

GEM[®] SPINNERS INDIA LIMITED

TWENTY SEVENTH ANNUAL REPORT

2016 - 2017

BOARD OF DIRECTORS

Mr.R.VEERAMANI
 Mr.P.DODDANAVAR
 Mr.S.GOPAL
 Mrs.POORANA JULIET

CHIEF FINANCIAL OFFICER

MR. G. SENTHILVEL

COMPANY SECRETARY & COMPLIANCE OFFICER

Mrs. A.VANI
 E mail id: secretarial@gemspin.com

AUDITORS

M/s.VIJAY SARATHY & CO.
 Chartered Accountants,
 18-A, Rajamannar Street,
 T.Nagar, Chennai – 600 017.

SECRETARIAL AUDITORS

M/S. LAKSHMMI SUBRAMANIAN & ASSOCIATES,
 M.N.O. Complex, 81, Greams Road, Chennai – 600 006.

BANKERS

INDIAN OVERSEAS BANK
 LAKSHMI VILAS BANK

REGISTERED OFFICE & MILLS

No. 14, Mangalam Village, Madhuranthagam Taluk,
 Kancheepuram District, Tamil Nadu – 603 107
 E mail id: accounts@gemspin.com

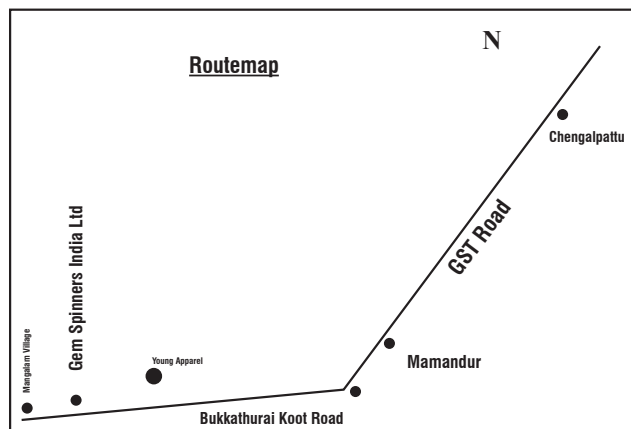
CORPORATE OFFICE

78, CATHEDRAL ROAD, CHENNAI – 600 086.

REGISTRAR & SHARE TRANSFER AGENT

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

COMPANY CIN : L171111TN1990PLC019791



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NOTICE TO SHAREHOLDERS

Notice is hereby given that the Twenty Seventh Annual General Meeting of the shareholders of the Company will be held on Thursday, the 30th November 2017 at **No.14 Mangalam Village, Madhurantagam Taluk, Kancheepuram District, Tamilnadu - 603 107 at 10.30 a.m.** to transact the following business.

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2017 and the Profit and Loss Account for the year ended on that date together with the Reports of Board of Directors and Auditors thereon.
- To appoint a Director in the place of Mr. S. Gopal (DIN: 06448007) who retires by rotation and being eligible, offers himself for re-appointment.
- To consider and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution.

“RESOLVED THAT pursuant to Sections 139,142 and other applicable provisions, if any, of the Companies Act 2013 and the rules made thereunder, as amended from time to time, pursuant to the proposal of the audit committee of the Board and recommendation of the Board M/s. K. Arun Kumar & Associates, Chartered Accountants (Firm Registration No. 016215S) be and is hereby appointed as statutory auditors of the Company (in the place of M/s. Vijay Sarathy & Co, Chartered Accountants, the retiring auditors), to hold office for a period of 5 years commencing from the financial year 2017-18, on a remuneration that may be determined by the audit committee in consultation with the auditors and that such remuneration may be paid on a progressive billing basis.”
- By way of Postal Ballot

“RESOLVED THAT, pursuant to the provisions of Section 180(1) (a) and other applicable provision, if any, of the Companies Act, 2013 (corresponding to Section 293(1)(a) of the Companies Act, 1956) and Postal Ballot Rules, 2014 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications, amendments or re-enactments thereto) and the rules made there under (collectively the “Act”), and in

accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, SEBI (LODR) Regulations 2015 and subject to requisite approvals including the approval of all concerned statutory and regulatory authorities & departments, Banks & Financial Institutions, if any, wherever applicable, person or persons, Shareholders through Postal Ballot, and to the extent necessary such other approvals, permissions and sanctions as may be required, consent of the Company be and is hereby accorded by way of an Special Resolution of the shareholders, to the Board of Directors of the Company (hereinafter referred to as “Board”, which term shall include a Committee thereof authorized for the purpose) for selling and / or transferring and / or disposing off as an undertaking or part thereof or otherwise, any of the immovable including licenses, approvals, and permits of whatsoever nature related to the Company’s property as described under

Land in Survey No.1A/4A2A, 1A/4A2C1, 1A/4A2D1 aggregating to about 5.00 Acres situated at Perumalthangal Village, Chengalpattu Taluk, Kancheepuram District, Tamilnadu for a consideration not less than Rs.10.00 Crores.

RESOLVED FURTHER THAT, the Board be and is hereby authorized to do all such acts, deeds, matters and things including but not limited to deciding the time of such disposal of the said properties and other incidental and ancillary activities thereto, determining such other terms and conditions relevant to the transfer, negotiating and finalising the terms of sale, by whatever name called, such other agreements, deeds, documents, indemnities, contracts, declarations, undertakings, forms, and such other papers as may be necessary, desirable and expedient to be agreed, signed and executed, to determine the consideration, to make all such filings and applications for the statutory / regulatory and other approvals as may be required in the matter of such sale and / or transfer and / or disposal and to complete the aforesaid transaction(s)”

By Order of the Board

Place: Chennai - 86
Date : 23-10-2017

A. Vani
Company Secretary

NOTES:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING MAY APPOINT A PROXY TO ATTEND AND VOTE ON HIS BEHALF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED/ CORPORATE OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- The Explanatory Statement as per the provisions of section 102 of the Companies Act, 2013 in respect of the items of the Special Business as set out above is annexed.
- Pursuant to Section 105 of the Companies Act, 2013 a person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- The Register of Members and the Share Transfer Books of the

Company were already closed from 17th July 2017 to 25th July 2017 (Both days inclusive).

- Pursuant to the provisions of Sections 107 and 108, read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer the option of E-Voting facility to all the members of the Company. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating e-voting. The Members who wish to attend Annual General Meeting can vote at the Meeting. The Company has appointed Mrs. Lakshmmi Subramanian of M/s Lakshmmi Subramanian & Associates, Practicing Company Secretaries, Chennai as Scrutinizer.
- The procedure and instructions for e-voting are as under:
- Open your web browser during the voting period and log on to the e-voting website www.evotingindia.com.
 - Now click on “Shareholders” to cast your votes.
 - Now, select the “Company Name” from the drop down menu and click on “SUBMIT”.
 - Now, fill up the following details in the appropriate boxes:

| | |
|-------------------------|---|
| User ID | For Members holding shares in Demat Form:- a) For NSDL:- 8 Character DP ID followed by 8 digits Client ID b) For CDSL:- 16 digits beneficiary ID For Members holding shares in Physical Form:- • Folio Number registered with the Company |
| PAN* | Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department |
| DOB# | Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details # | Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. |

* *Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name and the sequence number (Sequence number has been provided as Serial number in the address label and / or in the e-mail sent to Members) in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name.

Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.

Please enter any one of the details in order to login. In case both the details are not recorded with the depository and company please enter the Member id / folio number in the Dividend Bank details field.

v) After entering these details appropriately, click on "SUBMIT" tab.

vi) Members holding shares in Physical form will then reach directly to the voting screen.

vii) Members holding shares in Demat form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password is also to be used by the Demat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

viii) You can also update your mobile number and e-mail ID in the user profile details of the folio which may be used for sending communication(s) regarding CDSL e-voting system in future. The same may be used in case the Member forgets the password and the same needs to be reset.

ix) If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any company, then your existing login id and password are to be used.

x) For Members holding shares in physical form, the password and

default number can be used only for e-voting on the resolutions contained in this Notice.

xi) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Enter the number of shares (which represents number of votes) under YES/ NO or alternatively you may partially enter any number in YES and partially in NO, but the total number in YES and NO taken together should not exceed your total shareholding.

xii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xiii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

xiv) Institutional members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at secretarial@gemspin.com with a copy marked to helpdesk.evoting@cdslindia.com.

xv) In case you have any queries or issues regarding e-voting, please contact helpdesk.evoting@cdslindia.com.

xvi) The e-voting period commences on 27-11-2017 from 9.00 AM onwards and ends on 29-11-2017 at 5.00 PM

xvii) During this period members holding shares in physical or dematerialized form as on the Cut-off date (record date) i.e. 23-11-2017 may cast their vote electronically. The e-voting module shall be displayed by CDSL for voting thereafter.

xviii) The voting rights of the members shall be in proportion to their shares of the paid up equity share capital of the Company.

6. Members holding shares in physical form are requested to notify change of address immediately to the Share Transfer Agent of the Company, M/s.Cameo Corporate Services Ltd, Subramanian Building, No.1 Club House Road, Chennai 600 002 for the purpose of mailing Dividend Warrants etc. As per SEBI Circular, members holding shares in physical form and in case of transfer of shares means, the Transfer Deed should contain PAN of both Transferor and Transferee.

7. The Shares of the Company have been activated for dematerialisation with Central Depository Services (India) Ltd. (CDSL) vide ISIN INE 165F01020. Members wishing to dematerialise their shares may approach any Depository Participant. (DP).

8. Kindly mention your Folio Number/PAN No./Client ID/DPID Number (in case of shares held in electronic form) in all your correspondence to Share Transfer Agents and in the case of electronic form to the Depository Participant in order to reply to your queries promptly.

9. Members seeking any information or clarification with regard to the accounts are requested to write to the Company atleast ten days in advance of the meeting so as to enable the Company to keep the information ready.

10. Members who hold shares in demat form are requested to notify any change in their particulars like change in address, bank

particulars etc. to their respective Depository Participants.

11. The Ministry of Corporate Affairs vide its circular dated 21st April 2011 allowed the companies to send notices, annual reports and other documents by means of e-mail to the members of the Company. Hence members, who have not registered their e-mail addresses, are requested to register their e-mail addresses with the Company/ Registrar.
12. Pursuant to provisions of Section 72 of the Companies Act, 2013, Members can avail of the facility of nomination in respect of shares held by them in physical form. Members desiring to avail this facility may send their nomination in the prescribed

Form SH-13 duly filled in to the Company's Registrar and Share Transfer Agent: Cameo Corporate Services Limited, 'Subramanian Building', No.1, Club House Road, Chennai - 600 002. Members holding shares in electronic form may contact their respective Depository Participant for availing this facility.

13. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
14. Members are requested to bring their Attendance Slip along with their copy of the Annual Report to the Meeting.

