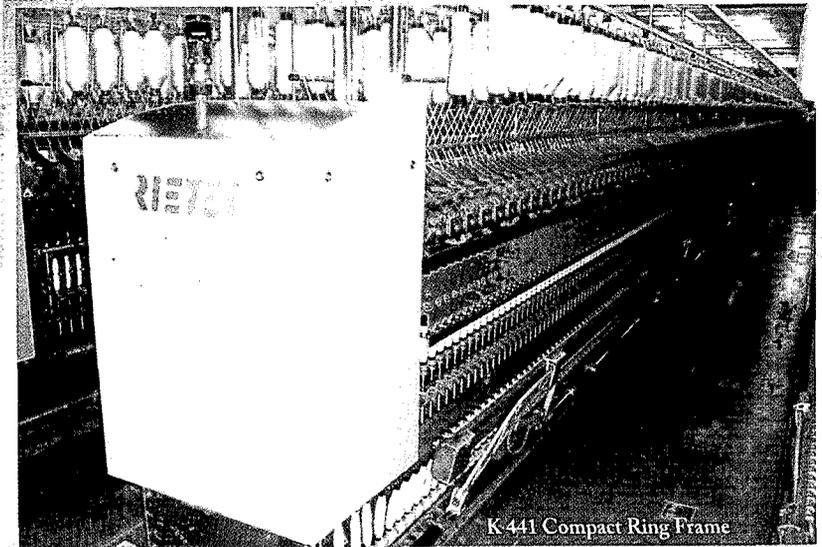




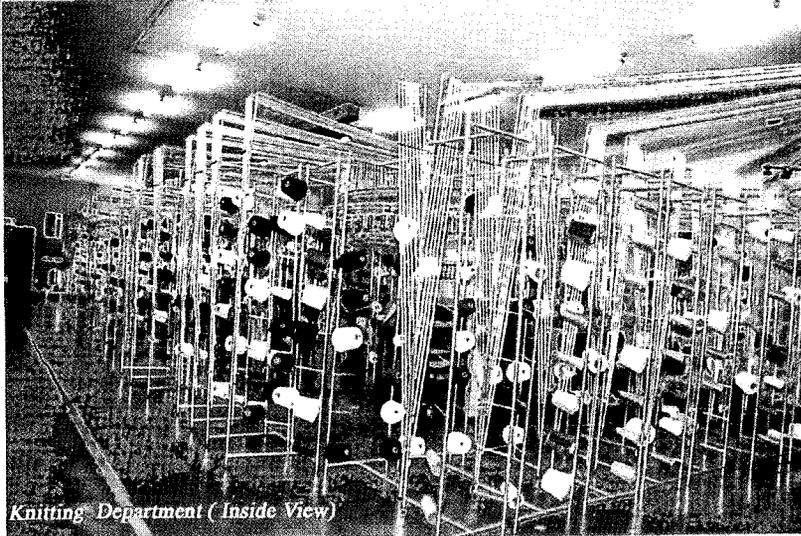
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TEXTILES LIMITED



Third Annual Report 2008-2009

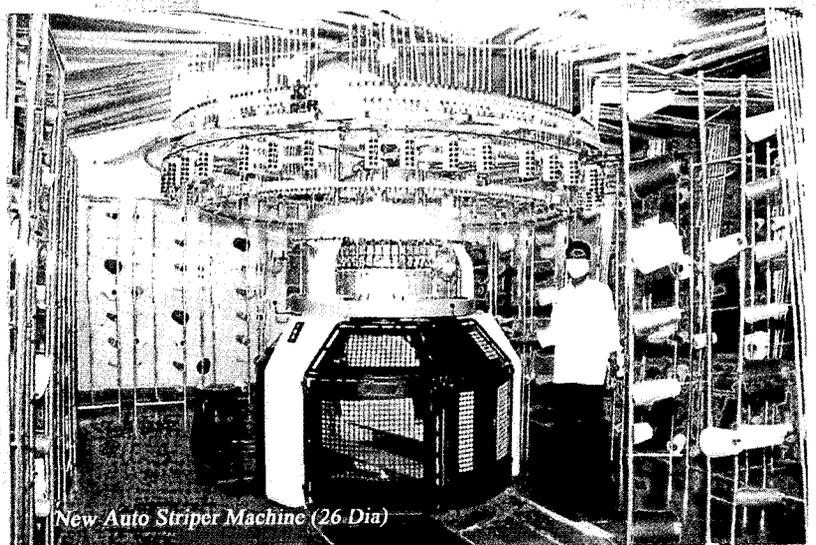


K 441 Compact Ring Frame



Knitting Department (Inside View)

State of Art Machines in Operation



New Auto Stripper Machine (26 Dia)

- DIRECTORS** : SHAPOOR P. MISTRY *Chairman*
PALLONJI S. MISTRY
H.S.BHASKAR *Executive Director & CEO*
ASHOK BARAT
D.G.PRASAD
(Nominee of Export Import Bank of India)
C. G. SHAH
HOSHANG S. BILLIMORIA
RAMAOTAR GOYAL
PRADIP N. KAPADIA (with effect from 12.09.2008)
R.N.JHA (with effect from 30.01.2009)
- CHIEF FINANCIAL OFFICER** : S. RAGHUNATHAN
- COMPANY SECRETARY** : K.RAMANANDA PAI
- AUDITORS** : Messrs. KALYANIWALLA & MISTRY
Messrs. MURUGESH & COMPANY
- BANKERS** : PUNJAB NATIONAL BANK
STANDARD CHARTERED BANK
STATE BANK OF INDIA
EXPORT IMPORT BANK OF INDIA
AXIS BANK LIMITED
- REGISTRARS AND SHARE TRANSFER AGENTS** : TSR DARASHAW LIMITED
UNIT: GOKAK TEXTILES LIMITED,
6-10, HAJI MOOSA PATRAWALA INDUSTRIAL ESTATE,
20, DR.E.MOSES ROAD, MAHALAXMI,
MUMBAI 400 011
- BRANCH** : TSR DARASHAW LIMITED
UNIT : GOKAK TEXTILES LIMITED
503. BARTON CENTRE, 5TH FLOOR
84, MAHATMA GANDHI ROAD
BANGALORE - 560 001
- MILLS** : GOKAK FALLS-591 308 (District Belgaum-Karnataka)
- KNITWEAR UNIT** : BAGALKOT ROAD CTS NO. 10588/1 D-190-B-PHASE-VI
VILLAGE MARIHAL - 591 167 BEHIND RAMDEV HOTEL FOCAL POINT
DIST. BELGAUM NEHRU NAGAR LUDHIANA - 141 010
KARNATAKA BELGAUM - 590 010 PUNJAB
KARNATAKA
- REGISTERED OFFICE** : 1st FLOOR, NO. 45/3,
GOPALKRISHNA COMPLEX
RESIDENCY CROSS ROAD
BANGALORE - 560 025
- CORPORATE OFFICE** : NO.24, 29TH MAIN
BTM LAYOUT II STAGE
BANGALORE - 560 076

THIRD ANNUAL REPORT 2008-2009

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Annual General Meeting will be held on Friday, 25th September, 2009 at 2.00 P.M.
at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001

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NOTICE

NOTICE is hereby given that the THIRD ANNUAL GENERAL MEETING of the Members of GOKAK TEXTILES LIMITED, will be held on Friday, the 25th September, 2009 at 2.00 p.m. at Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit and Loss Account of the Company for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr.Ashok Barat who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr.D.G.Prasad who retires by rotation and is eligible for re-appointment.
4. To appoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants, as Auditors and to authorise the Board of Directors to fix their remuneration.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
“RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, Messrs. Muruges & Co., Chartered Accountants, Bangalore be and are hereby appointed as Branch Auditors of the Company, to audit the Accounts in respect of the Company’s Forbes Campbell Knitwear Division situate at Marihal, Belgaum and to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on terms and conditions and at a remuneration to be determined by the Board of Directors of the Company, in addition to reimbursement of out-of-pocket expenses incurred by them for the purpose of conducting the audit”.

Special Business:

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:
“RESOLVED that Mr. Pradip N. Kapadia be and is hereby appointed as a Director of the Company liable to retire by rotation”
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution:
“RESOLVED that Mr. R.N.Jha be and is hereby appointed as a Director of the Company liable to retire by rotation”.
8. To consider and, if thought fit, to pass with or without modification(s), the following resolutions as a Special Resolution:
“RESOLVED that subject to the provisions of Section 198, 309, 310 and 311 read with Part II of Schedule XIII and any other applicable provisions of the Companies Act 1956, and in terms of the recommendation of the remuneration committee, the remuneration payable to Whole time Director Mr. H.S.Bhaskar be and is hereby increased in the following manner with effect from 1st April 2008 for the remaining period of his tenure of appointment for a period of three years from 31.7.2007, originally made through a special resolution passed in the general meeting of the members of the company held on 13.8.2007.

Remuneration payable by way of salary, dearness allowance, perquisites, bonus, commission and other monthly allowances or a combination of any or all of the above, which together shall not exceed 5% of the Net Profits calculated under the provisions of Section 349 and 350 of the Companies Act, 1956, however subject to that he shall be entitled to a remuneration of Rs.48,00,000 (Rupees Forty Eight Lakhs Only) per annum, in case of inadequacy or no profits in any year with the liberty to the Board of Directors of the Company to alter, modify and vary the terms of payment of remuneration from time to time and in such manner as may be agreed to by the Board and Mr. H.S. Bhaskar, but so as not to exceed the limits specified in Schedule XIII to the Act or any amendment thereto, re-enactments thereof, with effect from such dates as may be decided by the Board.

