

**KALYANIWALLA  
& MISTRY** (Regd.)  
CHARTERED ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF  
GOKAK TEXTILES LIMITED**

**Report on Standalone Financial Statements**

We have audited the accompanying Standalone Financial Statements of **Gokak Textiles Limited** ("the Company"), which comprise the Balance Sheet as at September 30, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone 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 Standalone 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 specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 thereunder.

We conducted our audit in accordance with the 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



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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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 Standalone 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 September 30, 2015, and its loss and its cash flows for the year ended on that date.

**Other Legal and Regulatory Requirements**

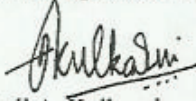
1. As required by the Companies (Auditor's report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure, considering the comments in the Branch Auditor's Report, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditor's report has been forwarded to us and has been appropriately dealt with.
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account and with the audited returns received from the branches.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - e. On the basis of written representations received from the directors as on September 30, 2015, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on September 30, 2015, from being appointed as a director in terms of Section 164(2) of the Act.

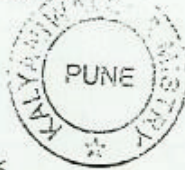


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- f. With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer note 29 to the financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **KALYANIWALLA & MISTRY**  
CHARTERED ACCOUNTANTS  
(Firm Registration No. 104607W)

  
Anil A. Kulkarni  
**Partner**  
Membership No. 47576



Date: November 23, 2015  
Place: Mumbai

**ANNEXURE TO THE AUDITOR'S REPORT**

Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date on the Standalone Financial Statements of **Gokak Textiles Limited** for the year ended September 30, 2015.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a program for physical verification of fixed assets at periodic intervals. As informed to us, the fixed assets have been verified by the Company during the year and were informed that no material discrepancies were noticed.
- ii. (a) The Management has conducted physical verification of inventory at reasonable intervals.
- (b) In our opinion, 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.
- (c) The Company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between physical inventories and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
- iii. 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 Act. Accordingly sub-clauses (a) and (b) of clause (iii) of paragraph 3 of the Order are not applicable to the Company for the current year.
- iv. In our opinion and according to the information and explanations given to us by the Company, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public.
- vi. According to the information and explanations given to us, the maintenance of cost records has not been specified by the Central Government under sub-section (1) of section 148 of the Act, for the activities of the Company.
- vii. (a) According to the information and explanations given to us by the Company and the branch auditors and the records examined by us, the Company is generally 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 any other statutory dues with the appropriate authorities.



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According to the information and explanations given to us by the Company and the branch auditors, there are no arrears of outstanding statutory dues in respect of above as at the last day of the financial year for a period of more than six months from the date they became payable except for sales tax and value added tax amounting to Rs.1,20,709 and service tax amounting to Rs.8,665.

- (b) According to the information and explanations given to us by the Company and the branch auditors and on the basis of our examination of the books of account and records, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, or Cess on account of any dispute, other than the following:

Name of Statute	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Karnataka Special Tax on Entry of Certain Goods Act, 2004	1,14,58,194	October-2004 to March-2007	High Court of Karnataka, Bangalore
The Excise Duty Act, 1944	32,62,241	2004-2005 and 2005-2006	The Central Excise and Service Tax Appellate Tribunal, Mangalore
The Employees Provident Fund and Miscellaneous Provision Act, 1952	40,14,265	January-1990 to December-2001	The Employees Provident Fund Appellate Tribunal
The Excise Duty Act, 1944	1,10,37,577	December 2004 to May 2005	The Supreme Court of India

The Company has deposited Rs.12,04,583 and Rs.8,15,561 under protest towards provident fund and excise duty respectively.