AS PER REGULATION 36(3) OF SEBI (LODR) 2015 AND AS PER CLAUSES OF SS 2 ADDITIONAL INFORMATION ABOUT THE DIRECTOR FOR THE ITEM NO.2.

| | |
|---|---|
| Name of the Appointee | Sri.S.Gopal |
| DIN | 06448007 |
| Age | 57 |
| Qualification | M.Sc., MBA |
| Experience | 32 years |
| Expertise in specific functional area | Indirect Taxation |
| Date of first Appointment in the Board | 18/09/2012 |
| Shareholding in the Company | Nil |
| Relationship with other Directors and KMP | Nil |
| No.of Meetings attended during the year | 4 |
| Other directorship / Membership / Chairman of committee of other board. | Gem Agro Industries Ltd Gem Graphites Pvt Ltd Gem Quartz Pvt Ltd Shanmugha Granite Industries Pvt Ltd Gem Global Trade Ltd Gem Energy Industry Ltd Gem Earth Treasures Pvt Ltd Gem Holiday Resorts Ltd Gem Software Solutions Ltd |

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the 27th Annual Report of our Company along with the audited Balance Sheet and the Statement of Profit and Loss Account for the year ended March 31, 2017.

1) FINANCIAL RESULTS

Rs. in Lakhs

| Particulars | 2016-17 | 2015-16 |
|--------------------------|-----------------|--------------|
| SALES | | |
| Export | 0.00 | 87.54 |
| | 0.00 | 87.54 |
| Operating Profit | (70.91) | 41.02 |
| Less: Financial Charges | 0.33 | 0.48 |
| Gross Profit | (71.24) | 40.54 |
| Less : Depreciation | 410.97 | 18.63 |
| Profit/(Loss) before Tax | (482.21) | 21.91 |
| Net (Loss) / Profit | (482.21) | 21.91 |
| Accumulated Loss | (3722.45) | (3240.24) |

Performance and state of Company's affairs

During the year there was no Turnover as against Turnover of Rs.87.54 Lakhs in the previous year. The Operating loss was of the order of Rs. 70.91 Lakhs as compared to the previous year profit of Rs. 41.02 Lakhs.

2) DIVIDEND

Your Directors regret for the non declaration of dividend owing to non operation of the unit.

3) DEPOSITS FROM PUBLIC

The Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on date of the balance sheet.

4) SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

The company doesn't have any subsidiaries, associates and joint venture companies.

5) MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges / SEBI (LODR) Regulations 2015 is presented in a separate section forming part of the Annual Report.

6) DIRECTORS:

Pursuant to Section 152 of the Companies Act, 2013 Mr. S.Gopal who retire by rotation at the forthcoming AGM and is eligible for re-appointment.

7) BOARD MEETINGS:

During the year, four board meetings were held and the intervening gap between two board meetings did not exceed 120 days. Dates of the Board meetings and details of Directors' attendance at the meetings are furnished in the Corporate Governance report.

8) TRAINING OF INDEPENDENT DIRECTORS

To familiarize the strategy, operations and functions of our Company, the executive directors make presentations/orientation programme to non – executive independent directors about the company's strategy, operations, product and service offerings, markets, organization structure, finance, human resources, production facilities and quality and risk management. The appointment letters of Independent Directors has been placed on the Company's website at www.gemspin.com.

9) MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Company had met during the year on 14th February, 2017 to review the performance of non- Independent Directors and the Board as a whole, review the performance of the Chairperson of the Company and had accessed the quality, quantity and timeliness of flow of information between the company management and the Board.

10) DECLARATION BY INDEPENDENT DIRECTORS

Independent Directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Sub-Section (6) of Section 149 of the Companies Act, 2013. Further there has been no change in the circumstances which may affect their status as Independent Director during the year.

11) DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state that:

- in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2017 and of the profit of the Company for the year ended on that date;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a 'going concern' basis;
- the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

12) RELATED PARTY TRANSACTIONS

As per the requirements of the Companies Act, 2013 and SEBI (LODR) Regulations 2015, your Company has formulated a Policy on Related Party Transactions which is also available on Company's website at www.gemspin.com.

The Policy intends to ensure that proper reporting approval and disclosure processes are in place for all transactions between the

Company and Related Parties. This Policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

There were no contract / arrangement / transactions entered in to during the year ended March 31, 2017.

13) CORPORATE SOCIAL RESPONSIBILITY (CSR):

Your company is not having Net profits of more than 5 Crore rupees, in the Year 2016-17 and therefore Constituting of a CSR committee in accordance with the provisions of section 135 of the Act does not arise.

14) RISK MANAGEMENT POLICY

The risk management is overseen by the Audit committee of the company on a continuous basis, therefore Constituting a Risk Management committee does not arise. Major risks, if any, identified by the business and functions are systematically addressed through mitigating action on a continuous basis. The Risk Management policy is available in the Company website www.gemspin.com

15) PERSONNEL

According to Section 197(12) of the Companies Act, 2013 read with rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, none of the directors are drawing remuneration and thereby the said section is not applicable and hence not furnished.

16) REMUNERATION POLICY OF THE COMPANY

The Company's policy on directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance report, which forms part of the Board's Report. The objective of the Remuneration Policy is to attract, motivate and retain qualified and expert individuals that the Company needs in order to achieve its strategic and operational objectives.

17) STATUTORY AUDITORS

The Companies Act 2013 ('the Act') was notified effective April 1, 2014. Section 139 of the Act lays down the criteria for appointment and mandatory rotation of statutory auditors. Pursuant to section 139 of the Act and rules made thereunder, it is mandatory to rotate the statutory auditors on completion of two terms of five consecutive years. The rules also lay down the transitional period that can be served by the existing auditors depending on the number of consecutive years for which an audit firm has been functioning as auditor in the same company. The incumbent auditors, M/s.Vijay Sarathy & Co., Chartered Accountants (Firm Registration No.004695S) have served the company before the Act was notified and will be completing the maximum number of transitional period (three years) at the ensuing 27th Annual General Meeting (AGM).

The Audit committee of the Company has proposed and on 18.08.2017, the Board has recommended the appointment of K.Arunkumar & Associates, Chartered Accountants (Firm Registration No. 016215S) as statutory auditors of the company for a period of five years for the approval of Members in the AGM.

COMMENT ON STATUTORY AUDITOR'S REPORT

- Noted.

18) 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.

19) ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC

The information as required to be disclosed on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure - I" to this Report.

20) EXTRACT OF ANNUAL RETURN

The extract of Annual Return of the Company is annexed herewith as Annexure -"II" to this report.

21) SECRETARIAL AUDITOR

As required under Section 204 of the Companies Act, 2013 and Rules there under the Board has appointed Lakshmmi Subramanian & Associates, Practising Company Secretaries as Secretarial Auditor of the company to conduct Secretarial Audit for the financial year 2016-17. The Secretarial Audit Report for the financial year ended March 31, 2017 is annexed herewith marked as Annexure - "III" to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COMMENT ON SECRETARIAL AUDITOR'S REPORT - The Board of Directors has taken adequate measures to regularize the qualification stated in their report.

22) CORPORATE GOVERNANCE

A separate report on Corporate Governance along with Auditors' Certificate on its compliance is attached as Annexure - "IV" to this report.

23) STATEMENT PURSUANT TO LISTING AGREEMENT / SEBI (LODR) REGULATIONS 2015

The Company's Securities are listed with Bombay Stock Exchange (BSE).

24) DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company.

25) EXTENSION OF ANNUAL GENERAL MEETING:

Due to peculiar circumstances the company has sought extension of time for holding Annual General Meeting from ROC and the same has been obtained.

26) ACKNOWLEDGEMENT

Your Directors are thankful to the esteemed Shareholders for their continued encouragement and support.

For and on behalf of the Board of Directors

For Gem Spinners India Limited

Place: Chennai
Date: 23.10.2017

R.Veeramani
DIN: 00032895

PPDoddanavar
DIN: 00960514

ANNEXURE - I
CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Details on Conservation of energy, Technology absorption and Foreign exchange earnings and outgo

| Details | Disclosure | |
|--|--|---------|
| (A) Conservation of energy – (i) the steps taken or impact on conservation of energy; | The Company has suspended the manufacturing operation, hence the conservation of energy reporting is not applicable. | |
| (ii) the steps taken by the company for utilizing alternate sources of energy; | Nil | |
| (iii) the capital investment on energy conservation equipments; | Nil | |
| (B) Technology Absorption | Since there is no manufacturing activity, the disclosure under this clause is not applicable. | |
| (C) Foreign exchange earnings and Outgo | Rs. In lakhs | |
| | 2016-17 | 2015-16 |
| (1) Expenditure on Foreign Currency | | |
| a) Commission | Nil | 1.73 |
| b) Travel | Nil | Nil |
| (2) Earnings in Foreign Exchange | Nil | 85.01 |

ANNEXURE - II

FORM NO. MGT – 9
EXTRACT OF ANNUAL RETURN
 As on financial year ended on 31.03.2016

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

| | | |
|------|--|---|
| i) | CIN | L17111TN1990PLC019791 |
| ii) | Registration Date | 18/10/1990 |
| iii) | Name of the Company | GEM SPINNERS INDIA LIMITED |
| iv) | Category / Sub – category of the Company | |
| v) | Address of the Registered office and Contact Details | NO. 14 MANGALAM VILLAGE, MADHURANTHAGAM TALUK, KANCHEEPURAM DISTRICT |
| vi) | Whether listed company | YES |
| vii) | Name, Address & Contact details of the Registrar & Transfer Agent, if any. | CAMEO CORPORATE SERVICES LTD. 'SUBRAMANIAN BUILDING', 1, CLUB HOUSE ROAD, CHENNAI – 600 002. |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated

| Sl No. | Name & Description of main products / services | NIC Code of the Product / Service | % to total turnover of the Company |
|--------|--|-----------------------------------|------------------------------------|
| 1 | COTTON YARN | 5205 00 | 100% |
| 2 | COTTON KNITTED FABRICS | 6002 00 | NIL |

III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

| Sl. No | Name and Address of the Company | CIN / GLN | Holding / Subsidiary/ Associate | % of Shares held | Applicable Section |
|--------|---------------------------------|-----------|---------------------------------|------------------|--------------------|
| NIL | | | | | |