Further, the above remuneration and perquisites are exclusive of :

- a. Contribution to provident fund, superannuation fund or annuity fund to the extent these are not taxable under the provisions of the Income Tax Act 1961,
- b. Gratuity payable as per the rules of the company not exceeding half month’s salary for each completed year of service and,
- c. Encashment of leave subject to the company’s rules at the end of tenure”.

“FURTHER RESOLVED that all other terms and conditions of his appointment shall remain unchanged”.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
31st July, 2009.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING, IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. AN INSTRUMENT OF APPOINTMENT OF PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME SCHEDULED FOR COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted in respect of item no. 6, 7 and 8 is annexed hereto.
3. Members/Proxies are requested to bring their copy of Annual Report and duly-filled Attendance slips sent herewith to attend the meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday 16th September, 2009 to Friday, 25th September, 2009 (both days inclusive).
5. Members are requested to promptly notify any change in their address to the Registrars and Share Transfer Agents or the Depository Participants (in case of shares held in dematerialized mode).
6. **SHAREHOLDERS ARE ADVISED, IN THEIR OWN INTEREST THAT ALL COMMUNICATIONS TO THE COMPANY OR ITS REGISTRARS AND SHARE TRANSFER AGENTS WHICH WOULD HAVE THE EFFECT OF AMENDING THE PERMANENT DETAILS OF THEIR LEDGER FOLIO, SHOULD BE SIGNED BY ALL THE SHAREHOLDERS REGISTERED UNDER THAT LEDGER FOLIO.**
7. The shareholders desirous of obtaining any information with regard to audited accounts of the company for the financial year 2008-09 or any other related matters are requested to write to the company well in advance before the date fixed for the annual general meeting, so that the information required could be kept ready.
8. Nomination of shares : Pursuant to Section 109A of the Companies Act, 1956, individual Shareholders holding Equity Shares of the Company either singly or jointly may nominate an individual to whom all the rights in such Shares shall vest in the event of death of the sole all joint Shareholders.
9. Please address all communications including lodging of Transfer Deeds to :-

REGISTRARS AND SHARE TRANSFER AGENTS

TSR Darashaw Ltd.,
UNIT: GOKAK TEXTILES LIMITED
6-10, Haji Moosa Patrawala Industrial Estate, 20 Dr. E. Moses Road,
Mahalaxmi, Mumbai 400 011
Tel. : 91 22 66568484, Fax. :91 22 66568494
Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday)
e-mail : csg-unit@tsrdarashaw.com

Branch Offices

- | | |
|--|--|
| <ol style="list-style-type: none">1. TSR Darashaw Ltd.
503, Barton Centre, 5th floor,
84, Mahatma Gandhi Road,
Bangalore 560 001
Tel.:080-25320321
Fax:080-25580019
e-mail:tsrdlbg@tsrdarashaw.com2. TSR Darashaw Ltd.
Tata Cente, 1st floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071
Tel.:033-22883087
Fax:033-22883062
e-mail:tsrdlcal@tsrdarashaw.com | <ol style="list-style-type: none">3. TSR Darashaw Ltd.
Bungalow No.1, "E" Road,
Northern Town, Bistupur,
Jamshedpur 831 001
Tel.:0657-2426616
Fax:0657-2426937
e-mail:tsrdljsr@tsrdarashaw.com4. TSR Darashaw Ltd.
Plot No.2/42, Sant Vihar,
Ansari Road, Daryaganj,
New Delhi 110 002
Tel.:011-23271805
Fax:011-23271802
e-mail:tsrdldel@tsrdarashaw.com |
|--|--|

Agent

Shah Consultancy Services Ltd.
Sumatinath Complex, 2nd Dhal,
Pritam Nagar, Akhada Road, Ellisbridge,
Ahmedabad 380 006
Telefax: 079- 26576038
e-mail: shahconsultancy8154@gmail.com

Investors, if they so prefer, can send transfer request, correspondence and queries to the Company at the following address –
Company Secretary

GOKAK TEXTILES LIMITED

1st floor, 45/3 Gopalkrishna Complex,
Residency Cross Road, Bangalore 560 025
Telephone: 080 25580042, 080 25580043
e-mail. ramanandapai@gokaktextiles.com

Kindly quote your Ledger Folio No.

ANNEXURE TO THE NOTICE

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

In respect of Item No. 6

The Board of Directors of the Company, appointed Mr. Pradip N. Kapadia as an Additional Director of the Company with effect from 12th September, 2008 in accordance with provisions of Section 260 of the Companies Act, 1956 (hereinafter referred to as "the Act") read with Article 124 of the Articles of Association of the Company (hereinafter referred to as "the Articles"). Mr. Pradip N. Kapadia holds office upto the date of the ensuing Annual General Meeting.

A Notice in writing, has been received from a Member under Section 257 of the Act together with the requisite deposit, signifying intention to propose Mr. Pradip N. Kapadia as a candidate for appointment as a Director.

Mr. Pradip N. Kapadia, aged 58 years, is Solicitor & Advocate, Partner in the Law Firm "Vigil Juris", Advocates, Solicitors & Notary, Mumbai and Director on the Board of several companies. He has wide and varied experience in general and legal matters as an Advocate. The Board of Directors consider that the appointment of Mr. Pradip N. Kapadia would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.6 of the Notice.

None of the Directors other than Mr. Pradip N. Kapadia is concerned or interested in this resolution.

In respect of Item No. 7

The Board of Directors of the company at their meeting held on 30th January, 2009 appointed Mr. R.N. Jha as an Additional Director of the Company in accordance with Section 260 of the Companies Act, 1956 (hereinafter referred to as the "Act") read with Article 124 of the Articles of Association of the Company (hereinafter referred to as "the Articles") Mr. R.N. Jha holds office upto the date of the ensuing Annual General Meeting.

A Notice in writing, has been received from a shareholder under Section 257 of the Act together with requisite deposit, signifying intention to propose Mr. R.N.Jha as a candidate for appointment as a Director.

Mr. R.N.Jha aged 70 years, is Management Consultant and Director on the Board of several companies. He has wide and varied experience in general, insurance, corporate planning and restructuring of projects etc., The Board of Directors consider that the appointment of Mr.R.N.Jha would be in the best interest of the Company and accordingly, recommend the passing of the resolution proposed at Item No.7 of the Notice.

None of the Directors other than Mr.R.N.Jha is concerned or interested in this resolution.

In respect of Item No. 8

As the Members aware, Mr. H.S. Bhaskar, Executive Director & Chief Executive Officer of the Company was appointed as Whole-time Director of the Company for a period of 3 years with effect from 31.07.2007 to 30.7.2010 on the remuneration and upon the terms and conditions as set out in the draft Agreement which was approved by the Members at the Annual General Meeting held on 13th August, 2007. The terms of his remuneration inter-alia includes payment of remuneration of Rs.2,92,500 p.m.

Based on the recommendation of the Remuneration Committee, the Board of Directors of the Company at their Meeting held on 31st July, 2009 proposed revision in the salary range of Mr. H.S. Bhaskar from Rs.2,92,500 p.m. to Rs.4,00,000 p.m. based on the effective capital of the Company and Part II of Schedule XIII of the Companies Act, 1956.

Pursuant to the provisions of Companies Act, 1956, such revision in the salary range of Whole-time Director requires approval of the shareholders by means of a Special Resolution. Accordingly, the Board recommend the passing of the resolution proposed at Item No.8 of the Notice.

Brief description under Schedule is given in the notes appended to the Notice of this Meeting.

None of the Directors of the Company other than Mr. H.S. Bhaskar concerned or interested in this resolution.

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
31st July, 2009.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

2. Information required to be furnished under Clause 49 (IV)(G)(i) of the Listing Agreement.

As required pursuant to Clause 49(IV)(G)(i) of the Listing Agreement, the particulars of Directors, who are proposed to be appointed / re-appointed at this Annual General Meeting, are furnished below :

Name of the Director	Mr. Ashok Barat	Mr. D.G. Prasad	Mr. Pradip N. Kapadia	Mr. R.N. Jha
Date of Birth	5th December, 1956	30th June, 1948	30th September, 1951	2nd July, 1939
Date of first Appointment	29th November, 2006	06th February, 2007	12th September, 2008	30th January, 2009
Qualification	FCA, FCS	FCA	B.A. LLB	B.A. (Hons.)
Relationships between directors inter-se	Not related to any directors of the Company	Nominee of Export Import Bank of India	Not related to any directors of the Company.	Not related to any directors of the Company.
Expertise in specific functional areas	Mr. Ashok Barat is the Chairman of Forbes Technologies Ltd., Nypro Forbes Moulds Pvt. Ltd., and Forbes Finance Ltd., He is the Managing Director of Forbes & Company Ltd. He is also a Director of several Public Limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr.D.G. Prasad is the Nominee of Export Import Bank of India He is Director of several Public Limited Companies. He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc.,	Mr. Pradip N.Kapadia is Solicitor and Advocate He is Director of several Public Limited Companies. He has expertise in legal matters as an Advocate.	Mr. R. N.Jha is a Management Consultant. He is Director of several Public Limited Companies and his expertise includes insurance, fund management, corporate planning and restructuring of projects, etc,
List of Companies in which Directorship held as on 31st March, 2009	<u>PUBLIC COMPANIES</u> 1. Forbes Technologies Ltd., 2. Forbes Finance Ltd., 3. Forbes & Company Ltd., 4. SCI Forbes Ltd., 5. Forbes Bumi Armada Ltd.,	<u>PUBLIC COMPANIES</u> 1. Strides Arcolab Limited 2. Suven Life Science Ltd., 3. Navin Fluorine International Ltd.,	<u>PUBLIC COMPANIES</u> 1. Afcons Infrastructure Ltd., 2. Mafatlal Denim Ltd., Publishing Ltd., 3. S.Kumars Online Ltd.,	<u>PUBLIC COMPANIES</u> 1. Forbes & Company Ltd., 2. Next Gen
Member of the Board Committees	1. <u>Audit Committee</u> Forbes & Company Ltd., Gokak Textiles Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> Forbes & Company Ltd., Gokak Textiles Ltd.,	1. <u>Audit Committee</u> Strides Arcolab Limited Gokak Textiles Ltd., Suven Life Science Ltd.,	1. <u>Audit Committee</u> Mafatlal Denim Ltd., Afcons Infrastructure Ltd., Navin Fluorine International Ltd. 2. <u>Remuneration Committee</u> Afcons Infrastructure Ltd., 3. <u>Shareholders/investors Grievance Committee</u> Afcons Infrastructure Ltd., Navin Fluorine International Ltd., 4. <u>Compensation (ESOP) Committee</u> Afcons Infrastructure Ltd.,	1. <u>Audit Committee</u> Forbes & Company Ltd., S Kumars Online Ltd., 2. <u>Remuneration Committee</u> Forbes & Company Ltd.,
No. of shares held	Nil	Nil	Nil	Nil