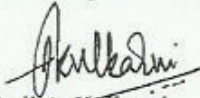
- (c) According to the information and explanations given to us, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- viii. The Company has accumulated losses exceeding fifty percent of the net worth as at the end of the financial year and has incurred cash losses in the current financial year and in the immediately preceding financial year.
- ix. According to the records of the company examined by us and the information and explanations given to us by the Company and the branch auditors, the Company has not defaulted in repayment of dues to banks and financial institutions. There are no dues to debenture holders.
- x. According to the information and explanations given to us by the Company, the Company has not given any guarantee for loans taken by others from banks or financial institutions except investments of the Company in Gokak Power and Energy Limited (a subsidiary company), equivalent to 1,47,00,000 shares at a carrying cost of Rs.1,470 lac, have been pledged with a bank against loan obtained by the said subsidiary company.
- xi. According to the information and explanations given to us by the Company and the records examined by us, the Company has applied the term loans for the purpose for which the loans were obtained.



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- xii. Based on the audit procedures performed and information and explanations given by the management and branch auditors, we report that no fraud on or by the Company has been noticed or reported during the year.

For **KALYANIWALLA & MISTRY**  
CHARTERED ACCOUNTANTS  
(Firm Registration No. 104607W)



Anil A. Kulkarni

**Partner**

Membership No. 47576

Date: November 23, 2015

Place: Mumbai



# KALYANIWALLA & MISTRY (Regd.)

CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOKAK TEXTILES LIMITED

### Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of **GOKAK TEXTILES LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the "Group") comprising of the Consolidated Balance Sheet as at September 30, 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these Consolidated Financial Statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act"), that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

### Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the 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 thereunder.

We conducted our audit in accordance with the 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 Consolidated Financial Statements are free from material misstatement.



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An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the Consolidated Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial control system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditor in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated 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 consolidated state of affairs of the Group as at September 30, 2015, their consolidated loss and their consolidated cash flows for the year ended on that date.

**Other Matter**

We did not audit the financial statements / financial information of the subsidiary whose financial statements / financial information reflect total assets of Rs. 1,331,633,678 as at September 30, 2015, total revenues of Rs.132,318,780 and net cash flows amounting to Rs. 3,668,507 for the year ended on that date, as considered in the consolidated financial statements.

The financial statements / financial information has been audited by other auditor whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor.

Our opinion on the Consolidated Financial Statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.





**Report on Other Legal and Regulatory Requirements**

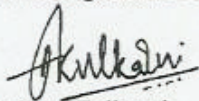
1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' report of the Holding company (including the comments in the Branch auditors report) and the Subsidiary company, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - (e) On the basis of the written representations received from the Directors of the Holding Company as on September 30, 2015, taken on record by the Board of Directors of the Holding Company and the report of the statutory auditor of the subsidiary, none of the Directors of the Group, is disqualified as on September 30, 2015, from being appointed as a Director in terms of Section 164 (2) of the Act.
  - (f) 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 explanations given to us:
    - i) The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 30 to the Consolidated Financial Statements.
    - ii) The Group did not have any long term contracts including derivative contracts for which there were material foreseeable losses.



**KALYANIWALLA  
& MISTRY**

- iii) There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the Group.

**For KALYANIWALLA & MISTRY  
CHARTERED ACCOUNTANTS  
(Firm Registration No.: 104607W)**



Anil A. Kulkarni

**Partner**

M. No.: 47576

Date: November 23, 2015

Place: Mumbai



**Annexure to Independent Auditor's Report**

Our reporting on the Order includes a subsidiary company to which the Order is applicable, which has been audited by another auditor and our report in respect of this company is based solely on the report of the other auditor, to the extent considered applicable for reporting under the Order in the case of the consolidated financial statements.

The Annexure referred to in Para 1, under the heading, 'Report on Other Legal and Regulatory Requirements' in our Independent Auditors' Report of even date to the members of the Company on the Consolidated financial statements for the year ended September 30, 2015:

- i) Fixed Assets:
  - a) The Group has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The Group has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Group and the nature of its assets. As informed the fixed assets have been verified by the Group during the year and were informed that no material discrepancies were noticed.
- ii) Inventory:
  - a) The Management of the Group has conducted physical verification of inventory at reasonable intervals except in respect of stocks lying with third parties in case of the subsidiary company for which certificates have been obtained.
  - b) The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Group and the nature of its business.
  - c) The Group is maintaining proper records of inventory. As informed to us the discrepancies noticed on verification between physical inventories and book records were not material in relation to the operations of the Group and the same have been properly dealt with in the books of account.
- iii) The Group has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act. Therefore, the provisions of sub-clauses (a) and (b) of paragraph 3 (iii) of the Order are not applicable to the Group for the current year.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Group and the nature of its business, for the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.