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

| Category of Shareholders | No. of Shares held at the beginning of the year | | | | No. of Shares held at the end of the year | | | | % Change during the year |
|--|---|----------|----------|-------------------|---|----------|----------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (A) Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | 42353500 | 90000 | 42443500 | 69.16 | 42353500 | 90000 | 42443500 | 69.16 | 0 |
| b) Central Govt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) State Govt(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Bodies Corp | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| f) Any Other.... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-total (A) (1):- | 42353500 | 90000 | 42443500 | 69.16 | 42353500 | 90000 | 42443500 | 69.16 | 0 |
| (2) Foreign | | | | | | | | | |
| a) NRIs- Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Other -Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Bodies Corp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Banks / FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Any Other.... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-total (A) (2):- | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total shareholding of Promoter (A) = (A)(1)+(A)(2) | 42353500 | 90000 | 42443500 | 69.16 | 42353500 | 90000 | 42443500 | 69.16 | 0 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Banks / FI | 12486790 | 200 | 12486990 | 20.35 | 12486790 | 200 | 12486990 | 20.35 | 0 |
| c) Central Govt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) State Govt(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| f) Insurance Companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| g) FIs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| h) Foreign Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| i) Others (Specify) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub-Total (B)(1) | 12486790 | 200 | 12486990 | 20.35 | 12486790 | 200 | 12486990 | 20.35 | 0 |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corporate | | | | | | | | | |
| i) Indian | 55300 | 163900 | 219200 | 0.36 | 55100 | 163900 | 219000 | 0.36 | -0.03 |
| ii) Overseas | | | | | | | | | |
| b) Individuals | | | | | | | | | |
| i) individual shareholders holding nominal share capital upto Rs.1 lakh | 702900 | 5138100 | 5841000 | 9.52 | 720200 | 5120800 | 5841000 | 9.52 | 0.00 |
| ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh | 92600 | 267500 | 360100 | 0.59 | 92600 | 267500 | 360100 | 0.59 | 0 |
| iii) Qualified Foreign investor | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | |
|---|-----------------|----------------|-----------------|--------------|-----------------|----------------|-----------------|--------------|----------|
| c) Any Other | | | | | | | | | |
| i) Clearing Members | 1400 | 0 | 1400 | 0 | 1600 | 0 | 1600 | 0 | 0 |
| ii) Hindu Undivided families | 19800 | 0 | 19800 | 0.03 | 19500 | 0 | 19500 | 0.03 | 0 |
| Total | 21200 | 0 | 21200 | 0.03 | 21400 | 0 | 21400 | 0.03 | 0 |
| Sub-total (B)(2) | 872000 | 5569500 | 6441500 | 10.50 | 889300 | 5552200 | 6441500 | 10.50 | 0 |
| Total Public Shareholding (B) = (B)(1) + (B)(2) | 13358790 | 5569700 | 18928490 | 30.84 | 13376090 | 5552400 | 18928490 | 30.84 | 0 |
| (C) Shares held by Custodian for GDRs and ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| GRAND TOTAL (A) + (B)+(C) | 55712290 | 5659700 | 61371990 | 100 | 55729590 | 5642400 | 61371990 | 100 | 0 |

(ii) Shareholding of Promoters

| S.No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % of change in the shareholding during the year |
|------|-----------------------|---|----------------------------------|---|-------------------------------------|----------------------------------|--|---|
| | | No. of Shares | % of total Shares of the Company | % of shares pledged / encumbered total shares | No. of Shares | % of total shares of the company | % of Shares pledged / encumbered to total shares | |
| 1. | SRI. R.VEERAMANI | 12692166 | 20.68 | 0 | 12692166 | 20.68 | 0 | 0 |
| 2. | SRI.S.R.ASAITHAMBI | 10174638 | 16.57 | 0 | 10174638 | 16.58 | 0 | 0 |
| 3. | SRI.R.SEKAR | 9743348 | 15.87 | 0 | 9743348 | 15.88 | 0 | 0 |
| 4. | SRI.S.R.KUMAR | 9743348 | 15.87 | 0 | 9743348 | 15.88 | 0 | 0 |
| 5. | SMT. RAJI VEERAMANI | 30000 | 0.05 | 0 | 30000 | 0.05 | 0 | 0 |
| 6. | SMT. A. SEETHALAKSHMI | 30000 | 0.05 | 0 | 30000 | 0.05 | 0 | 0 |
| 7. | SMT. VEDAVALLI KUMAR | 30000 | 0.05 | 0 | 30000 | 0.05 | 0 | 0 |

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

| | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|----------------------------------|---|----------------------------------|
| | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| At the beginning of the year | 42443500 | 69.16% | 42443500 | 69.16 |
| Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer/ bonus / sweat equity etc): | Nil | | Nil | |
| At the end of the year | 42443500 | 69.16% | 42443500 | 69.16% |

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

| S.No | For Each of the top 10 Shareholders | Shareholding at the beginning of the year | | Change in Share Holding during the Year | | Shareholding at the year as on 31-03-2016 | |
|------|-------------------------------------|---|----------------------------------|---|----------------------------------|---|----------------------------------|
| | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| 1. | IDBI BANK LTD | 7565000 | 12.33% | 0 | 0 | 7565000 | 12.33% |
| 2. | ICICI BANK LTD | 4921790 | 8.02% | 0 | 0 | 4921790 | 8.02% |
| 3. | PREETHY R E | 80500 | 0.13% | 0 | 0 | 80500 | 0.13% |
| 4. | NIRMAL CHAND JAIN | 50600 | 0.08% | 0 | 0 | 50600 | 0.08% |
| 5. | MEENA JAIKUMAR CHAUGULE | 42000 | 0.07% | 0 | 0 | 42000 | 0.07% |
| 6. | A R ENTERPRISES LTD | 41200 | 0.07% | 0 | 0 | 41200 | 0.07% |
| 7. | ASEELA VINOD GOENKA | 35000 | 0.06% | 0 | 0 | 35000 | 0.06% |
| 8. | LATHA MAHESHWARI | 30000 | 0.05% | 0 | 0 | 30000 | 0.05% |

| | | | | | | | |
|-----|---------------------------|-------|-------|---|---|-------|-------|
| 9. | KANORIA PLASTOKEM PVT LTD | 28500 | 0.05% | 0 | 0 | 28500 | 0.05% |
| 10. | JOHN ESTATES PVT LTD | 26800 | 0.04% | 0 | 0 | 26800 | 0.04 |

(v) Shareholding of Directors and Key Managerial Personnel:

| S.No | For Each of the Directors and KMP | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|------|-----------------------------------|---|----------------------------------|---|----------------------------------|
| | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| 1. | MR.R.VEERAMANI | 12692166 | 20.68 | 12692166 | 20.68 |

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment.

(Rs.)

| | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|----------------------------------|-----------------|----------|--------------------|
| Indebtedness at the beginning of the Financial year | | | | |
| (i) Principal Amount | 0 | 129641779.97 | 0 | 129641779.97 |
| (ii) Interest due but not paid | 0 | 0 | 0 | 0 |
| (iii) Interest accrued but not due | 0 | 0 | 0 | 0 |
| Total (i + ii + iii) | 0 | 129641779.97 | 0 | 129641779.97 |
| Change in Indebtedness during the financial year | | | | |
| • Addition | 0 | 400000.00 | 0 | 400000.00 |
| • Reduction | 0 | 0 | 0 | 0 |
| Net Change | 0 | 400000.00 | 0 | 400000.00 |
| Indebtedness at the end of the financial year | | | | |
| (i) Principal Amount | 0 | 130041779.97 | 0 | 130041779.97 |
| (ii) Interest due but not paid | 0 | 0 | 0 | 0 |
| (iii) Interest accrued but not due | 0 | 0 | 0 | 0 |
| Total (I + ii + iii) | 0 | 130041779.97 | 0 | 130041779.97 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager: Nil Sitting Fees to Managing Director Rs.9000.

B. Remuneration to other directors:

Rs.

| Particulars of Remuneration | Name of Directors | | | Total Amount |
|--|-------------------|------------|--------------------|--------------|
| | Mr.PP.Doddanavar | Mr.S.Gopal | Mrs.Poorana Juliet | |
| Independent Directors | | | | |
| · Fee for attending board committee meetings | 3000 | 0 | 12000 | 15000 |
| · Commission | | | | |
| · Others, please specify | | | | |
| Total (1) | 3000 | 0 | 12000 | 15000 |
| Other Non-Executive Directors | | | | |
| · Fee for attending board committee meetings | 0 | 12000 | 0 | 12000 |
| · Commission | | | | |
| · Others, please specify | | | | |
| Total (2) | 0 | 12000 | 0 | 12000 |
| Total (B)=(1+2) | 3000 | 12000 | 12000 | 27000 |
| Total Managerial Remuneration | 3000 | 12000 | 12000 | 27000 |
| Overall Ceiling as per the Act | | | | |

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Rs.in lakhs

| Sl. no. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|--|--------------------------|-------------------|------|-------|
| | | CEO | Company Secretary | CFO | Total |
| 1. | Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | Nil | 3.22 | 3.30 | 6.52 |
| 2. | Stock Option | Nil | Nil | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil | Nil | Nil |
| 4. | Commission - as % of profit - others, specify... | Nil | Nil | Nil | Nil |
| 5. | Others, please specify | Nil | Nil | Nil | Nil |
| | Total | Nil | 3.22 | 3.30 | 6.52 |

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: - Penalty amount of Rs.406934.79 for non compliance of Regulation 31 of SEBI (LODR) Regulation 2015.

ANNEXURE III
Form No. MR-3
As SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31.03.2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

The Members

Gem Spinners India Limited
14, Mangalam Village, Madhuranthagam Taluk
Kancheepuram District, Tamil Nadu 603 107.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Gem Spinners India Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Gem Spinners India Limited ("the Company") for the financial year ended on 31st March, 2017 according to the provisions as applicable to the Company during the period of audit:

- i. The Companies Act, 2013 (the Act) and the rules made there under and the Companies Act, 1956 to the extent applicable;

- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations, 2015);
 - c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- v. The Listing Agreements entered into by the Company with the Stock Exchanges, where the Securities of the Company are listed and the uniform listing agreement with the said stock exchanges pursuant to the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- vi. Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

- vii. Since the Company's manufacturing business is temporarily suspended and is presently engaged in the trading of cotton yarn in a limited manner, in our opinion and as identified and informed by the Management, the company has no Specific laws applicable.

It is reported that during the period under review, the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines, as mentioned above except: -

- The company is in the process of initiating the strict compliances of SS 1 & SS 2 and SEBI (LODR) Regulations 2015 in certain areas and updation in the new Statutory Registers as per New Amended Act, 2013, in lieu of the existing updated Registers.
- There have been a few cases of delay in filing of certain e-forms filed with MCA.
- The Company being a listed entity is in the process of appointing certain KMP;s in terms of section 203 of the Companies Act, 2013.
- The constitution of certain committees is not as per the provisions of the Act.

We further report that there were no actions/events in the pursuance of

- a) The Securities and Exchange Board of India (Share Based employee Benefits) Regulations, 2014 and the Employees Stock Option Scheme, 2007 approved under the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- b) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009
- c) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998
- d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- f) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

requiring compliance thereof by the Company during the Financial Year under review, except that the Company received a notice from Bombay Stock Exchange in respect of which the Company yet to pay the penalty.

We further report that, based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, in our opinion, with regard to point (vii) above, since the

Company's Manufacture is temporarily suspended, the company has adequate monitory system to ensure minimum compliance with other applicable general laws viz., Industrial Laws, Environmental, Human Resources and labour laws, including the following laws:

1. Employees Provident Fund and Miscellaneous Provisions Act, 1952
2. Employees' State Insurance Act, 1948
3. The Contract Labour (Regulation & Abolition) Act, 1970
4. The Factories Act, 1948
5. The Industrial Disputes Act, 1947
6. The Industrial Employment (Standing Orders) Act 1946
7. The Workmen's Compensation Act, 1923 & Rules
8. Payment of Gratuity Act 1972 & Rules
9. The Payment of Bonus Act, 1965
10. The Minimum Wages Act, 1948
11. The Maternity Benefit Act, 1961
12. Apprentices Act, 1961

We further report, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this Audit since the same have been subject to review by statutory financial auditor and other designated professionals.