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
31st July, 2009.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

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3. Statement containing the information required to be furnished pursuant to paragraph 1 (B) (iv) of Section II in Part II of Schedule XIII to the Companies Act, 1956 as amended by notification dated 16th January, 2002 is given hereunder.

I. General Information:

(1) Nature of Industry	Manufacture of Cotton Yarn and Knitwear			
(2) Date or expected date of commencement of commercial production.	The Company was incorporated on 27th March, 2006 at Bangalore. Consequent upon the Scheme of Arrangement for the demerger of the Textiles Undertaking of Forbes Gokak Ltd (FGL) into GOKAK TEXTILES LIMITED approved by the High Court, Bombay and High Court of Karnataka at Bangalore, the Textile and the Knitwear business of the Textiles Undertaking of FGL was transferred to GOKAK TEXTILES LIMITED with effect from 1st April, 2007.			
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	The Textiles Undertaking of Forbes Gokak Ltd was transferred to GOKAK TEXTILES LIMITED pursuant to the Scheme of Arrangement. The said Textiles Undertaking under Forbes Gokak Ltd is in commercial production since the year 1919.			
(4) Financial Performance based on given indicators.	(Rupees)			
		Year ending 31.03.2007	Year ending 31.03.2008	Year ending 31.03.2009
	Gross Income	6,672	3,417,780,353	2,717,289,239
	PBT	(14,250)	(34,280,354)	(238,882,870)
	Net Worth	500,000	850,642,850	597,052,807
Dividend %	Nil	Nil	Nil	
(5) Export Performance and net foreign exchange earning.	(Rupees Crores)			
		Year ending 31.03.2007	Year ending 31.03.2008	Year ending 31.03.2009
	Foreign Exchange Earning	NA	134.43	93.18
	Less: Foreign Exchange Outgo	NA	14.75	20.53
	Net Position	NA	119.68	72.65
(6) Foreign Investor or Collaborators, if any.	There is no direct foreign investment in the company.			

II. Information of the remuneration package of Mr. H.S.Bhaskar, Whole-time Director:

(1) Background details	Mr. H.S.Bhaskar, age 53 years, is a Diploma holder in Textile Technology. Prior to his appointment on the Board of Directors of the Company on 31st July, 2007 he was the Director (Textiles) of Forbes Gokak Limited. He was with Forbes Gokak Limited for over 11 years.
(2) Past Remuneration.	Remuneration comprises monthly salary, perquisites, contribution towards retiral benefits and annual performance incentive, the details of which are : - Lakh Rs. Y.E. 31.03.2007 24.59 Y.E. 31.03.2008 25.43 Y.E. 31.03.2009 41.26
(3) Recognition or Awards.	Mr. H.S.Bhaskar is a member, Research Committee, Bombay Textiles Research Association and is associated with a premier university as an examiner for Master of Business Managers in India and abroad.
(4) Job profile and his suitability.	He has operational and managerial experience of over 30 years in the Textile industry and has led teams of professional managers in India and abroad.
(5) Remuneration proposed.	Remuneration proposed includes – (a) A monthly salary in the salary range of Rs.1,10,000 to Rs.4,00,000 (b) Housing, Vehicle, Medical and Leave Travel and other perquisites subject to a ceiling of 125% of the basic salary. (c) Such commission/ incentive as may be approved by the Board of Directors of the Company having regard to the Net Profits of the Company and provisions of Section 198 and all other applicable provisions, if any, of the Companies Act, 1956. (d) Excluding contribution to the Provident Fund, Superannuation Fund and Gratuity Fund, leave encashment as per the Rules of the Company.
(6) Comparative remuneration profile with respect of industry, size of Company, profile of the position and person (in case of expatriates the relevant details would be with reference to the country of his origin)	The proposed remuneration is in tune with the current remuneration packages of managerial personnel of Companies belonging to the similar industry. Further, it is commensurate with the qualification & experience and in accordance with the highly competitive business scenario requiring recognition and reward of performance & achievement for retention of best talent and motivation towards meeting the objectives of the Company.
(7) Pecuniary relationship directly or indirectly with the Company or the relationship with the Managerial Personnel, if any.	Only to the extent of his entitlement to the remuneration as a managerial personnel.

III. Other Information:

(1) Reason of loss of inadequate profits	Due to economic recession and unprecedented decline in demand for exports in the textile industry and high cost of raw materials and power cost resulting in inadequate profits in the financial year 2008-09.
(2) Steps taken or proposed to be taken for improvement.	Management is taking necessary and adequate steps to improve the profitability of the Company.
(3) Expected increase in production and profits in measurable terms	A reasonable improvement is expected in the production and profits during the year 2009-2010.

Disclosure

“The necessary disclosure required under provision (iv) of Part II, Section II(1)(B) to Schedule XIII to the Act have been reported in the Directors Report under the heading ‘Corporate Governance’ attached to the Annual Report of the Company”

DIRECTORS' REPORT

To,
The Shareholders

Your Directors submit their Report and Audited Accounts of the Company for the year ended 31st March, 2009.

1. FINANCIAL RESULTS:

The summarized financial results are set out below :

(Rs. in Crores)

	For the year ended 31st March 2009	For the year ended 31 st March 2008
(a) Gross Income	271.72	341.78
(b) <i>Less:</i> Costs	266.92	318.17
(c) Balance	4.80	23.61
(d) <i>Less:</i> Interest and Financial Charges (Net)	16.26	14.81
(e) Balance	(11.46)	8.80
(f) <i>Less:</i> Depreciation	12.43	12.23
(g) Loss after depreciation carried to Balance Sheet	(23.89)	(3.43)

Your Company has recorded gross income of Rs.271.72 Crores for the year ended 31st March, 2009 as compared to Rs.341.78 Crores in the year ended 31st March, 2008. The results of the Company reflect the difficult times the Textile industry in India is passing through.

2. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company is Rs.6.50 Crores. Considering the results, no dividend for the year is proposed.

3. LISTING OF SECURITIES:

The equity shares of the Company are listed on the Bombay Stock Exchange Ltd., Mumbai. The Company has paid Listing Fees upto date.

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

4.1 Industry Structure and Developments

Textile industry is undergoing deepened crisis for the last 2 years, first when rupee was strengthening against dollar, export of yarns and garments received severe set back. When the world economy was undergoing severe crisis, Govt. of India increased the minimum support price of cotton by 40%. This resulted in cotton prices reaching one of the highest level in the history of the Textile Industry. The increase in cotton price adversely affected the textile mills across the county. Even though world over, petroleum prices dropped, the polyester prices continuously went up and still the polyester prices are on an increasing trend. Due to international financial crisis many of the payments under confirmed letter of credit also came under severe threat eroding the confidence of international trade. Added to this problem, many of the customers, especially in the garment sector, started demanding clean credit varying between 30 and 60 days, due to which the Company had to forego certain valued orders. These factors affected and continues to affect, the operations of the

Company.

4.2 Opportunities and Threats

Continuous increase in cost of inputs, power and demand recession in USA and Europe has adversely effected exports and have forced the textile units in India to face a reversal. It is against this background that the performance for the year should be judged.

4.3 Segment-wise review and analysis

During the last 5 years, your Company invested approximately Rs.160 crores in various equipments as a part of its strategic programmes. Some of the projects undertaken have yielded expected results while some of the projects are in stabilization stage. Due to the recent economic crisis, the results from some of new investments have been delayed and started placing undue pressure on the finances.

In the last 2 years efforts are going in the direction to improve the value chain of the company. Several new products are introduced in the markets which are under going trials at various stages and the company is confident that these products will find a good response from the market. With the prevailing cotton price and marketing conditions it was impossible for the company to continue to manufacture commodity yarn and hence Company had to take measures to curtail loss making products. In this direction, the Company had to shut down one of the mills at Gokak Falls which was yielding negative results, while one of the mill was converted to work exclusively on man made fibre and fibre dyed yarns.

The company is coming out with its own brand to market undergarments and other products which are growing at the rate of 20-22% at present. The company has already employed key marketing personnel to enhance marketing ability of its brands. All these efforts coupled with continuous monitoring of costs will start yielding positive results in the coming years. Looking to the present economic turmoil, results will accrue in medium to long term and hence we need to sustain ourselves during the immediate short term crisis

4.4 Concerns and Risks Management

The Company wide awareness of risk management policies and practices is being inculcated to minimize the adverse effect of risks on the operating results and the subject of management of risks is being approached in a planned and co-ordinated manner.