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& MISTRY**

- v) In our opinion and according to the information and explanations given to us, the Group has not accepted any deposits from the public.
- vi) According to the information and explanations given to us, the maintenance of cost records has not been specified by the Central Government under sub-section (1) of section 148 of the Act, for the activities of the Group.
- vii) Statutory Dues
- a) According to the information and explanation given to us, the Group is generally regular in depositing undisputed statutory dues, including dues pertaining to provident fund, Employees' State Insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities.

According to the information and explanations given to us by the Group, there are no arrears of outstanding statutory dues in respect of above as at the last day of the financial year for a period of more than six months from the date they became payable except for sales tax and value added tax amounting to Rs.120,709 and service tax amounting to Rs.8,665.

- b) According to the information and explanations given to us by the Group and on the basis of our examination of the books of account and records, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, or Cess on account of any dispute, other than the following:

Name of Statute	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Karnataka Special Tax on Entry of Certain Goods Act, 2004	1,14,58,194	October-2004 to March-2007	High Court of Karnataka, Bangalore
The Excise Duty Act, 1944	32,62,241	2004-2005 and 2005-2006	The Central Excise and Service Tax Appellate Tribunal, Mangalore
The Employees Provident Fund and Miscellaneous Provision Act, 1952	40,14,265	January-1990 to December-2001	The Employees Provident Fund Appellate Tribunal
The Excise Duty Act, 1944	1,10,37,577	December 2004 to May 2005	The Supreme Court of India

The Company has deposited Rs.1,204,583 and Rs.815,561 under protest towards provident fund and excise duty respectively.

- c) According to the information and explanations given to us, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- viii) The Group has accumulated losses exceeding fifty percent of the net worth as at the end of the financial year and has incurred cash losses in the current financial year and in the immediately preceding financial year.

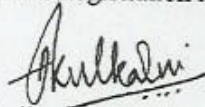
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- ix) According to the records of the Group examined by us and the information and explanations given to us by the Group, the Group has not defaulted in repayment of dues to banks and financial institutions. There are no dues to debenture holders.
- x) According to the information and explanations given to us by the Group, the Group has not given any guarantee for loans taken by others from banks or financial institutions.
- xi) According to the information and explanations given to us by the Group and the records examined by us, the Group has applied the term loans for the purpose for which the loans were obtained.
- xii) Based upon the audit procedures performed by us, to the best of our knowledge and belief and according to the information and explanations given to us by the Management, no fraud on, or by the Group, has been noticed or reported during the year.

**For KALYANIWALLA & MISTRY  
CHARTERED ACCOUNTANTS**  
(Firm Registration No.: 104607W)

  
Anil A. Kulkarni  
**Partner**


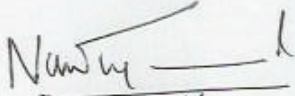
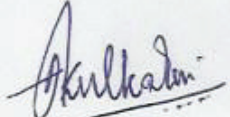
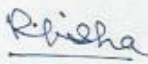
M. No.: 47576

Date: November 23, 2015

Place: Mumbai



**FORM A**

1.	Name of the Company	Gokak Textiles Limited
2.	Annual financial statements for the year ended	30 <sup>th</sup> September, 2015
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	Not-applicable
5.	To be signed by -	
	Whole time Director	 Mr. Sachin Kulkarni Whole-time Director
	DGM - Costing & Accounts	 Mr. A R Nandakumar
	Auditor of the Company	 Mr. Anil A. Kulkarni (Membership No.47576) Messrs. Kalyaniwalla & Mistry Chartered Accountants Pune (Firm Registration No.104607W)
	Audit Committee Chairman	 Shri. R.N. Jha Chairman-Audit Committee