We further report that:

The Board of Directors of the Company is not constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of the Board of Directors.

Notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were delivered and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that during the audit period no events have occurred, which have a major bearing on the Company's affairs except: -

- The Company's manufacturing unit is temporarily suspended and the company has no main activity during the year.

For LAKSHMMI SUBRAMANIAN & ASSOCIATES

Lakshmmi Subramanian

Senior Partner

FCS No. 3534

C.P.NO. 1087

Place: Chennai

Date: 17/08/2017

Note: This report is to be read with our letter of even date which is

annexed as Annexure A and form forms an integral part of this report.

ANNEXURE-A

The Members

Gem Spinners India Limited

14, Mangalam Village, Madhuranthagam Taluk

Kancheepuram District, Tamil Nadu 603 107.

- Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

- Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc..
- The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on random test basis.
- The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For LAKSHMMI SUBRAMANIAN & ASSOCIATES
Lakshmmi Subramanian
Senior Partner
FCS No. 3534
C.PNO. 1087

Place: Chennai
Date: 17/08/2017

ANNEXURE-IV

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement entered with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) up to 30th November 2015 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 with effect from 01st December 2015, the company provides its corporate governance system and its process:

Your company is in full compliance of the Corporate Governance principles enunciated in clause 49 of the Listing Agreement and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, in terms of structure, composition of Board and its committees and other disclosure requirements.

The Company is regular in complying with the mandatory requirements of the Corporate Governance Code.

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.

1. BOARD OF DIRECTORS

The Company has a well-defined process that ensure placement of all material and vital information before the Board pertaining to business to be considered at each Board Meeting enabling effective participation by Board Members in the discussion and in discharging their responsibilities.

Board of Directors of the Company consist of One Executive Director, One Non-Executive Director and Two Non – Executive independent Directors (including one woman director) as on 31.03.2017.

| Director | Category | Designation | Shareholding in the Company | Number of Directorships# | Number of Membership in Board Committees## |
|--------------------|----------------------|-------------------|-----------------------------|--------------------------|--|
| Mr.R.Veeramani | Promoter | Managing Director | 12692166 | 5 | 1 |
| Mr.P.P.Doddanavar | Independent Director | Director | Nil | 4 | 3 |
| Mr.S.Gopal | Director | Director | Nil | 5 | 2 |
| Mrs.Poorana Juliet | Independent Director | Director | Nil | Nil | 2 |

excluding Directorships in Foreign Companies, Private Companies and Section 8 Companies.

Represents Membership / Chairmanship of Audit Committees and Shareholders' / Investors' Grievance Committee.

As on 31st March 2017, none of the Directors on the Board hold the office of Director in more than 10 Public Limited Companies or Membership of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees, across all companies.

a) Board Meeting Dates:

Board Meetings were held four times during the financial year from 1st April 2016 to 31st March 2017. The dates of Board Meetings were as follows:

30.5.2016, 29.7.2016, 11.11.2016 and 14.2.2017.

b) Attendance Records of the Directors

| Director | No. of Meetings | | Attended last AGM on 19.09.2016 |
|---------------------|-----------------|----------|---------------------------------|
| | Held | Attended | |
| Mr. R. Veeramani | 4 | 3 | Yes |
| Mr. P.P. Doddanavar | 4 | 1 | No |
| Mr.S.Gopal | 4 | 4 | Yes |
| Mrs. Poorana Juliet | 4 | 4 | Yes |

c) Code of Conduct for Board Members and Senior Management Personnel

The Board of Directors had adopted a Code of Conduct for the Board Members and employees of the Company. The Code helps the Company to maintain the Standard of Business Ethics and ensure compliance with the legal requirements, specifically under Clause 49 of the Stock Exchange Listing Agreements of the Company. The Code is aimed at preventing any wrongdoing and promoting ethical conduct at the Board and employees. A copy of the code of conduct has been posted at the Company's website www.gemspin.com.

The Code lays down the standard of conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. All the Board Members and the Senior Management Personnel have confirmed compliance with the Code.

The declaration regarding compliance with the code of conduct as required under clause 49 of the listing agreement with the stock exchanges is appended to this report.

d) Code of Conduct for preventing of Insider Trading

The Company has adopted a code of conduct for prevention of Insider trading in accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015. All the Directors and Senior Management Personnel and such other designated employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company are covered under the said code. The Directors, their relatives, senior management personnel, designated employees etc., are restricted from purchasing, selling and dealing in the shares while being in possession of unpublished price sensitive information about the Company during certain prohibited periods. All Board of Directors and the designated employees have confirmed compliance with the code.

II) COMPOSITION OF BOARD COMMITTEES:

Audit Committee:

Composition:

The Audit Committee comprises of the following Directors:

1. Mr.PP. Doddanavar – Chairman

2. Mr.S.Gopal - Member

3. Mrs.Poorana Juliet - Member

Date of Meetings:

30.05.2016, 29.07.2016, 11.11.2016 and 14.02.2017.

| Name | Designation | No. of Meeting attended |
|---------------------|-------------|-------------------------|
| Mr. P.P. Doddanavar | Chairman | 1 |
| Mr.S.Gopal | Member | 4 |
| Mrs.Poorana Juliet | Member | 4 |

Functions 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.

Nomination & Remuneration Committee

Composition of Nomination & Remuneration Committee:

The Nomination & Remuneration Committee comprises of the following Independent Directors:

1. Mr.PPDoddanavar
2. Mrs.Poorana Juliet

Scope of the Nomination & Remuneration Committee includes the following:

The committee shall formulate the criteria for determining the qualification, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. The committee shall ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets performance benchmarks and involves a balance between fixed and incentive pay. To review the policy from the time to time for selection and appointment of Directors, Key Managerial Personnel and senior management employees and their remuneration. To determine and recommend to the Board from time to time the amount of commission and fees payable to the Directors within the applicable provisions of the Companies Act, 2013 and the amount of remuneration, including performance or achievement bonus and perquisites payable to the Executive Directors. The Committee shall function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modifications as may be applicable.

The details of the remuneration / sitting fees paid to the Directors during the financial year 2016-17 are as follows:

| Director | Remuneration paid During April 16 – March 17 (Rs.) | | | |
|---------------------|--|-------------|--------------|-------|
| | Basic Salary | Perquisites | Sitting Fees | Total |
| Mr. R. Veeramani | Nil | Nil | 9000 | 9000 |
| Mr. P.P. Doddanavar | Nil | Nil | 3000 | 3000 |
| Mr.S.Gopal | Nil | Nil | 12000 | 12000 |
| Mrs. Poorana Juliet | Nil | Nil | 12000 | 12000 |

Nomination and Remuneration Policy:

The company has sound and transparent policy in determining and accounting for the remuneration of Executive/ Non-Executive/ Independent Directors. The payment of Remuneration to Executive Director is subject to the recommendation of the Nomination and Remuneration Committee and approval of the Board.

Your company recognizes the importance of human resource as its valuable assets and aligning the business objectives with specific measurable performance of individual objectives and targets.

This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMPs) and other employees has been formulated in terms of the provisions of the Companies Act, 2013, Listing Agreement and SEBI (LODR) Regulations 2015 to pay equitable remuneration to the directors, KMPs and employees of the Company.

The objective and purpose of the Remuneration Policy is to determine qualifications, competencies, positive attributes and independence for the appointment of a director (executive / non-executive) and recommend to the Board policies relating to the remuneration of the directors, KMPs and other employees. It also ensures that recognition of performance encourages achieving better operational results.

The Nomination and Remuneration Committee recommends the remuneration/commission payable to executive Directors which is approved by the Board of Directors, subject to the approval of shareholders, wherever necessary.

The Board will have the discretion to retain the Managing Director, KMP and senior management personnel in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

3. Stakeholders' Relationship & Share Transfer Committee:

The Stakeholders Relationship Committee specifically looks into issues such as redressing of Shareholders' and investors' complaints such as transfer of shares, non-receipt of shares and ensuring expeditious share transfers and also redresses the grievances of deposit holders, debenture holders and other security holders. No meeting was held under this committee for the financial year ended 31st March 2017.

The Committee comprises of the following Directors:

1. Mr.R.Veeramani
2. Mr.P.P.Doddanavar
3. Mr.S.Gopal

| Name | Designation | No. of Meetings held | No. of Meetings Attended |
|-------------------|-------------|----------------------|--------------------------|
| Mr. R. Veeramani | Chairman | 14 | 14 |
| Mr.P.P.Doddanavar | Member | 14 | 14 |
| Mr.S.Gopal | Member | 14 | 14 |

4. Risk Management Committee

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.

5. GENERAL BODY MEETINGS

| General Body Meeting | Date | Venue | Time | Special Resolution Passed At AGM |
|----------------------------|------------|--|-----------|----------------------------------|
| AGM for the year 31.3.2016 | 19.09.2016 | 14 Mangalam Village Kancheepuram Dist. | 10.30 a.m | Yes |
| AGM for the year 31.3.2015 | 30.09.2015 | 14 Mangalam Village Kancheepuram Dist. | 10.30 a.m | No |
| AGM for the year 31.3.2014 | 17.09.2014 | 14 Mangalam Village Kancheepuram Dist. | 10.30 a.m | No |

6. DISCLOSURES

a) Related party transaction:

During the year, the Promoters have brought in as unsecured loan of Rs. 4.00 Lakhs(Nil).

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. No penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority.

c) We affirmed that no personnel have been denied access to the audit committee.

d) Whistle Blower Policy/Vigil Mechanism:

The company does not have a whistle blower policy at present. However, a full fledged policy shall be in place once the activity in the company takes off. Further, Directors and employees are having full access to the audit committee to report their genuine and serious concern.

e) Compliance with mandatory requirements: The Company has complied with all Mandatory requirements as mentioned under Listing Agreement / SEBI (LODR) Regulations 2015.

f) Adoption of Non- Mandatory requirements: The Company is in the process of adopting other non – mandatory requirements as mentioned under SEBI (LODR) Regulations 2015. The company has appointed separate persons to the post of Chairman and CEO&MD.

6) Means of communication

Half yearly and quarterly results:

- Financial reporting for the quarter ending June 30, 2016: 29.07.2016
- Financial reporting for the quarter ending Sep 30, 2016: 11.11.2016
- Financial reporting for the quarter ending Dec.31, 2016: 14.02.2017
- Financial reporting for the quarter ending Mar 31, 2017: 18.05.2017
- Annual General Meeting for the year ending Mar 31, 2017: 30.11.2017

The quarterly results are published in News Today and Makkal Kural.

No presentation has been made to International Investors or to the Analysts.

7) MANAGEMENT DISCUSSION AND ANALYSIS:

Appended to this Report.