The acceptability of cotton as premium product can only enhance value perception of the yarn and knitwear we make. The Company is accelerating this process by moving up the value chain by well researched and designed products.

4.5 Outlook

In the year 2009-10, the Monsoon Spillway hydro power project will be commissioned, which will enhance the power generation capacity of the company. This will enable the company to reduce its dependence on State Electricity Board and this will also ultimately reduce the overall power cost.

State Government of Karnataka has come up with a new scheme under the name of "Kaigarika Vikasa Scheme" to raise the level of industrial activities in 39 most backward and 40 backward Talukas identified by the high Power committee for redressal of regional imbalances. Gokak Mills is offering itself to become an Anchoring

Industry for the above scheme which will also help and contribute as a new source of skilled manpower in the near vicinity. This will also help in developing and manufacturing all value added products which company is planning to expand

4.6 Internal control systems and their adequacy

The Company has a benefit of internal control systems developed over years which ensured that all transactions are satisfactorily recorded and reported and all assets are protected against loss from an unauthorized use or otherwise. The internal control systems are supplemented by an internal audit system carried out by independent firms of Chartered Accountants and a periodical review by the management. The Audit Committee of the Board meets at a regular interval and advises on significant issues raised by, both, the Internal Auditors and the Statutory Auditors. The process of internal control and systems, statutory compliance, risk analysis and its management and information technology are woven together to provide a meaningful support to the management process.

The system adopted, especially relating to internal control systems are adequate and commensurate with the nature of its business and size of its operations, though continues efforts are being made to strengthening the same.

4.7 Discussion on financial performance with respect to operational performance.

The financial as well as the operational performance of the Company for the year under review has been discussed in detail in the preceding paragraph. The cash-flow statement and the balance sheet abstract and Company's general business profile are annexed to the annual accounts of the Company.

4.8 Material developments in Human Resources / Industrial Relations front.

In the past few years, as the job market has opened widely, the demand for talents has been continuously rising and continuous learning has therefore become inevitable. As such, the Company continued thrust on Human Asset Management and Development activity. In order to cope with this requirement for talent, apart from locating talents from outside market where necessary, the Company also focused on the activity of nurturing and developing its human capital from within, by the process of training and upgrading competence level.

On the Industrial Relations front, a cordial relationship has been maintained with Unions and there has not been any loss of man-hours in the manufacturing units. Your Company has put in place a series of HRD measures including appraisal of employees, recognition and reward for good work, developing career plans, training etc., In the context of the changing business scenario, professional competence and skills are being nurtured keeping the growth perspective in mind.

4.9 Cautionary Statement

The statements in this report on 'Management Discussion and Analysis' describing the Company's objectives, estimates, expectations or projections, outlook etc., may constitute 'forward looking statements' within the meaning of the applicable securities laws and regulations. Actual results may differ from such expectations, projections etc., whether express or implied. These statements are based on certain assumptions and expectations of future events over which the Company has no direct control. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any

subsequent developments, information or events.

5. DIRECTORS:

Mr. Pradip N. Kapadia, Mr. R.N. Jha were appointed as Additional Directors of the Company with effect from 12th September, 2008 and 30th January, 2009 respectively and holds office upto the date of this Annual General Meeting of the Company. The Board of Directors commends their appointment as the Directors of the Company.

Directors recommend reappointment of Mr. Ashok Barat. Mr. D.G. Prasad is the nominee of the Export Import Bank of India and his re-appointment is proposed as a Director not liable to retire by rotation.

Particulars of Directors, who are proposed to be appointed / reappointed at this Annual General Meeting are furnished as a separate statement annexed to the Explanatory statement of the notice and Report on corporate governance.

None of the Directors of the Company are disqualified from being appointed as Directors as specified in terms of Section 274(1)(g) of the Companies Act, 1956.

6. CORPORATE GOVERNANCE:

A detailed report on Corporate Governance is annexed as a part of this Annual Report and management discussion and analysis report forms a part of this report.

A Certificate on compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement issued by the Statutory Auditors of the Company is annexed to the Report on Corporate Governance.

7. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management, confirm :-

- a. that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- b. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. that the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that the Directors have prepared the annual accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

8. AUDITORS:

Shareholders are requested to appoint Auditors for the current year and authorise the Board to fix their remuneration. It is proposed to reappoint Messrs. Kalyaniwalla & Mistry, Chartered Accountants as the Statutory Auditors of the Company and

Messrs. H. B. Murugesh & Company as the Branch Auditors to conduct audit of Forbes Campbell Knitwear Division of the Company to hold office from the conclusion of the this Annual General Meeting until the conclusion of next Annual General Meeting of the Company.

9. CORPORATE SOCIAL RESPONSIBILITY:

Apart from afforestation, schools and hospitals, the Company continued to support causes of public utility both directly and indirectly in the field of education, medical relief, relief of poverty and promotion of sports and art.

10. COST ACCOUNTING RECORDS (COTTON TEXTILES) RULES, 1977:

The necessary books of accounts and cost records as required under Section 209(1)(d) of the Companies Act, 1956 and as applicable to the Textiles activities of the Company have been maintained.

11. PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956 :

Following statements are attached and form a part of this report

(a) The particulars of employees as required under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of the Report. Having regard to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the statement of particulars of employees under Section 217(2A) of the Companies Act, 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary at the Registered Office of the Company.

(b) Information relating to the Conservation of Energy, Technology Absorption and under Section 217(2A) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

12. SEBI-SUBSTANTIAL ACQUISITION OF SHARES AND TAKE-OVER REGULATIONS, 1997:

Persons constituting group coming within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 include the following:-

1. Sterling Investment Corporation Pvt. Ltd.,
2. Abhipreet Trading Co.Pvt.Ltd.
3. Afcons (Overseas) Constructions and Investments Pvt.Ltd.
4. Afcons Arethusa Offshore Services Ltd.
5. Afcons Construction Mideast LLC
6. Afcons Madagascar Overseas SARL
7. Afcons Emirates Financial Services FZE
8. Afcons Dredging & Marine Services Ltd.
9. Afcons Infrastructure International Ltd.
10. Alaya Properties Pvt. Ltd.,
11. Archaic Properties Pvt.Ltd.
12. Bengal Shapoorji Business Parks Pvt.Ltd.
13. Bengal Shapoorji Infrastructure Development Pvt.Ltd.
14. Blue Riband Properties Pvt.Ltd.

15. Cama Properties Pvt.Ltd.
16. Chinsha Properties Pvt.Ltd.
17. Corporate Apparel U.S.A., Inc
18. Cyrus Chemicals Pvt.Ltd.
19. Cyrus Engineers Pvt.Ltd.
20. Cyrus Investments Ltd.
21. Delna Finance & Investments Pvt.Ltd.
22. Delphi Developers Pvt. Ltd.,
23. Devine Realty & Construction Pvt. Ltd.,
24. Doris Properties Pvt.Ltd.
25. Drashti Developers Pvt. Ltd.,
26. East View Estate Pvt.Ltd.
27. Euphoria Properties Pvt.Ltd.
28. Empower Builders Pvt. Ltd.,
29. Firstrock Infrastructure Pvt.Ltd.
30. First Future Air Services Pvt. Ltd.,
31. Flamboyant Developers Pvt. Ltd.,
32. Flooriase Developers Pvt.Ltd.
33. Floral Finance Pvt.Ltd.
34. Floreat Investments Ltd.
35. Flotilla Finance Pvt.Ltd.
36. Forvol International Services Ltd.
37. Forbes & Company Ltd.
38. Gallop Developers Pvt. Ltd.,
39. Gossip Properties Pvt.Ltd.
40. Hazarat & Company Pvt.Ltd.
41. Highstreat Developers Pvt.Ltd.
42. High Point Properties Pvt. Ltd.,
43. Khajrana Ganesh Properties Pvt.Ltd.
44. Lucrative Properties Pvt. Ltd.
45. Magpie Finance Pvt. Ltd.
46. Make home Realty & Construction Pvt. Ltd.,
47. Manjri Developers Pvt.Ltd.
48. Manjri Horse Breeders Farm Pvt.Ltd.
49. Mazsons Builders & Developers Pvt.Ltd.
50. Meriland Estates Pvt.Ltd.
51. Mileage Properties Pvt.Ltd.
52. Miracletouch Developers Pvt. Ltd.,
53. My Dream Properties Pvt. Ltd.,
54. Neil Properties Pvt.Ltd.
55. Palchin Real Estates Pvt.Ltd.
56. Phenomenon Developers Pvt. Ltd.,
57. Precaution Properties Pvt.Ltd.
58. Ramili Investments Pvt.Ltd.
59. Relationship properties Pvt.Ltd.
60. Renaissance Commerce Pvt. Ltd.,
61. S.C.Impex Pvt.Ltd.
62. Shachin Real Estate Pvt.Ltd.
63. Shapoorji & Co.Pvt.Ltd.
64. Shapoorji Data Processing Pvt.Ltd.
65. Shapoorji Drilling Enterprises Pvt.Ltd.

