakhs
Components and Spare Parts	100.00	48.17	100.00	40.33
Capital goods	-	-	-	-
Imported Raw Materials	-	-	-	-
Total	100.00	48.17	100.00	40.33

F) Value of Consumption - Stores, Spares and Packing Materials

Particulars	2010 - 11		2009-10	
	Rs. in lakhs	%	Rs in Lakhs	%
Imported	48.17	30.45	40.33	20.60
Indigenous	110.00	69.55	153.43	79.40
		100.00		100.00

G) Expenditure in Foreign Currency (on remittance basis)

(Rs. in Lakhs)

Particulars	2010 - 11	2009 - 10
Commission	96.76	97.15
Travel	11.46	1.56

H) Earnings in Foreign Exchange

FOB value of goods exported - Rs. 6714.14 Lakhs (Rs.6410.40 Lakhs)

18. Sitting Fees to Directors - Rs.42,000 (Rs.51,000)

19. AUDITORS' REMUNERATION

(Rs. in Lakhs)

Particulars	2010 - 11	2009 - 10
Statutory Audit Fees	2.21	2.00
Certification	0.27	Nil
Cost Audit Fees	0.66	0.21

20. Previous years figures have been regrouped and rearranged wherever necessary so as to confirm the current years' presentation. Figures in brackets represent previous years' figures.

For and on behalf of the Board

As per our report of even date

**R.Veeramani**  
Chairman & Managing Director

**S.R.Asaithambi**  
Director

**VIJAISARATHY & CO**  
Chartered Accountants

**CNGSN & ASSOCIATES**  
Chartered Accountants

Place : Chennai  
Date : 27.05.2011

**S.Vasudevan**  
Company Secretary

**R.Parthasarathy**  
Partner

**C.N.Gangadaran**  
Partner

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

### I. Registration Details

Registration No. 

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

State Code 

1	8
---	---

Balance Sheet Date 

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

### II. Capital Raised During the year (Amount in '000)

Public Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Bonus Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Others

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Rights Issue

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Private Placement

			N	I	L				
--	--	--	---	---	---	--	--	--	--

### III. Position of Mobilisation of Funds and Deployment of Funds (Amount in Rs. '000)

Total Liabilities

			6	1	1	0	6	5	
--	--	--	---	---	---	---	---	---	--

Total Assets

			6	1	1	0	6	5	
--	--	--	---	---	---	---	---	---	--

#### Source of Funds

Paid up Capital

			2	0	6	8	6	0	
--	--	--	---	---	---	---	---	---	--

Secured Loans

			1	8	2	8	1	7	
--	--	--	---	---	---	---	---	---	--

Reserves & Surplus

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

Unsecured Loans

			2	0	1	6	6	9	
--	--	--	---	---	---	---	---	---	--

#### Application of Funds

Net Fixed Assets

			2	1	6	6	0	1	
--	--	--	---	---	---	---	---	---	--

Net Current Assets

			1	1	6	0	1	2	
--	--	--	---	---	---	---	---	---	--

Accumulated Losses

			2	7	8	4	5	1	
--	--	--	---	---	---	---	---	---	--

Investments

			N	I	L				
--	--	--	---	---	---	--	--	--	--

Misc. Expenditure

			N	I	L				
--	--	--	---	---	---	--	--	--	--

### IV. Performance of the Company (Amount in Rs. '000)

Turnover / Income

			9	2	3	5	0	6	
--	--	--	---	---	---	---	---	---	--

Profit / Loss before Tax

			(	2	3	4	0	4	)
--	--	--	---	---	---	---	---	---	---

Earning per Share (Rs.)

			(	0	0	6	)		
--	--	--	---	---	---	---	---	--	--

Total Expenditure

			8	9	2	7	6	8	
--	--	--	---	---	---	---	---	---	--

Profit / Loss after Tax

			(	2	6	4	6	)	
--	--	--	---	---	---	---	---	---	--

Dividend rate

			N	I	L				
--	--	--	---	---	---	--	--	--	--

### V. Generic Names of Three Principal Products / Services of Company (As per Monetary Terms)

Item Code No. (ITC Code)

			5	2	0	5			
--	--	--	---	---	---	---	--	--	--

			6	0	0	2			
--	--	--	---	---	---	---	--	--	--

Product Description

COTTON YARN

COTTON KNITTED FABRIC

## CASH FLOW STATEMENT

Particulars	2010-2011	2009 - 2010
	Rs.	Rs.
<b>A. Cash Flow from operating activities</b>		
Profit / (Loss) for the year	(2,646,186)	(63,240,986)
Adjustments for :		
Depreciation	25,229,640	32,794,937
Interest and Finance	28,516,969	39,863,683
Deferred expenses written off	-	-
Less : Interest / Dividend Income	1,013,354	875,004
Operating Profit before Working Capital Changes	<b>A</b> 50,087,068	8,542,630
Adjustments for :		
Inventories	(20,597,071)	9,806,217
Loans and Advances	1,875,401	5,318,410
Other Current Assets	14,142,314	(22,665,224)
Miscellaneous Expenditure	244,823	713,520
Debtors	55,314,231	8,699,887
Current Liabilities	(74506147)	18463802
Cash generated from Operations (A+B = C)	<b>B</b> (23,526,449)	20,336,613
Interest and Finance Charges	<b>(A+B = C)</b> 26,560,620	28,879,243
Net Cash from Operating Profit	<b>D</b> (28,516,969)	(39,863,683)
	<b>(C - D)</b> (1,956,349)	(10,984,441)
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(485,833)	(3,222,032)
Interest received	1,013,354	875,004
Bank Deposits	2,545,323	202,870
Net Cash used in investing activities	3,072,844	(2,144,158)
<b>C. Cash Flow from financing activities</b>		
Preferential Issue of Shares to Financial Institutions	-	-
Proceeds from long term borrowings	3,699,901	(1,210,262)
Proceeds from short term borrowings	(323,614)	12,276,379
Net Cash used in Financing Activities	3,376,287	11,066,117
Net increase in cash and cash equivalents	4,492,783	(2,062,481)
Cash and cash equivalents as at 31.3.2010 (Opening Balance)	9,392,325	11,454,806
Cash and Cash equivalents as at 31.3.2011 (Closing Balance)	13,885,108	9,392,325

For and on behalf of the Board

Place : Chennai  
Date : 27.05.2011

**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 2011 and found the same in agreement therewith.

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

Place : Chennai  
Date : 27.05.2011

**R.Parthasarathy**  
Partner

**C.N.Gangadaran**  
Partner



**GEM SPINNERS INDIA LIMITED**

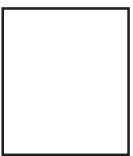
No.14, Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu-603 107.

**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 Twenty First Annual General Meeting of the Company to be held on Tuesday, the 9<sup>th</sup> August 2011 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 ..... 2011

Address :



Signature .....

Membership Folio No.: / DPID / CLIENT ID :

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 TWENTY FIRST ANNUAL GENERAL MEETING of the Company being held at No.14, Mangalam Village, Maduranthagam Taluk, Kancheepuram District, Tamil Nadu – 603 107, on Tuesday, the 9<sup>th</sup> August 2011 at 11.00 a.m

Full name of the member attending

Signature

FOLIO NO. / DPID / CLIENT ID :

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.



**BOOK POST**

TO

If undelivered, please return to :

**GEM SPINNERS INDIA LIMITED**

14, Mangalam Village,

Near Chengalpattu,

Maduranthagam Taluk,

Tamil Nadu - 603 107.