8) General Shareholder Information

- (i) AGM Date, time and venue : 30th November 2017
10.30 AM
- At Registered office at : No.14, Mangalam Village,
Madhuranthagam Taluk,
Kancheepuram Dist.
Tamilnadu - 603 107
- (ii) Financial Year : 1st April 2016 to
31st March 2017
- (iii) Date of Book Closure : 17th July 2017 to
25th July 2017
(Both Days Inclusive)
- (iv) Dividend payment date : Nil
- (v) Annual Results : 18th May 2017
- (vi) Posting of Annual Reports : 27th October 2017
- (vii) Last date of receipt of proxy Forms : 48 hrs before AGM
- (vii) Listing Fees : Paid to Bombay Stock Exchange for the year 2016-17.
- (viii) Address : REGISTERED OFFICE & MILLS
No.14, Mangalam Village,
Madhuranthagam Taluk,
Kancheepuram District,
Tamil Nadu – 603 107
- E mail id : accounts@gemspin.com
- Corporate Office : 78, Cathedral Road,
Chennai – 600 086.
- (ix) Postal Ballot resolutions : Yes. Information provided in Notice.
- (x) Listing on Stock Exchange at : Bombay Stock Exchange
P.J. Tower, Dalal Street
Mumbai - 400 001
- (xi) STOCK CODE :

| | |
|----------|--------|
| BSE Ltd. | 521133 |
|----------|--------|

9. MONTHLY SHARE PRICE DETAILS AT BSE & NSE DURING THE YEAR 2015-16:

| MONTH | BSE | | |
|------------|------------|-----------|----------------------|
| | HIGH (Rs.) | LOW (Rs.) | NO. OF SHARES TRADED |
| APRIL – 16 | 0 | 0 | 0 |
| MAY – 16 | 2.28 | 2.28 | 100 |
| JUNE – 16 | 2.50 | 2.39 | 200 |
| JULY -16 | 2.50 | 2.50 | 100 |
| AUGUST -16 | 2.62 | 2.50 | 5400 |

| | | | |
|----------------|------|------|------|
| SEPTEMBER – 16 | 2.50 | 2.50 | 1000 |
| OCTOBER -16 | 0 | 0 | 0 |
| NOVEMBER -16 | 0 | 0 | 0 |
| DECEMBER -16 | 0 | 0 | 0 |
| JANUARY – 17 | 0 | 0 | 0 |
| FEBRUARY -17 | 2.60 | 2.60 | 100 |
| MARCH – 17 | 2.60 | 2.60 | 200 |

10. SHARE TRANSFER SYSTEM:

Applications for transfer of shares held in physical form are received by the Registrar and Share Transfer Agent Cameo Corporate Services Ltd and all valid transfers are processed and effected immediately from the date of receipt. Shares held in the dematerialized form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update their records and to send all corporate communications, dividend warrants, etc.

Physical shares received for dematerialisation are processed and completed within a period of 7 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders. However, the request for share transfers etc. will continue to be considered and approved by the share transfer committee. The Share Transfer Committee generally meets once in a month. There are no pending share transfers as on 31st March 2017.

11. SEBI COMPLAINTS REDRESS SYSTEM (SCORES):

The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

12. DEMATERIALISATION OF SHARES:

The Company's shares are available for trading in the depository systems of both the National Securities Depository Limited and the Central Depository Services (India) Limited. The International Securities Identification Number (ISIN) allotted to the Company is INE165F01020. As on 31st March, 2017, 90.81% of the Company's total shares are in dematerialized form.

13. DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH, 2017:

| Number of shares | Number of share holders | Percentage of share holders | Number of shares held | Percentage of share holding |
|------------------|-------------------------|-----------------------------|-----------------------|-----------------------------|
| 1 - 100 | 24014 | 80.79 | 2401101 | 3.91 |
| 101 - 500 | 4489 | 15.10 | 1281700 | 2.09 |
| 501 - 1000 | 712 | 2.40 | 578500 | 0.94 |
| 1001 - 2000 | 250 | 0.84 | 369400 | 0.60 |
| 2001 - 3000 | 65 | 0.22 | 158299 | 0.26 |
| 3001 - 4000 | 30 | 0.10 | 105700 | 0.17 |
| 4001 - 5000 | 74 | 0.25 | 362000 | 0.59 |
| 5001-10000 | 43 | 0.14 | 353800 | 0.58 |
| 10001 & Above | 46 | 0.15 | 55761490 | 90.86 |
| TOTAL | 29723 | 100.00 | 61371990 | 100.00 |

14. CATEGORIES OF SHAREHOLDERS AS ON 31ST MARCH, 2017:

| Category | No. of Shares held | % |
|------------------------|--------------------|--------|
| Indian Promoters | 42443500 | 69.16 |
| Financial Institutions | 12486990 | 20.35 |
| Bodies Corporate | 219200 | 0.36 |
| Non Resident Indians | NIL | NIL |
| Indian Public | 6201100 | 10.10 |
| Others | 21200 | 0.03 |
| Total | 61371990 | 100.00 |

15. RECONCILIATION OF SHARE CAPITAL AUDIT:

A quarterly audit was conducted by a practising company secretary, reconciling the issued and listed capital of the company with the aggregate of the number of shares held by investors in physical form and in the depositories and the said certificates were submitted to the stock exchanges within the prescribed time limit. As on 31st March 2017 there was no difference between the issued and listed capital and the aggregate of shares held by investors in both physical form and in electronic form with the depositories.

16. PREVENTION OF INSIDER TRADING:

In accordance with the SEBI Regulations as amended, the Company has established a code of conduct for prohibition of insider trading in the company's shares. The objective of this Code is to prevent misuse of any unpublished price sensitive information and prohibit any insider trading activity, in order to protect the interest of the shareholders at large. During the year under review, there has been due compliance with SEBI (Prohibition of Insider Trading) Regulations 2015.

17. ADDRESS FOR CORRESPONDENCE:

The Secretary
Gem Spinners India Limited
78, Cathedral Road,
Chennai -600 086.

MANAGEMENT DISCUSSION & ANALYSIS
A) INDUSTRY PERFORMANCE:

The Indian Textiles Industry plays an important role in the growth of the Indian economy. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country.

During the year, there has been an exceptional slow down for yarn markets globally. Surplus production, uneconomical exports and reduced demand for quality yarn in the domestic market are some of the reasons for the lower performance of the industry. Decision to reduce exports at the present juncture due to the uneconomical prices also aggravated situation due to competition from other developing countries like Indonesia, Vietnam, Bangladesh etc.,

B) OUTLOOK:

Industry expects improvement during the current financial year as

cotton prices are stabilizing and yarn prices have started improving from the first quarter of the financial year 2016-17. It is hoped the Government of India will intervene with some relief packages to improve the exports. Barring the above situation, the company's performance will be good in the coming years.

C) 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 the overseas market, maintain excellent relation with all its overseas customers who have been dealing with dealing with the Company over the years by adhering to quality standards, delivery schedules and competitive prices.

D) RISKS AND CONCERNS

The Company has devised risk management policy which involves identification of the business risks as well as the financial risks, its evaluation, monitoring, reporting and mitigation measures. The Audit Committee and Board of Directors of the Company periodically review the risk management policy of the company so that the management controls the risk through properly defined network.

E) INTERNAL CONTROL AND ITS 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.

F) SEGMENT-WISE OR PRODUCT WISE PERFORMANCE

The Company is in the business of manufacture and export of cotton yarn and grey fabrics and also trade in the same commodity and accordingly trading is considered as a segment.

G) DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

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

DECLARATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

I, R.Veeramani, Managing Director of the Company, hereby declare that the Board of Directors has laid down a Code of Conduct for its Board Members and Senior Management Personnel of the Company and the Board Members and Senior Manager Personnel have affirmed compliance with the said code of conduct.

For GEM SPINNERS INDIA LIMITED

Place: Chennai
Date: 23.10.2017

R.Veeramani
Managing Director
Din No:00032895

CEO & CFO CERTIFICATION

**The Board of Directors
Gem Spinners India Limited
78, Cathedral Road,
Chennai - 600 086**

Dear Members of the Board,

- A. We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
- (1) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are no transactions entered into by the listed entity during the year which are fraudulent, illegal or violative of the listed entity's code of conduct.
- C. we are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, changes if any, in the design or operation of such internal controls.
- D. we have indicated to the auditors and the Audit committee
- (1) any significant changes in internal control over financial reporting during the year;
 - (2) all significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) any instances of significant fraud of which we are aware that involve the management or an employee having a significant role in the company's internal control system over financial reporting.

Date: 23.10.2017
Place: Chennai

G.Senthilvel
Chief Financial Officer

INDEPENDENT AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE:

We have examined all the relevant records of Gem Spinners India Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the period from April 01, 2015 to November 30, 2015 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from the period December 01, 2015 to March 31, 2016. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance.

This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations and information furnished to us, we certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Listing Agreement / Regulations. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the company has complied with items C, D and E.

Place: Chennai
Date: 23.10.2017

For Vijay Sarathy & Co.
Chartered Accountants
Firm No. 004695S
P. Srikanth
Partner
Membership No.: 204279

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF M/S. GEM SPINNERS INDIA LIMITED****Report on the Financial Statements**

We have audited the accompanying Financial Statements of GEM SPINNERS INDIA LIMITED ("the Company"), which comprises the Balance sheet as at 31ST March, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act as applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We have conducted our audit in accordance with standards on auditing specified under Section 143(10) of the Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give

the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its LOSS and its Cash flows for the year ended on that date.

Emphasis of Matters:-

We draw attention to the following matters in the Notes to the financial statements:

Note No.2 in the financial statement which indicates that the company has accumulated losses and its net worth has been fully eroded, the company has incurred a cash loss during the year and the company's current liability exceeded its current assets as at the balance sheet date. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. However, the financial statements of the company have been prepared on a going concern basis for the reasons stated in the said note.

Report on other Legal Requirement

As required by the Company (Auditor's Report) order, 2016 (the order) issued by the Central Government of India in terms of sub-section (11) of section 143 of the act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

As required by Section 143(3) of the Companies Act, 2013, we report that:

- a. We have sought and 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 it appears from our examination of those books
- c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report is in agreement with the books of account
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under Section 133 of the Act as applicable
- e. On the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164(2) of the Act
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
 - i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses under the applicable law or

accounting standard.

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company
- iv. The company has provided requisite disclosures in the financial statements [Refer point no 6 in Note No: 20] as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 31st December, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the management.

For and on behalf of

For VIJAY SARATHY & CO.
Chartered Accountants

Firm's registration number: 004695S

P. Srikanth
Partner

Membership number: 204279

Place: CHENNAI
Date: 18.05.2017

Annexure " A" to the Independent Auditors' Report

The annexure referred to Independent Auditor report to the members of the company on the financial statements for the year ended 31 March, 2017, we report that:

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management at reasonable intervals and as explained to us, no material discrepancies were noticed on such verification during the year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the company and nature of its assets.
2. Physical verification of inventory has been conducted at reasonable intervals by the management. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory. As explained to us, the discrepancies noticed on physical verification were not material and the same have been properly dealt with in the books of account.
3. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013.
4. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the act, with respect to Loans and investments made.
5. The Company has not accepted any deposits from the public during the year.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 148 of the Act, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
7. According to the information and explanations given to us and based on our examination of the records of the company, the

Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues with the appropriate authorities. There are no undisputed statutory dues payable in respect of above which were outstanding as at 31st March 2017 for a period of more than six months from the date they became payable.

| Name of the Statute | Nature of dues | Amount | Period to which the amount relates | Forum where dispute is pending |
|---------------------|----------------|--------|------------------------------------|--------------------------------|
| Service Tax | Service Tax | 58.60 | 2004-07, 2008-09, 2010-11 2011-12 | CESTAT |
| Sales Tax | Sales Tax | 22.89 | 2005-06 to 2009-10 | Commercial Tax |

8. According to information and explanation given to us, the company has not taken any loan either from financial institution, bank, Government or not issued any debentures.
9. The company did not raise money by way of initial public offer or further public offer.
10. According to the information and explanations given to us, no fraud by the company and no fraud on the company by its officers has been noticed or reported during the year.
11. According to the information and explanations given to us and based on our examination of the records of the company, the company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act
12. The Company is not a Nidhi company. Accordingly, paragraph 3(xii) is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the company, the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards
14. According to the information and explanations given to us and based on our examination of the records of the company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
15. According to the information and explanations given to us, the company has not entered into non-cash transactions with the directors of the company or persons connected with him.
16. The company is not required to be registered u/s 45 IA of the Reserve Bank of India act 1934.