66. Shapoorji Hotels Pvt.Ltd.
67. Shapoorji Pallonji Infrastructure Capital Co.Ltd.
68. Shapoorji Pallonji (Gwalior) Pvt.Ltd.
69. Shapoorji Pallonji Biotech Park Pvt.Ltd.
70. Shapoorji Pallonji Finance Ltd.
71. Shapoorji Pallonji Ports Pvt.Ltd.
72. Shapoorji Pallonji Power Co.Ltd.
73. Sharus Building Services Pvt.Ltd.
74. Shatranj Properties Pvt.Ltd.
75. SP Agri Management Services Pvt.Ltd.
76. SP Aluminium Systems Pvt.Ltd.
77. SP Architectural Coatings Ltd.
78. SP Bioscience Pvt.Ltd.
79. SP Fabricators Pvt. Ltd.,
80. SP Infocity Developers Pvt. Ltd.,
81. SP Research Laboratories Pvt. Ltd.,
82. SP Simar Infrastructure Zone Pvt. Ltd.,
83. SP International
84. SSS Electricals (India) Ltd.,
85. Steppe Developers Pvt. Ltd.,
86. Sterling Generators Pvt.Ltd.
87. Sterling Industries FZ LLC
88. Sterling and Wilson Pvt. Ltd.,
89. Sterling and Wilson Powergen Pvt. Ltd.,
90. Sunny View Estates Pvt.Ltd.
91. Think Ahead Properties Pvt.Ltd.
92. United Motors (India) Ltd.

13. ACKNOWLEDGEMENT

Your Company continues to occupy a place of respect amongst the many stakeholders it is associated with, most of all, our valued customers. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge the co-operation of Workmen Union. Your directors thank all other stakeholders for their valuable sustained support, encouragement and look forward to receiving similar support and encouragement in the years ahead.

Mumbai
31st July, 2009.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

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

(A) Conservation of Energy

Measures taken during the year include the following:

(a) ENERGY CONSERVATION MEASURES TAKEN :

1. Installed Delta to Star Converter on Mill No.1 Inter (8 Machines) and Mill No.1 Ring Frame (1 Machine)
2. Humidification plant supply air fan blade angle adjusted to reduce the load on motor
3. Unwanted lighting disconnected.
4. Pilot inter higher HP Motor replaced with adequate (Lower HP) Motor
5. Ultraviolet Chamber lights fixed with Auto Switch Off.
6. Old Humidification plant in Mill No.2 installed with Delta to Star Converter.
7. TFO M/C in Mill No.2 fixed with Delta to Star Converter (12 Machines)
8. Inter Machine in Mill No.2 fixed with Delta to Star Converter (10 Machines)
9. Ultraviolet Chamber lights fixed with Auto Switch Off in Mill No.4
10. TFO Machine in Mill No.4 fixed with Delta to Star Converter (5 Machines)
11. Inter Machine in Mill No.4 fixed with Delta to Star Converter (2 Machines)
12. Stopping of centralized compressor after monitoring & Auditing air leakage.
13. Use of CFL Lamps in Mills Compound.

(b) ADDITIONAL INVESTMENT PROPOSALS

1. Star to Delta Converter for : –
 - (a) Ring Frame
 - (b) Inter
 - (c) T.F.O.
2. (a) Inverter for pneumafil motor in ring frame.
(b) Inverter for suction motor in auto coner.
3. Automatic Switch for Idle lighting
4. Installation of APFC Panels
5. Rota Meters for Auto Coners.
6. Installation pressure control system for Inters
7. Replacement of lower efficiency motors with high efficiency motors
8. Wind ventilators for GCC packing / folding
9. Compound light with CFL Lamps
10. Cooling Tower modification with automising system.

(c) Impact of measures taken at (a) above for reduction of energy consumption and impact on cost of goods :

1. The Company's operations involve low energy consumption. Efforts to conserve and optimize use of energy through operational methods will continue.
2. The Company is expecting to get further saving on lighting and air-conditioners consumption due to measures taken.

(d) Required details in respect of Textiles and Knitwear Activity are set out in Form 'A'

(B) Technology Absorption

Required details are set out in Form 'B'

(C) Foreign Exchange earnings and outgo

(a) Foreign exchange earnings :

	(Rs. Crores)
1. Exports	93.18
2. Commission	–
Total	93.18

(b) Foreign exchange outgo :

	(Rs. Crores)
1. Imports calculated on CIF basis – raw material	9.82
2. Imports calculated on CIF basis – stores, spares and tools	1.74
3. Imports calculated on CIF basis – capital goods	5.06
4. Commission to overseas agents	1.32
5. Foreign travel	0.12
6. Royalty	–
7. Interest paid on loans	1.74
8. Others	0.73
Total	20.53

FORM - A
(See Rule 2)

Form for disclosure of particulars with respect to Conservation of Energy

(A) Power and Fuel Consumption :

		Current year ended 31-03-2009	Previous year ended 31-03-2008
1. Electricity			
(a) Purchased			
Unit	'000 KWH	47465.24	63314
Total Amount	Rs.Lakhs	2190.05	2821.05
Rate/Unit	Rs.	4.61	4.46
(b) Own Generation			
(i) Through Diesel Generator			
Unit	'000 KWH	1697.43	2,302
Units/Litre of Diesel Oil	KWH	5.88	5.73
Cost/Unit	Rs.	9.98	10.18
(ii) Through Steam turbine/generator			Nil
2. Coal (Steam-coal-Used in Boilers)			
(a) Quantity	Tonnes	-	-
(b) Total Cost	Rs.Lakhs	-	-
(c) Average rate/tonne	Rs.	-	-
3. Diesel (Used in Thermic Fluid Heater)			
(a) Quantity	'000 Litre	448.35	61
(b) Total Cost	Rs.Lakhs	38.59	21
(c) Average rate per kilolitre	Rs.	36057.59	34025
4. Furnance Oil		Nil	Nil
5. H.F.O. Power Generation			
Unit	'000 KWH	1955.55	11,116
Total Amount	Rs.Lakhs	134.57	575.39
Rate/Unit	Rs.	6.88	5.18
6. Others/Internal Generation			
(i) Bagasse/Paddy Husk/Fire Wood			
(a) Quantity	Tonnes	15635.80	16,649
(b) Total Cost	Rs.Lakhs	339.13	352.57
(c) Average rate/tonne	Rs.	2168.93	2,118
(ii) Gas			
(a) Quantity	1000 M ³	-	-
(b) Total Cost	Rs.Lakhs	-	-
(c) Average rate/M ³	Rs.	-	-
(iii) Water (for Hydro-Generating Sets)			
(a) Quantity/year	Cusec	623471	5,67,559
(b) Total Cost	Rs.Lakhs	37.82	37.60
(c) Average rate/Cusec	Rs.	6.07	6.62

(B) Consumption per Unit of production :

Product : Yarn/Canvas/Terry Towel/Knitted Garments

Unit of Production : Kg./Pieces

		Standard if any	Current Year	Previous Year	Reasons for variation
1. Electricity	KWH	-	5.10	2.39	#
2. Diesel	Ltrs.	-	0.04	0.01	#
3. Coal (C Grade)	Kg.	-	0.13	0	#
4. Furnance Oil	Ltrs.	-	0.62	0.09	#
5. Bagasee/Paddy Husk/Wood	Kg.	-	2.03	1.17	#
6. Gas	M ³	-	-	-	#
7. Water	Cusec	-	0.033	0.021	#

Due to change in composition of alternative Input, Production Pattern, Product-mix and Lower Capacity utilisation

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FORM B

(See Rule 2)

Form for disclosure of particulars with respect to Technology Absorption

(A) Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company : This includes -
- a) Installation of new fibre dyeing plant for manufacturing melange yarns. The new melange product range manufacture with cotton recycled waste dyed fibre with various blends percentage and depth.
 - b) Introduction of new fibres like Soya bean, Bamboo, Micro Modal both 100% and blends for adding value.
 - c) New state of art looms and design studio to develop yarn dyed suiting Value added suiting to the garment sector for high-end exclusive market.
 - d) Producing Fair Trade cotton yarn 100% and blends in single as well as multifold yarns to suit various home textiles (bath mat and sheeting) to enhance ecological harmony.
 - e) 100% Organic cotton and blended yarn for both local and export to suit various home textiles (bath math and sheeting) to enhance ecological harmony
 - f) IRR fabric for defence is made out of Flame Retardant fibre blended with carbon fibres.
2. Benefits derived as a result of the above R&D:
- a) New products developed by R & D have been commercialised.
 - b) With the introduction of the new products, we have been able to cater to high-end exclusive market, which has resulted in value, added products.
 - c) Value added textiles like cotton yarn dyed suiting to be made internally.
3. Future course of action:
- a) Value added textile of cotton yarn dyed suiting is to be made in-house and to be commercialised.
 - b) Dyed canvas for various industrial uses, like tents.
 - c) Horse rugs from yarn dyed canvas.
 - d) Bags for high-end retail market from yarn dyed canvas.
 - e) Black and Coloured cotton melange yarns for Export knit markets.
 - f) Global Recycled waste products for local and export markets certified through control union.

4. Expenditure on R & D:	(Rs. in Lakhs)
a) Capital	0.00
b) Recurring	70.75
c) Total	<u>70.75</u>
d) Total R & D expenditure as percentage of total turnover	0.27%

FORM B

(See Rule 2)

(B) Technology Absorption, Adaptation and Innovation :

1. Efforts in brief, made towards technology absorption, adaptation and innovation
 - a) Installation of fibre dyed plant.
 - b) Installation of high speed carding machines.
 - c) State of Art Rapier looms in our design studio
2. Benefits derived as result of the above
 - a) These high-speed carding machines (C-60 cards) are imported from M/s Rieter, Switzerland to improve the yarn quality as well as these are energy efficient.
 - b) There is going to be saving in power upto 40%
 - c) These machines are the best and latest available in the market. These are imported from Rieter, Switzerland. These machines give best quality with very high rate of production.
3. In case of import of technology (imported during the last 5 years reckoned from the beginning of the financial yea) the following information may be furnished
 - a) Technology imported
 - b) Year of import
 - c) Has technology been fully absorbed
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.

} Nil

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ANNEXURE 'A'

Annexure forming part of Directors' Report for the year ended 31st March, 2009

Note : Position indicated is as at the end of the year i.e. 31st March, 2009, unless otherwise indicated.