For and on behalf of

For VIJAY SARATHY & CO.
Chartered Accountants

Firm's registration number: 004695S

P. Srikanth
Partner

Membership number: 204279

Place: CHENNAI
Date: 18.05.2017

Annexure - B to Auditor's Report**Report on Internal Financial Controls Under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013("the Act")**

We have audited the internal financial controls over financial reporting of M/S.GEM SPINNERS INDIA LIMITED ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we

have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For and on behalf of
For VIJAY SARATHY & CO.
Chartered Accountants
Firm's registration number:004695S

Place: CHENNAI
Date: 18.05.2017

P. Srikanth
Partner
Membership number:204279

BALANCE SHEET AS AT 31ST MARCH, 2017

in Rupees

| PARTICULARS | NOTE NO. | AS AT 31.03.2017 | AS AT 31.03.2016 |
|--------------------------------|----------|-----------------------|-----------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE HOLDERS' FUNDS | | | |
| Share Capital | 1 | 306,859,950.00 | 306,859,950.00 |
| Reserves and Surplus | 2 | (352,475,070.18) | (304,303,777.83) |
| NON CURRENT LIABILITIES | | | |
| Long Term borrowings | | Nil | Nil |
| Deferred Tax liabilities | | Nil | Nil |
| Other Long term liabilities | 3 | 130,041,779.97 | 129,641,779.97 |
| | | 130,041,779.97 | 129,641,779.97 |
| CURRENT LIABILITIES | | | |
| Short Term Borrowings | 4 | - | - |
| Trade Payables | 5 | 11,712,970.00 | 8,262,240.00 |
| Other Current liabilities | | 381,783.00 | 539,971.00 |
| Short-term provisions | | 1,087,245.90 | 593,317.90 |
| | | 13,181,998.90 | 9,395,528.90 |
| | | 97,608,658.69 | 141,593,481.04 |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Fixed Assets | 6 | | |
| Gross Block | | 807,276,442.97 | 806,870,494.94 |
| Less: Depreciation | | 740,333,628.31 | 699,236,487.09 |
| Net Block | | 66,942,814.66 | 107,634,007.85 |
| INTANGIBLE ASSETS | | | |
| Capital work-in-progress | | Nil | Nil |
| | | Nil | Nil |
| Deferred Tax Assets(net) | | 11,629,534.00 | 11,629,534.00 |
| Long -term Loans and Advances | 7 | 6,584,038.08 | 5,940,960.88 |
| Other non-current Assets | 8 | 1,923,357.30 | 1,935,682.60 |
| | | 20,136,929.38 | 19,506,177.48 |
| CURRENT ASSETS | | | |
| Inventories | 9 | 9,548,810.82 | 9,548,810.82 |
| Trade Receivables | 10 | 0.00 | 0.00 |
| Cash & Bank Balances | 11 | 349,429.83 | 327,334.08 |
| Other Current Assets | 12 | 630,674.00 | 4,577,150.81 |
| | | 10,528,914.65 | 14,453,295.71 |
| | | 97,608,658.69 | 141,593,481.04 |

For and on behalf of the Board

As per our report of even date

R.Veeramani
 Managing Director
 Din No: 00032895

P.P. Doddanavar
 Director
 Din No: 00960514

For VIJAY SARATHY & CO
 Chartered Accountants
 Firm Regn. No.: 004695S

Place : Chennai
 Date : 18.05.2017

A.Vani
 Company Secretary

G.Senthilvel
 Chief Financial Officer

P. Srikanth
 Partner
 M. No. 204279

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH-2017

in Rupees

| PARTICULARS | NOTE NO. | FOR THE YEAR ENDED 31.03.2017 | FOR THE YEAR ENDED 31.03.2016 |
|--|----------|----------------------------------|----------------------------------|
| REVENUE | | | |
| Revenue from operations | 13 | - | 8,754,539.82 |
| Other Income | 14 | 701,249.00 | 8,905,810.27 |
| Total Revenue | | 701,249.00 | 17,660,350.09 |
| EXPENSES | | | |
| Purchases of Stock-in-Trade | 15 | - | 8,205,928.21 |
| Employees benefits expenses | 16 | 946,155.00 | 1,326,762.00 |
| Finance Costs | 17 | 32,379.25 | 47,739.78 |
| Depreciation and amortization expense | 6 | 41,097,141.22 | 1,862,929.72 |
| Other expenses | 18 | 6,846,543.91 | 4,025,795.36 |
| Total Expenses | | 48,922,219.38 | 15,469,155.07 |
| PROFIT / (LOSS) BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX | | (48,220,970.38) | 2,191,195.02 |
| Exceptional items | | - | - |
| PROFIT/ (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX | | (48,220,970.38) | 2,191,195.02 |
| Extraordinary Item | | - | - |
| PROFIT/ (LOSS) BEFORE TAX | | (48,220,970.38) | 2,191,195.02 |
| Tax Expenses | | | |
| Deferred Tax | | | |
| PROFIT/(LOSS)FOR THE PERIOD FROM CONTINUING OPERATIONS | | (48,220,970.38) | 2,191,195.02 |
| PROFIT/(LOSS)FROM DISCONTINUING OPERATIONS | | - | - |
| TAX EXPENSES OF DISCONTINUING OPERATIONS | | - | - |
| PROFIT/(LOSS)FROM DISCONTINUING OPERATIONS AFTER TAX | | - | - |
| PROFIT/(LOSS) FOR THE PERIOD | | (48,220,970.38) | 2,191,195.02 |
| EARNINGS PER EQUITY SHARE | | | |
| (1) BASIC | | (0.79) | 0.04 |
| (2) DILUTED | | - | - |

For and on behalf of the Board

As per our report of even date

R.Veeramani
 Managing Director
 Din No: 00032895

PP. Doddanavar
 Director
 Din No: 00960514

For VIJAY SARATHY & CO
 Chartered Accountants
 Firm Regn. No.: 004695S

Place : Chennai
 Date : 18.05.2017

A.Vani
 Company Secretary

G.Senthilvel
 Chief Financial Officer

P. Srikanth
 Partner
 M. No. 204279

NOTE 1.
SHARE CAPITAL
Authorised:

9,00,00,000 Equity Shares of Rs.5/- each

Issued,Subscribed & Paidup:

6,13,71,990 Equity Shares of Rs.5/- each

| 31.03.2017 Rs. | 31.03.2016 Rs. |
|-------------------|-------------------|
| 450,000,000.00 | 450,000,000.00 |
| 306,859,950.00 | 306,859,950.00 |

(A) Reconciliation of Share Capital

| Particulars | As at 31st March 2017 | | As at 31st March 2016 | |
|---|-----------------------|--------------|-----------------------|--------------|
| | Number | Amount (Rs.) | Number | Amount (Rs.) |
| Shares outstanding at the beginning of the year | 61,371,990 | 306,859,950 | 61,371,990 | 306,859,950 |
| Shares issued during the year (Preferential) | --- | --- | --- | --- |
| Shares bought back during the year | --- | --- | --- | --- |
| Shares outstanding at the end of the year | 61,371,990 | 306,859,950 | 61,371,990 | 306,859,950 |

(B) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| S.No. | Name of Shareholder | As at 31st March 2017 | | As at 31st March 2016 | |
|-------|---------------------|-----------------------|--------------|-----------------------|--------------|
| | | No. of Shared held | % of Holding | No. of Shared held | % of Holding |
| 1 | Mr. R. VEERAMANI | 12,692,166 | 20.68 | 12,692,166 | 20.68 |
| 2 | Mr. S.R. ASAITHAMBI | 10,174,638 | 16.58 | 10,174,638 | 16.58 |
| 3 | Mr. R. SEKAR | 9,743,348 | 15.87 | 9,743,348 | 15.87 |
| 4 | Mr. S.R. KUMAR | 9,743,348 | 15.87 | 9,743,348 | 15.87 |
| 5 | IDBI BANK LIMITED | 7,565,000 | 12.33 | 7,565,000 | 12.33 |
| 6 | ICICI BANK LIMITED | 4,921,790 | 8.02 | 4,921,790 | 8.02 |

NOTE 2
RESERVES & SURPLUS

Share Capital - Reserve

Profit & Loss Account

| 31.03.2017 Rs. | 31.03.2016 Rs. |
|-------------------------|-------------------------|
| 19,719,617.83 | 19,719,617.83 |
| (372,194,688.01) | (324,023,395.66) |
| (352,475,070.18) | (304,303,777.83) |
| 130,041,779.97 | 129,641,779.97 |
| 130,041,779.97 | 129,641,779.97 |
| - | - |
| - | - |
| 11,712,970.00 | 8,262,240.00 |
| 381,783.00 | 539,971.00 |
| 1,087,245.90 | 593,317.90 |