REPORT ON CORPORATE GOVERNANCE

PARTICULARS	COMPLIANCE
1. Brief statement on company's philosophy on code of governance:	The Company's philosophy on the Code of Governance is that the Company should follow contemporary corporate practices as followed by other companies similarly placed and the guiding principle of the Code of Governance of the Company is HARMONY i.e. – (a) Balancing need for transparency with the need to protect the interests of the Company. (b) Balancing the need for empowerment at all levels with the need for accountability and (c) Interaction with all stakeholders including shareholders, employees, lenders and regulatory authorities.
2. Board of Directors:	
a. Composition and Category of Directors i.e. break-up of the Directors into the following :	At the end of the year i.e. 31 st March, 2009 See Annexure AA
i. Promoter Directors	2
ij. Managing/Executive Directors	1
iii. Non-Executive Directors	7 (including 2 included in (i) above)
iv. Independent Non-Executive Directors	5 (included in (iii) above)
v. Nominee Directors	1 (included in (iv) above)
vi. Institutional Director in which capacity –Lender or Equity Investor	Lender (Export Import Bank of India)
	Non-Executive Directors are more than 50% of total directors. The Chairman is non-executive promoter and the number of independent directors are 1/2 of the Board. No Director is related to any other Director on the Board in terms of definition of 'relative' under the Companies Act, 1956, except Mr.Pallonji S.Mistry who is father of Mr.Shapoor P.Mistry.
b. Attendance of each director at the Board of Directors meeting and last Annual General Meeting	See Annexure AA
c. Mention about other Board of Directors or Board Committee, in which each director is a member or Chairperson.	See Annexure AB
d. Number of Board Meetings held dates on which held	5 Board Meetings were held on the following dates : – 28.04.2008 07.07.2008 31.07.2008 21.10.2008 30.01.2009 The gap between two consecutive Board Meetings was not more than four months.
e. Details of Directors whose re-appointment/ appointment is proposed at the forthcoming Annual General Meeting	See Annexure AC

	<p>Code of Conduct for Board of Directors and Senior Management :</p> <p>The Company has adopted a Code of Conduct for Board of Directors and Senior Management (the Code). The Code has been communicated to the Directors and the members of the Senior Management. The Code has also been posted on the Company's website www.gokakmills.com All Board members and senior management have confirmed compliance with the Code for the year ended 31st March, 2009. The Annual Report contains a declaration to this effect signed by the Executive Director & CEO.</p> <p>CEO/CFO Certification</p> <p>As required by the revised Clause 49 of the Listing Agreement, the Certificate from Mr. H.S.Bhaskar, Executive Director & CEO and Mr.S. Raghunathan, Chief Financial Officer was placed before the Board of Directors at their meeting held on 31st July, 2009.</p>		
<p>3. Audit Committee (AC):</p>			
<p>i. Brief description of terms of reference of Audit Committee.</p>	<p>Terms of reference of the Audit Committee include –</p> <ul style="list-style-type: none"> • Review of the Company's financial reporting process, the financial statements and financial/risk management policies. • Review of the adequacy of the internal control systems and functioning of the Internal Audit team • Discussions with the management and the external auditors, the audit plan for the financial year and a joint post-audit review of the same. 		
<p>ii. Composition, name of members and Chairperson & iii. attendance during the year / meetings held during his tenure.</p>	<p>Name</p>	<p>No. of AC Meetings held during his tenure</p>	<p>No. of AC Meetings attended by him</p>
	* Mr.D.G.Prasad @ (Chairman)	5	4
	* Mr.Ashok Barat	5	4
	* Mr.H.S.Billimoria @	5	5
	* Mr.Ramaotar Goyal @	5	4
	<p>* Non-Executive Director @ Non Executive Independent Director All members are financially literate and have Accounting expertise. Mr.K.Ramananda Pai, the Company Secretary, acts as the Secretary of the Committee.</p>		
<p>iv. Number of Audit Committee meetings held- dates on which held</p>	<p>5 Audit Committee meetings were held on the following dates - 28.04.2008 21.10.2008 07.07.2008 30.01.2009 31.07.2008 The gap between two consecutive Audit Committee Meetings was not more than four months.</p>		
<p>4. Remuneration Committee:</p>			
<p>i. Brief description of terms of reference</p>	<p>The Remuneration Committee is responsible for determining the compensation payable to the Whole-time Director based on industry practice and performance of the individuals.</p>		
<p>ii. Composition, name of members and Chairperson & iii. attendance during the year / meetings held during his tenure.</p>	<p>Name</p>	<p>No. of Meetings held during his tenure</p>	<p>No. of Meetings attended by him</p>
	Mr.Shapoor P.Mistry (Chairman)	1	1
	Mr.D.G.Prasad	1	1
	Mr.H.S.Billimoria	1	1
	Mr.Ramaotar Goyal	1	1

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iv. Remuneration Policy	The Remuneration Committee would determine and recommends to the Board the compensation of the Whole-time Director. The Remuneration Committee would make regular appraisal of their performance. The compensation policy and strategy of the Company is to be competitive, by following bench-marking for determining performance and compensation structure. The Company does not have stock options. The other details are as under :				
v. A. Details of remuneration to Whole-time director as per the format listing out the following :	Mr.H.S.Bhaskar Rs.				
(a) Salary and allowance	25,21,423				
(b) Benefits and perquisites	4,48,577				
(c) Bonus / Commission	8,00,000				
(d) Pension-contribution to PF & Superannuation Fund	3,56,400				
(e) Break-up of fixed components and performance linked incentives with performance criteria	Item (c) is Performance Linked, others are fixed. Performance criteria include level of the profits, reduction of costs, improvement of liquidity, steps taken for growth of business.				
(f) Service Contract	31.7.2007 to 30.7.2010 Subject to retirement policy of the Company.				
(g) Notice Period	Six months				
(h) Severance fees	Nil				
(i) Stock Options details (if any)	Nil				
v. B. Details of remuneration paid to Non Whole-time Directors and number of shares held by them in the Company:	Name	No.of shares	Directors' fees including committee fees Rs.	Commission paid Rs.	Total Rs.
	Mr. Pallonji S. Mistry	Nil	20000	Nil	20000
	Mr. Shapoor P. Mistry	Nil	50000	Nil	50000
	Mr. Ashok Barat	Nil	80000	Nil	80000
	Mr. D. G. Prasad	Nil	* 80000	Nil	* 80000
	Mr. C. G. Shah	7	50000	Nil	50000
	Mr. H. S. Billimoria	Nil	100000	Nil	100000
	Mr. Ramaotar Goyal	Nil	80000	Nil	80000
	Mr. Pradip N. Kapadia	Nil	10000	Nil	10000
	Mr. R. N. Jha	Nil	10000	Nil	10000
	* paid to Export Import Bank of India				
5. Shareholders Committee:					
i. Name of non-executive director heading the committee.	Mr. Shapoor P. Mistry (Chairman)				
ii. Name and designation of Compliance Officer	Mr. K. Ramananda Pai Company Secretary				
iii. Complaints received from the shareholders	There is no unresolved complaints as on 31 st March, 2009.				
6. General Body Meetings:					
i. Location and time where last three Annual General Meetings (AGM) held <u>Note</u> : This is the Third AGM of the Company.	1 AGM on 13 th August, 2007 at 11.00 a.m. at Registered Office of the Company, 1 st floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore 560 025	2 nd AGM on 30 th August, 2008 at 2.00 p.m. at Bharatiya Vidya Bhavan, Khincha Hall, Race Course Road, Bangalore 560 001	Not Applicable.		

<p>ii. Details of Special Resolutions passed in the previous 2 AGMs</p>	<p>(1) AGM – 13th August, 2007 :</p> <p>a) Payment of minimum remuneration from 31st July, 2007 to 30th July, 2010 to Mr. H. S. Bhaskar calculated in the manner provided in Part II of the Schedule XIII of the Companies Act, 1956.</p> <p>b) Authority pursuant to Section 163 of the Companies Act, 1956, to keep Register and Index of Members and Debentureholders and Annual Return etc. at a place other than the registered office of the Company.</p> <p>(2) AGM – 30th August, 2008 :</p> <p>a) Consent to pay Commission to Directors of the Company based on the net profit of the Company.</p> <p>b) Consent to keep Registers and Index of Members , Annual Returns etc., at the branch office of the Registrar and Share Transfer Agent of the Company</p>
<p>iii. Whether special resolutions were put through postal ballot last year, details of voting pattern.</p> <p>iv. Persons who conducted the postal ballot exercise.</p> <p>v. Procedure for postal ballot</p> <p>vi. Whether any special resolution is proposed to be conducted through postal ballot.</p>	<p>No special resolution was put through postal ballot during the year ended 31.3.2009.</p> <p>Not Applicable</p> <p>Not Applicable</p> <p>No</p>
<p>7. Disclosures:</p> <p>i. Materially significant related party transactions that may have potential conflict with the interests of the Company at large.</p> <p>ii. Details of non-compliance by the company, penalties strictures imposed on the company by the Stock Exchange or SEBI or any authority on any matter related to capital market during the last 3 years.</p> <p>iii. Whistle Blower policy affirmation that no person has been denied access to the Audit Committee.</p> <p>iv. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.</p>	<p>Materially significant related party transactions are disclosed as a part of the Annual Account as required under the Accounting Standard 18 relating to Related Party Disclosure.</p> <p>The Company has ensured necessary compliance with the requirements of the Stock Exchange, SEBI and other authorities related to capital market and the details of non-compliance and penalties are not applicable.</p> <p>No person has been denied access to the Audit Committee.</p> <p>The Company has complied with all mandatory requirements. The Company will adopt any or all non-mandatory requirements as the Board deems necessary and advisable from time to time.</p>
<p>8. Means of Communications:</p> <p>i. Quarterly results.</p> <p>ii. In which newspapers quarterly results are normally published .</p> <p>iii. Any Website where results or Official news are displayed. & iv.</p> <p>v. The presentation made to institutional investors or to the analysts.</p> <p>vi. Whether Management Discussion and Analysis is a part of Annual Report or not.</p>	<p>The quarterly results are published in newspapers.</p> <p>Quarterly and Annual results were published in Business Standard, Free Press Journal, Samyukta Karnataka (Kannada Daily)</p> <p>Results are made available on the Company's website www.gokakmills.com and also made available to the Bombay Stock Exchange Ltd., in the prescribed form which would enable them to place it on their website i.e. www.bseindia.com</p> <p>The Company does not have a practice of making presentation to institutional investors and analysts.</p> <p>Management Discussion and Analysis is a part of Directors Report.</p>