NOTE 3.
OTHER LONG TERM LIABILITIES

Unsecured Loans

NOTE 4.
SHORT TERM BORROWINGS

IOB & LAKSHMI VILAS BANK

NOTE 5.
TRADE PAYABLES
Current Liabilities & Provisions

Sundry Creditors

OTHER CURRENT LIABILITES

Other current liabilities

Short term provisions

**NOTE 6
FIXED ASSETS**

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION BLOCK | | | | NET BLOCK | |
|---|---------------------------|------------------|-------------|---------------------------|---------------------|---------------------------|-------------------|---------------------------|----------------------------------|----------------------------------|
| | TOTAL AS ON 01.04.2016 | ADDITIONS | DELETIONS | TOTAL AS ON 31.03.2017 | UP TO 31.03.2016 | TRANSITIONAL PROVISION | FOR THE YEAR | TOTAL AS ON 31.03.2017 | S.L.M. VALUE AS ON 31.03.2017 | S.L.M. VALUE AS ON 31.03.2016 |
| | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. | Rs. Ps. |
| 1. LAND | 9495732.15 | 61270.00 | 0.00 | 9558002.15 | 0.00 | 0.00 | 0.00 | 0.00 | 9558002.15 | 9447054.12 |
| 2. BUILDING | 68440482.93 | 0.00 | 0.00 | 68440482.93 | 38666475.74 | 7710369.53 | 2167281.96 | 48544127.23 | 19896355.70 | 29774007.19 |
| 3. PLANT & MACHINERY | 701731420.74 | 295000.00 | 0.00 | 702026420.74 | 639191995.52 | 27452854.19 | 18683.33 | 666663533.04 | 35362887.70 | 62539425.21 |
| 4. OFFICE EQUIPMENTS, FURNITURE AND FITTINGS | 5292917.52 | 0.00 | 0.00 | 5292917.52 | 5292917.52 | -264645.88 | 0.00 | 5028271.64 | 254645.88 | 0.00 |
| 5. LAPTOP | 68500.00 | 0.00 | 0.00 | 68500.00 | 19887.27 | 25231.40 | 19956.33 | 65075.00 | 3425.00 | 48612.74 |
| 6. VEHICLES | 3508655.05 | 0.00 | 0.00 | 3508655.05 | 2289983.29 | 110714.88 | 175521.88 | 2570230.05 | 938425.01 | 1224661.76 |
| 7. MISCELLANEOUS ASSETS | 18381464.58 | 0.00 | 0.00 | 18381464.58 | 13781217.75 | 3681173.60 | 0.00 | 17462391.35 | 919073.23 | 4600246.83 |
| TOTAL | 806920172.97 | 356270.00 | 0.00 | 807276442.97 | 699236487.09 | 38715697.72 | 2381443.50 | 740333628.31 | 66942814.67 | 107634007.85 |

NOTE 7.
LOANS AND ADVANCES

(Unsecured-considered good)

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

NOTE 8.
OTHER NON-CURRENT ASSETS

Deposits

NOTE 9.
INVENTORIES

Stock-Stores

NOTE 10.
TRADE RECEIVABLES

(Unsecured-considered good)

Less than six months

More than six months

NOTE 11.
CASH & BANK BALANCES

Cash on Hand

Balances with Scheduled Banks in:

Current Account

Margin Money Account

Others

NOTE 12.
OTHER CURRENT ASSETS

Prepaid expenses

Income Receivable

NOTE 13.
REVENUE FROM OPERATION

Sales - Yarn

Trading Export

Sales - Others

NOTE 14.
OTHER INCOME

Miscellaneous income

TOTAL REVENUE
NOTE 15.
TRADING EXPENSES

| 31.03.2017 Rs. | 31.03.2016 Rs. |
|---------------------|----------------------|
| 6,584,038.08 | 5,940,960.88 |
| 6,584,038.08 | 5,940,960.88 |
| 1,923,357.30 | 1,935,682.60 |
| 9,548,810.82 | 9,548,810.82 |
| 9,548,810.82 | 9,548,810.82 |
| 0.00 | 0.00 |
| - | - |
| 0.00 | 0.00 |
| 18,519.05 | 1,149.05 |
| 73,142.78 | 68,417.03 |
| 257,768.00 | 257,768.00 |
| 349,429.83 | 327,334.08 |
| 21,816.00 | 86,462.00 |
| 608,858.00 | 4,490,688.81 |
| 630,674.00 | 4,577,150.81 |
| - | 8,754,539.82 |
| - | 8,754,539.82 |
| 701,249.00 | 8,905,810.27 |
| 701,249.00 | 8,905,810.27 |
| 701,249.00 | 17,660,350.09 |
| - | 8,205,928.21 |

**NOTE 16.
EMPLOYEES BENEFITS EXPENSES**

Salaries and Wages
Staff Welfare
Contribution to Funds

**NOTE 17.
FINANCE COSTS**

Interest on hire purchase
Bank Charges

**NOTE 18.
OTHER EXPENSES**
Other Manufacturing Expenses
Power and Fuel

Electricity charges

Administrative, Selling & Other Expenses

Insurance
Communication Charges
Rates and Taxes
Donation
Travelling & Conveyance
Audit Fees
Miscellaneous Expenses

Total Other Expenses

| 31.03.2017 Rs. | 31.03.2016 Rs. |
|---------------------|---------------------|
| 861,381.00 | 1,219,293.00 |
| 10,879.00 | 15,222.00 |
| 73,895.00 | 92,247.00 |
| 946,155.00 | 1,326,762.00 |
| 22,328.00 | 43,314.00 |
| 10,051.25 | 4,425.78 |
| 32,379.25 | 47,739.78 |
| - | - |
| - | - |
| - | 875,043.00 |
| 92,712.00 | 220,535.00 |
| 27,191.00 | 33,193.00 |
| 1,000.00 | 17,700.00 |
| 2,002.00 | 2,002.00 |
| 54,124.00 | 84,095.00 |
| 115,000.00 | 114,000.00 |
| 6,554,514.91 | 2,679,227.36 |
| 6,846,543.91 | 3,150,752.36 |
| 6,846,543.91 | 4,025,795.36 |

For and on behalf of the Board

R.Veeramani
Managing Director
Din No: 00032895

Place : Chennai
Date : 18.05.2017

A.Vani
Company Secretary

PP.Doddanavar
Director
Din No: 00960514

G.Senthilvel
Chief Financial Officer

As per our report of even date

For VIJAY SARATHY & CO
Chartered Accountants
Firm Regn. No.: 004695S

P.Srikanth
Partner
M. No. 204279

NOTE 19**NOTES FORMING PART OF ACCOUNTS****1. CORPORATE PROFILE:**

Gem Spinners India Limited was incorporated as a Public Limited Company on 18th October 1990. The Company's shares are listed in Bombay Stock Exchanges.

The Company has set up a plant for the Manufacture of Cotton yarn and Grey Fabrics at No.14 Mangalam Village, Kancheepuram District, and Tamil Nadu.

2. Basis of preparation and presentation of financial statements

- i) The financial statements have been prepared under the historical cost concept and in accordance with Generally Accepted Accounting Policies, the mandatory Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 and relevant provisions of Companies Act, 2013, as adopted consistently by the Company.
- ii) The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.
- iii) All inventories and stores & spares are valued at cost or net realizable value whichever is lower.

3. Uses of Estimates

The preparation of financial statements in conformity with GAAP requires management to make judgements, estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates in the future period.

4. FIXED ASSETS

- i) Tangible fixed assets are stated at cost of acquisition (net of CENVAT/ VAT wherever applicable) less accumulated depreciation/ amortization and impairment losses if any, except free hold land which is carried at cost less impairment losses if any. The cost comprises purchase prices, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Subsequent expenditure relating to an item of fixed asset is added to its book value only if it increases the future benefits from the asset beyond its previous assessed standard of performance. All other expenses on fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts are charged to the statement of profit and loss for the period as and when they occur.
- ii) Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule II of the Companies Act, 2013.
- iii) Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of such assets are recognized in the statement of profit and loss.

5. INVENTORIES

Stores and Spares are valued at cost.

6. REVENUE RECOGNITION**i) SALES OF GOODS**

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Sale of products is recognized when the significant risk and reward of ownership of the goods have been passed to the buyer. Sale value excludes excise duty, education cess, secondary and higher education cess, CST and VAT.

ii) INTEREST:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii) Export Benefits:

As there is no export during the year under review the Company has not made any provision as receivables such as Duty Drawback and other schemes.

7. BORROWING COST

As there are no borrowings during this financial year the same is not applicable.

8. DEPRECIATION

Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule II of the Companies Act, 2013 except Plant & Machinery based on useful life ascertained for such asset.

9. EMPLOYEE BENEFITS**SHORT TERM**

Short term employee benefits viz., salaries and wages are recognised as expense at the undiscounted amount in the statement of profit and loss for the year in which the related service is rendered.

LONG TERM POST RETIREMENT**PROVIDENT FUND**

Provident Fund is a defined contribution scheme and the contributions are recognised as expenses in the Profit & Loss Account for the year in which the employees have rendered services. The company contributes to provident fund administered by the Government on a monthly basis at 12% of employee's basic salary. There are no other obligation other than the above defined contribution plan.

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.

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.

LEAVE ENCASHMENT

The Company normally allows its employees to utilize the leave.

10. FOREIGN CURRENCY TRANSACTION

Foreign Currency Transactions are recorded at the rate of exchange prevailing on the date of the transaction. Exchange differences arising

on actual payment / realisation referred are adjusted in the statement of profit & loss.

11. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as result of past events and it is probable that there will be outflow of resources.
- Contingent Liabilities (Service Tax & Sales Tax): Rs.Nil (Rs.81.49 Lakhs)
- Contingent Assets are not recognised.

12. SEGMENT REPORTING :

The Company is engaged in the business of manufacture and export of cotton yarn and grey fabrics and also trade in the same commodity and accordingly trading is considered as a segment.

13. IMPAIRMENT :

Consideration is given at each balance sheet to determine whether there is any indication of impairment of the carrying amount of the company's fixed assets. If any indication exists an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds recoverable amount.

NOTE NO. 20

OTHER DISCLOSURES AND ADDITIONAL INFORMATION AS PER REQUIREMENTS IN REVISED SCHEDULE III OF THE COMPANIES ACT 2013

(A) OTHER DISCLOSURES

1. EMPLOYEE BENEFIT PLANS

As per Accounting Standard 15, Employee Benefit, the disclosure of employees benefits are given below:

Rs.

| S.No | Particulars | 2016-17 | 2015-16 |
|------|--|---------|---------|
| a) | Contribution to Provident Fund | | |
| b) | Contribution to employees' pension scheme 1995 | 37610 | 35220 |
| | | 36285 | 57027 |

| S.No | Particulars | Gratuity 2016-17 |
|------|--|---------------------|
| 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 | 58 yrs |

- 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 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.