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<p>9. General Shareholders Information :</p> <p>i. AGM – Date, time and venue</p> <p>ii. Financial Year</p> <p>iii. Book Closure Date</p> <p>iv. Dividend Payment date</p> <p>v. Listing on Stock Exchange</p> <p>vi. Stock Code</p> <p>vii. Market Price Data – High/Low during the each month of the Financial Year.</p>	<p>AGM of the Company is scheduled on Friday, the 25th September 2009 at 2.00 p.m. at Kincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore – 560 001.</p> <p>Financial year of the Company ends on 31st March each year and the last year has ended on 31st March, 2009.</p> <p>The Register of Members and the Share Transfer Books of the Company will remain closed from 16th September 2009 to 25th September 2009.</p> <p>No dividend is proposed for the financial year 2008-09</p> <p>Shares of the Company are listed on Bombay Stock Exchange Ltd.,(BSE) Mumbai.</p> <p>Stock Code of the Company, allotted by Bombay Stock Exchange Ltd., Mumbai is 532957 and ISIN allotted under the dematerialisation procedure is INE642I01014.</p> <p>The shares of the Company were listed on the Bombay Stock Exchange Ltd., and the Market price data i.e. high/low during each month of the financial year for the share of face value Rs.10 each are as under:</p>																																						
	<p>Month and Year</p>	<p>High Rs.</p>	<p>Low Rs.</p>																																				
<p>viii Registrars and Share Transfer Agents and Share Transfer System</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="text-align: center;">April, 2008</td><td style="text-align: center;">98.90</td><td style="text-align: center;">73.00</td></tr> <tr><td style="text-align: center;">May, 2008</td><td style="text-align: center;">90.90</td><td style="text-align: center;">71.15</td></tr> <tr><td style="text-align: center;">June, 2008</td><td style="text-align: center;">100.00</td><td style="text-align: center;">63.25</td></tr> <tr><td style="text-align: center;">July, 2008</td><td style="text-align: center;">89.60</td><td style="text-align: center;">58.70</td></tr> <tr><td style="text-align: center;">August, 2008</td><td style="text-align: center;">78.00</td><td style="text-align: center;">53.70</td></tr> <tr><td style="text-align: center;">Sep.,2008</td><td style="text-align: center;">87.40</td><td style="text-align: center;">56.60</td></tr> <tr><td style="text-align: center;">Oct. 2008</td><td style="text-align: center;">64.95</td><td style="text-align: center;">35.50</td></tr> <tr><td style="text-align: center;">Nov.2008</td><td style="text-align: center;">39.35</td><td style="text-align: center;">28.50</td></tr> <tr><td style="text-align: center;">Dec.2008</td><td style="text-align: center;">28.50</td><td style="text-align: center;">22.55</td></tr> <tr><td style="text-align: center;">Jan. 2009</td><td style="text-align: center;">26.25</td><td style="text-align: center;">23.50</td></tr> <tr><td style="text-align: center;">Feb. 2009</td><td style="text-align: center;">25.00</td><td style="text-align: center;">22.30</td></tr> <tr><td style="text-align: center;">March, 2009</td><td style="text-align: center;">25.50</td><td style="text-align: center;">21.50</td></tr> </tbody> </table> <p>(a) Shares of the Company held in physical form can be transferred by lodging Transfer Deeds and Share Certificates with Registrars and Share Transfer Agents, TSR Darashaw Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400011 or TSR Darashaw Ltd., 503, Barton Centre, 5th Floor, 84 Mahatma Gandhi Road, Bangalore – 560 001. Alternatively, these can be sent to the Company Secretary, Gokak Textiles Ltd., Registered Office, 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore – 560 025.</p> <p>(b) Shares sent for transfer in physical form are registered and returned within a maximum period of 30 days from the date of receipt of documents provided, all documents are valid and complete in all respects.</p> <p>The Company has constituted Share Transfer and Shareholders' Grievance Committee of the Board of Directors of the Company.</p> <p>The Shareholders have option of converting their holding in dematerialised form and effecting the transfer in dematerialised mode.</p>			April, 2008	98.90	73.00	May, 2008	90.90	71.15	June, 2008	100.00	63.25	July, 2008	89.60	58.70	August, 2008	78.00	53.70	Sep.,2008	87.40	56.60	Oct. 2008	64.95	35.50	Nov.2008	39.35	28.50	Dec.2008	28.50	22.55	Jan. 2009	26.25	23.50	Feb. 2009	25.00	22.30	March, 2009	25.50	21.50
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ix.a. Distribution of Share-holding (As on 31.3.2009)	- Distribution by category			
	Category	No. of Shares	%	
	Promoters	47,80,845	73.56	
	Central/State Government Institutions	55,171	0.85	
	Nationalised Banks	9,890	0.15	
	Bodies Corporate	2,55,424	3.93	
	Nationalised Insurance Companies & Mutual Funds	4,08,986	6.29	
	FII & NRI / OBC	44,867	0.69	
	Public	9,44,125	14.53	
	Total	64,99,308	100.00	
	- Distribution by size of holding			
	Holding	No. of Shareholders	No. of Shares	% to Capital
	1 to 25	5975	83,388	1.28
	26 to 50	3523	1,29,391	1.99
	51 to 100	1121	90,084	1.39
101 to 500	1166	2,64,215	4.06	
501 to 1000	128	90,441	1.39	
1001 to 5000	95	1,88,879	2.91	
5001 to 10000	6	42,820	0.66	
10001 & above	18	56,10,090	86.32	
Total	12,032	64,99,308	100.00	
ix.b. Dematerialisation of shares & liquidity (As on 31.3.2009)	Status of dematerialisation of shares and liquidity as on 31.3.2009			
	Details	No. of shares	% of Share Capital	No. of Accounts
	National Securities Depository Ltd.	57,29,382	88.16	5,317
	Central Depository Services (India) Ltd.	3,84,303	5.91	1,275
	Total dematerialized	61,13,685	94.07	6,592
Physical	3,85,623	5.93	5,440	
Total	64,99,308	100.00	12,032	
x. Outstanding GDR/ADR/ Warrants or any Convertible instruments, Conversion date and likely Impact on equity.	The Company has not issued any of these instruments so far.			
xi. Plant locations	<p><u>Mill :</u></p> <p>1. Gokak Falls (Dist. Belgaum - 591 308)</p> <p><u>Factory:</u></p> <p>1. Bagalkot Road, Marihal Village, Dist. Belgaum - 591 167.</p> <p>2. CTS No. 10588/1, Behind Ramdev Hotel, Nehru Nagar, Belgaum - 590 010</p> <p>3. 228-A, Satluj Knitwear Compound, Industrial Area 'A', Ludhiana - 141003</p>			

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xii. Address for Correspondence	<p>Investors are requested to please direct all transfer requests, correspondence, queries to Registrars and Share Transfer Agents at the following address :</p> <p>TSR Darashaw Ltd. Unit: Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr.E.Moses Road, Mahalaxmi, Mumbai 400 011 Tel. : 91 22 6656 8484 Fax : 91 22 6656 8494 Business Hours : 10.00 a.m. to 3.30 p.m. (Monday to Friday) e-mail: csg-unit@tsrdarashaw.com Website : www.tsrdarashaw.com</p> <p>Investors if they so prefer can send transfer request, correspondence and queries to the Company at the following address.</p> <p>Company Secretary Gokak Textiles Ltd., 1st Floor, 45/3 Gopalkrishna Complex Residency Cross Road, Bangalore - 560 025 Ph. No. 080 - 25580042 / 43 e-mail: ramanandapai@gokaketextiles.com</p>
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For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
31st July, 2009.
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for Board of Directors and Senior Management for the year ended 31st March, 2009.

For GOKAK TEXTILES LIMITED

H.S.BHASKAR
Executive Director & CEO

Mumbai
31st July, 2009
Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

ANNEXURE 'AA'

Annexure forming part of Directors' Report for the year ended 31st March, 2009.

Attendance of each Director at the Board of Directors meetings and at the last Annual General Meeting.

Sl. No.	Directors during the Year	Category	No. of Board Meetings held during the year	No. of Board Meetings attended	Attendance at the last Annual General Meeting
1.	Mr. Pallonji S. Mistry	Non-Executive Promoter	5	2	No
2.	Mr. Shapoor P. Mistry	Non-Executive Promoter	5	5	Yes
3.	Mr. H. S. Bhaskar	Executive	5	4	Yes
4.	Mr. Ashok Barat	Non-Executive Non Independent	5	4	Yes
5.	Mr. D. G. Prasad	Non-Executive Independent (Nominee)	5	4	Yes
6.	Mr. C. G. Shah	Non-Executive Non Independent	5	5	Yes
7.	Mr. H. S. Billimoria	Non-Executive Independent	5	5	Yes
8.	Mr. Ramaotar Goyal	Non-Executive Independent	5	4	No
9.	Mr. Pradip N. Kapadia *	Non-Executive Independent	5	1	Not Applicable
10.	Mr. R. N. Jha **	Non-Executive Independent	5	1	Not Applicable

* Mr. Pradip N. Kapadia has been appointed with effect from 12th September, 2008.