- Disclosures in respect of provisions pursuant to Accounting standard – 29

Rs.in Lakhs

| Particulars | Opening Balance 01.04.2016 | Provided during the Year | Utilized During the Year | Reversed During the Year | Closing Balance 31.03.2017 |
|-------------|-------------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|
| Service Tax | 58.60 | Nil | Nil | Nil | 58.60 |
| Sales Tax | 22.89 | Nil | Nil | Nil | 22.89 |

- The details of Specified Bank Notes held and transacted during the period from 8th November 2016 to 30th December 2016 is as follows:-

| Particulars | SBNs | Other Denomination Notes | Total |
|--|----------|--------------------------|----------|
| Closing cash in hand as on 08.11. 2016 | 2,37,000 | 550 | 2,37,550 |
| (+)Withdrawal from Bank | | 5,000 | 5,000 |
| (+) Permitted receipts | | 9,700 | 9,700 |
| (-) Permitted payments | | 13,960 | 13,960 |
| (-) Amount deposited in Banks | 2,37,000 | | 2,37,000 |
| Closing cash in hand as on 30.12. 2016 | 0 | 1,290 | 1,290 |

- Interest on others in Schedule – 12 is net of interest income of Rs. Nil (Rs.0.45 Lakhs)

9. Disclosure under Accounting Standard 17 – SEGMENT REPORTING

| Segment Reporting for the year ended 31.03.2017 (Rs. in Lakhs) | | | |
|--|--|--------------------------|--------------------------|
| S. No | Particulars | Year Ended on 31.03.2017 | Year Ended on 31.03.2016 |
| 1 | Segment Revenue / Income | | |
| | a. Mill | 0.00 | 0.00 |
| | b. Trading | 0.00 | 87.54 |
| | Total | 0 | 87.54 |
| 2 | Segment Results | | |
| | a. Mill | (488.90) | (291.16) |
| | b. Trading | 0.00 | 5.48 |
| | Total | (488.90) | (285.68) |
| | Add: Unallocable Income | 7.02 | 49.78 |
| | Less: Interest – Unallocable Expenditure | 0.33 | 0.48 |
| | Tax [(including - FBT) / (+) Deferred Tax] | 0.00 | 0.00 |

| | | | |
|----------|---|-----------------------|-----------------------|
| 3 | Prior year Excess provision of interest written back | 0.00 | 0.00 |
| | Capital Employed (Segment Assets - Segment Liabilities) | (482.21) | 21.91 |
| | a. Mill b. Trading | (26.53) Nil | (35.30) Nil |

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

10. Earnings Per Share: (Rs. in Lakhs)

| Particulars | | 2016 – 17 | 2015 – 16 |
|---|-----|-----------|-----------|
| Net Profit/Loss as disclosed in Profit & Loss Account | | (482.21) | 21.91 |
| Net Profit/Loss attributable to the Equity shareholders | | (482.21) | 21.91 |
| Weighted average Equity Shares | | | |
| Basic and diluted Earnings Per Share (face value of Rs.5 each) | Nos | 61371990 | 61371990 |
| Before Exceptional Items | | (0.79) | (0.39) |
| After Exceptional Items | | (0.79) | 0.04 |

11. As per the Accounting Standard 18 – Related Party Transaction:
The list of the related parties as identified by company are as under:

Key Managerial Personnel:

| Name of the related party | Description | Nature of Transaction | Amount (Rs. in lakhs) |
|---------------------------|-------------------|-----------------------|-----------------------|
| Mr.R.Veeramani | Managing Director | Sitting fee | 0.09 |

For and on behalf of the Board

R.Veeramani
Managing Director
Din No: 00032895

Place : Chennai
Date : 18.05.2017

A.Vani
Company Secretary

| | | | |
|-----------------|-------------------------|--------|------|
| Mrs.A.Vani | Company Secretary | Salary | 3.23 |
| Mr.G.Senthilvel | Chief Financial Officer | Salary | 3.35 |

13. AUDITORS' REMUNERATION (Rs. in Lakhs)

| Particulars | 2016 – 17 | 2015 – 16 |
|------------------------------------|--------------------|--------------------|
| Statutory Audit Fees Certification | 1.15 Nil | 1.14 Nil |

14. Additional Information as required in Revised Schedule III of the Companies Act, 2013. Rs.in Lakhs

| PARTICULARS | 2016 - 17 | 2015 - 16 |
|--|-----------|-----------|
| 1) Sales, Production & Stocks | Nil | Nil |
| 2) Traded Good (Cotton Yarn) | | |
| a) Purchase | 0 | 80.97 |
| b) Sales | 0 | 85.01 |
| 3) Raw Material Consumed | Nil | Nil |
| 4) Value of Imports - CIF | Nil | Nil |
| 5) Value of Consumption – Stores, Spares & Packing Materials | Nil | Nil |
| 6) Expenditure on Foreign Currency | | |
| a) Commission | Nil | Nil |
| b) Travel | Nil | Nil |
| 7) Earnings in Foreign Exchange Export of Goods in FOB value | 0 | 85.01 |

14. The Company has obtained loan as follows:

From Directors – Interest free.
Sundaram Finance car loan – 11.38%

15. 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.

As per our report of even date

PPDoddanavar
Director
Din No: 00960514

G.Senthilvel
Chief Financial Officer

VIJAY SARATHY & CO
Chartered Accountants
Firm Regn No: 004695S

PSrikanth
Partner
Membership No: 204279

CASH FLOW STATEMENT

| Particulars | | For the year ended 31st March 2017 | For the year ended 31st March 2016 |
|---|----------|---------------------------------------|---------------------------------------|
| A. Cash Flow from operating activities | | | |
| Profit/(Loss) for the year | | -48220970.38 | 2191195.02 |
| Adjustments for : | | | |
| Depreciation | | 41097141.22 | 1862929.72 |
| Interest and Finance | | 32379.25 | 47739.78 |
| Deferred expenses written off | | 0.00 | 0.00 |
| Less : Interest/Dividend Income | | 0.00 | 0.00 |
| Operating Profit before Working Capital Changes | A | -7091449.86 | 4101864.52 |
| Adjustments for : | | | |
| Inventories | | 0.00 | 0.00 |
| Loans and Advances | | -642177.20 | 1408072.00 |
| Other Current Assets | | 3958802.11 | 3331829.10 |
| Miscellaneous Expenditure | | 0.00 | 0.00 |
| Debtors | | 0.00 | 12543989.25 |
| Current Liabilities | | 4186470.00 | -21558545.20 |
| | B | 7503094.91 | -4274654.85 |
| Cash generated from Operations (A+B = C) | C | 411645.05 | -172790.33 |
| Interest and Finance Charges | D | 32379.25 | -47739.78 |
| Net Cash from Operating Profit (C-D = E) | E | 444024.30 | -220530.11 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets | | -421929.45 | 78951.99 |
| Interest received | | 0.00 | 0.00 |
| Bank Deposits | | 0.00 | 0.00 |
| Net Cash used in investing activities | | -421929.45 | 78951.99 |
| C. Cash Flow from financing activities | | | |
| Preferential Issue of Shares to Financial Institutions | | 0.00 | 0.00 |
| Proceeds from long term borrowings | | 0.00 | 0.00 |
| Proceeds from short term borrowings | | 0.00 | 0.00 |
| Net Cash used in Financing Activities | | 0.00 | 0.00 |
| Net increase in cash and cash equivalents | | 22094.75 | -141578.12 |
| Cash and cash equivalents as at 31.3.2016 (Opening Balance) | | 69567.08 | 211145.20 |
| Cash and Cash equivalents as at 31.3.2017 (Closing Balance) | | 91661.83 | 69567.08 |

For and on behalf of the Board

As per our report of even date

R.Veeramani
 Managing Director
 Din No: 00032895

PP. Doddanavar
 Director
 Din No: 00960514

For VIJAY SARATHY & CO
 Chartered Accountants
 Firm Regn. No.: 004695S

Place : Chennai
 Date : 18.05.2017

P. Srikanth
 Partner
 M. No. 204279

GEM SPINNERS INDIA LIMITED

No.14, Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamil Nadu – 603 107.

FORM NO. MGT 11**PROXY FORM**

NAME OF THE COMPANY : GEM SPINNERS INDIA LIMITED CIN: L17111TN1990PLC019791
 REGISTERED OFFICE : 14, MANGALAM VILLANGE, MADHURANTHAGAM TALUK,
 : KANCHEEPURAM DISTRICT, TAMIL NADU
 E-MAIL ID : secretarial@gemspin.com Telephone: 044 28110366

I/We being the member(s) holding _____ shares of the above named Company hereby appoint

1. Name _____
 Address : _____
 E.Mail.ID : _____
 Signature : _____ Or failing him/her

2. Name _____
 Address : _____
 E.Mail.ID : _____
 Signature : _____ Or failing him/her

3. Name _____
 Address : _____
 E.Mail.ID : _____
 Signature : _____ Or failing him/her

as my/our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 27th Annual General Meeting of the Company, to be held on Thursday, the 30th November, 2017 at 10.30 a.m at "No.14, Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamil Nadu and at any adjournment thereof in respect of such Resolutions, in the manner as indicated below:

| Resolution No. | Description | Optional | |
|----------------|---|----------|---------|
| | | For | Against |
| | Ordinary Business | | |
| 1. | Adoption of Audited Financial Statements for the year ended 31st March, 2017. | | |
| 2. | Re-appointment of Mr.S.Gopal as Director who retires by rotation | | |
| 3. | Appointment of M/s.K. Arun Kumar & Associates, Chartered Accountants, Chennai as Statutory Auditors and fixing their remuneration | | |

Signed this _____ day of _____ 2017

Affix
Re. 1 Revenue
Stamp

Signature of Shareholder: _____

Signature of Proxy holder: _____

Note:

1. This form of proxy, in order to be effective, should be duly completed and deposited at the Corporate Office of the company at 78, Cathedral Road, Chennai – 600 086 not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Note, Please refer to the Notice of the 27th AGM.
3. It is optional to put ✓ in the appropriate column against the Resolution indicated in the Box. If you leave the “For” or “Against” column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she thinks appropriate.
4. Please complete all details including details of member(s) in the above box before submission.
5. Members may note that a person shall not act as a Proxy for more than 50 members and holding in aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a Proxy for a member holding more than ten percent of the voting share capital of the company provided that such person shall not act as a Proxy for any other person.



GEM SPINNERS INDIA LIMITED

CIN: L17111TN1990PLC019791

Registered Office: No.14, Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamil Nadu – 603 107.

Email: secretarial@gemspin.com Phone: 044 2811 5190.

ATTENDANCE SLIP

I hereby record my presence at the TWENTY SEVENTH ANNUAL GENERAL MEETING of the Company being held at No.14, Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamil Nadu – 603 107 on Thursday, the November 30,2017 at 10.30 a.m.

Member's Folio / DP ID Client ID No.

Member's/Proxy's name in Block Letters

Member's / Proxy's Signature

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.
- The Company is offering electronic voting facility to its members in respect of ordinary / special business to be transacted at the ensuing AGM, pursuant to provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014.

GEM SPINNERS INDIA LIMITED

No.14, Mangalam Village, Madhuranthagam Taluk, Kancheepuram District, Tamil Nadu – 603 107

Ballot Paper

[Pursuant to section 109(5) of the Companies Act, 2013 and rule 21(1)(c) of the Companies (Management and Administration) Rules, 2014]

Name of the Company:

Registered Office:

| S.No | Particulars | Details |
|------|--|---------|
| 1. | Name of the First Named Shareholder (In Block Letters) | |
| 2. | Postal Address | |
| 3. | Registered Folio No. / *Client ID No. (*Applicable to investors holding shares in dematerialised form) | |
| 4. | Class of Share | |

I hereby exercise my vote in respect of Ordinary / Special resolution enumerated below by recording my assent or dissent to the said resolution in the following manners:

| S.No | Item No. | No. of Shares held by me | I assent to the resolution | I dissent from the resolution |
|------|---|--------------------------|----------------------------|-------------------------------|
| | Ordinary Business | | | |
| 1. | Adoption of Audited Financial Statements for the year ended 31st March, 2017. | | | |
| 2. | Re-appointment of Mr.S.Gopal as Director who retires by rotation | | | |
| 3. | Appointment of M/s.K. Arun Kumar & Associates, Chartered Accountants, Chennai as Statutory Auditors and fixing their remuneration | | | |

Place:

Date:

(Signature of the Shareholder)

REGD. BOOK POST

To

If undelivered, please return to:

GEM SPINNERS INDIA LIMITED

No.14, Mangalam Village,

Madhuranthagam Taluk,

Kancheepuram District,

Tamil Nadu – 603 107