** Mr. R. N. Jha has been appointed with effect from 30th January, 2009.

ANNEXURE 'AB'

Members of the other Boards of Directors or Board Committees in which the Director being a Director as at 31st March, 2009 is Chairman/a Member (excluding private companies, foreign companies and companies registered under Section 25 of the Companies Act, 1956, and also excluding Committee positions other than Audit Committee and Shareholders' Grievance Committee in accordance with Clause 49 (IV) (B) of the Listing Agreement) is as follows :

Sl. No.	Name of the Director	No. of Directorships in other Boards	No. of other Committees (other than Gokak Textiles Ltd.) in which Chairman/Member	
			Chairman	Member
1.	Mr. Pallonji S. Mistry	9	1	Nil
2.	Mr. Shapoor P. Mistry	10	2	2
3.	Mr. H. S. Bhaskar	Nil	Nil	Nil
4.	Mr. Ashok Barat	5	Nil	2
5.	Mr. D. G. Prasad	2	1	1
6.	Mr. C. G. Shah	Nil	Nil	Nil
7.	Mr. H. S. Billimoria	3	3	Nil
8.	Mr. Ramaotar Goyal	1	Nil	Nil
9.	Mr. Pradip N. Kapadia	3	2	3
10.	Mr. R. N. Jha	3	Nil	2

The number of directorships and the positions held on Board Committees by the directors are in conformity with the limits on the number of Directorships and Board Committee positions as laid down in the Companies Act and the Listing Agreement.

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ANNEXURE 'AC'

**Details of Directors whose re-appointment/appointment is proposed at the Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	Mr. Ashok Barat	Mr. D.G. Prasad	Mr. Pradip N. Kapadia	Mr. R.N. Jha
Date of Birth	5th December, 1956	30th June, 1948	30th September, 1951	2nd July, 1939
Date of first Appointment	29th November, 2006	06th February, 2007	12th September, 2008	30th January, 2009
Qualification	FCA, FCS	FCA	B.A. LLB	B.A. (Hons.)
Relationships between directors inter-se	Not related to any directors of the Company	Nominee of Export Import Bank of India	Not related to any directors of the Company.	Not related to any directors of the Company.
Expertise in specific functional areas	Mr. Ashok Barat is the Chairman of Forbes Technologies Ltd., Nypro Forbes Moulds Pvt. Ltd., and Forbes Finance Ltd., He is the Managing Director of Forbes & Company Ltd. He is also a Director of several Public Limited companies. His expertise includes formulation of business plans, risk evaluation, business investment strategy and funds management and property development.	Mr.D.G. Prasad is the Nominee of Export Import Bank of India He is Director of several Public Limited Companies. He has wide and varied experience in commercial banking, project finance, international finance, corporate strategies, loan syndication, treasury management etc.,	Mr. Pradip N.Kapadia is Solicitor and Advocate He is Director of several Public Limited Companies. He has expertise in legal matters as an Advocate.	Mr. R. N.Jha is a Management Consultant. He is Director of several Public Limited Companies and his expertise includes insurance, fund management, corporate planning and restructuring of projects, etc,
List of Companies in which Directorship held as on 31st March, 2009	PUBLIC COMPANIES 1. Forbes Technologies Ltd., 2. Forbes Finance Ltd., 3. Forbes & Company Ltd., 4. SCI Forbes Ltd., 5. Forbes Bumi Armada Ltd.,	PUBLIC COMPANIES 1. Strides Arcolab Limited 2. Suvn Life Science Ltd., 3. Navin Fluorine International Ltd.,	PUBLIC COMPANIES 1. Afcons Infrastructure Ltd., 2. Mafatlal Denim Ltd., Publishing Ltd., 3. S.Kumars Online Ltd.,	PUBLIC COMPANIES 1. Forbes & Company Ltd., 2. Next Gen
Member of the Board Committees	1. <u>Audit Committee</u> Forbes & Company Ltd., Gokak Textiles Ltd., 2. <u>Share Transfer & Shareholders Grievance Committee</u> Forbes & Company Ltd., Gokak Textiles Ltd.,	1. <u>Audit Committee</u> Strides Arcolab Limited Gokak Textiles Ltd., Suvn Life Science Ltd.,	1. <u>Audit Committee</u> Mafatlal Denim Ltd., Afcons Infrastructure Ltd., Navin Fluorine International Ltd. 2. <u>Remuneration Committee</u> Afcons Infrastructure Ltd., 3. <u>Shareholders/investors Grievance Committee</u> Afcons Infrastructure Ltd., Navin Fluorine International Ltd., 4. <u>Compensation (ESOP) Committee</u> Afcons Infrastructure Ltd.,	1. <u>Audit Committee</u> Forbes & Company Ltd., S Kumars Online Ltd., 2. <u>Remuneration Committee</u> Forbes & Company Ltd.,
No. of shares held	Nil	Nil	Nil	Nil

For and on behalf of the
Board of Directors

SHAPOOR P. MISTRY
Chairman

Mumbai
31st July, 2009.

Registered Office :
1st Floor, 45/3 Gopalkrishna Complex
Residency Cross Road
Bangalore – 560 025

**CERTIFICATE OF COMPLIANCE CONDITIONS
OF CORPORATE GOVERNANCE**

To
The Members of,
Gokak Textiles Limited,
Bangalore.

We have examined the compliance of conditions of Corporate Governance by GOKAK TEXTILES LIMITED (the Company) for the year ended on March 31, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

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

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

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Mumbai,
July 31st, 2009

Vinayak M Padwal
Partner
Membership No. 49639

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**AUDITORS' REPORT TO THE MEMBERS OF
GOKAK TEXTILES LIMITED**

1. We have audited the attached Balance Sheet of **GOKAK TEXTILES LIMITED** as at March 31, 2009 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors' Report) Order (Amendment) Order 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 it appears from our examination of the 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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
 - d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009,
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date, and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the Directors as on March 31, 2009, and taken on record by the Board of Directors, we report that, none of the Director is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Mumbai,
July 31st, 2009

Vinayak M Padwal
Partner
Membership No. 49639

ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph (3) of our report of even date on the accounts of **GOKAK TEXTILES LIMITED** for the year ended 31st March, 2009.

- 1) (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (ii) 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.
- (iii) In our opinion and according to the information and explanations given to us, substantial part of the fixed assets has not been disposed off by the Company during the year.
- 2) (i) The Management has conducted physical verification of inventory at reasonable intervals.
- (ii) 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.
- (iii) The Company is maintaining proper records of inventory. 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.
- 3) The Company has neither granted nor taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence clause iii(b), iii(c), iii(d), iii(f) and iii(g) are not applicable.
- 4) 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 Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services.
- 5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, having regard to the explanation that many of the items are of a special nature and their prices cannot be compared with alternative quotations, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) During the year under audit, the company has not accepted fixed deposits from the public.
- 7) The Company has an internal audit system, which in our opinion needs to be strengthened considering the size of the Company and the nature of its operations.
- 8) We have broadly reviewed the books of account maintained by the Company in respect of cost records as prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie the prescribe accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9) (a) According to the records examined by us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues applicable to it with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, Excise Duty or cess outstanding on account of any dispute other than following:

Name of Statute	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Entry Tax	11,458,194	Oct,04 to Mar,07	High court of Karnataka Bangalore
Income tax	300,912	2001-02 & 2002-03	CIT (A)
Excise Duty	132,543,100	July,04 to Feb,06	High court of Karnataka Bangalore
	147,302,206		

- 10) In our opinion and according to the records produced before us the company has been registered for a period of less than five years and hence the clause (x) is not applicable.

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- 11) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
- 13) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies.
- 14) According to the information and explanations given to us and the records examined by us, it is our opinion that the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- 15) According to the information and explanations given to us and the records examined by us, the Company has applied the term loans for the purpose for which the loans were obtained.
- 16) On the basis on an overall examination of the balance sheet and cash flows of the Company and the information and explanations given to us, we report that the Company has not utilized the funds raised on short-term basis for long-term investment.
- 17) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- 18) The Company did not issue any debentures during the year.
- 19) The Company has not raised any money through a public issue during the year.
- 20) Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.
- 21) In our opinion and according to information and explanation given to us, clause 4(xiv) is not applicable.

For and on behalf of
Kalyaniwala & Mistry
Chartered Accountants

Mumbai,
July 31st, 2009

Vinayak M Padwal
Partner
Membership No. 49639

BALANCE SHEET AS AT 31ST MARCH, 2009

Schedule	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
SOURCES OF FUNDS		
1. Shareholder's fund		
(a) Share Capital	64,993,080	64,993,080
(b) Reserves & Surplus	532,059,727	785,649,770
	<u>597,052,807</u>	<u>850,642,850</u>
2. Deferred Government Grant	-	9,400
3. Loan Funds		
(a) Secured	1,715,961,959	1,509,169,879
(b) Unsecured	19,531,120	42,796,478
	<u>1,735,493,079</u>	<u>1,551,966,357</u>
4. Deferred Tax Liability	197,744,028	186,595,155
TOTAL	<u><u>2,530,289,914</u></u>	<u><u>2,589,213,762</u></u>
APPLICATION OF FUNDS		
5. Fixed Assets		
(a) Gross Block	3,946,344,413	3,796,102,529
(b) Less: Depreciation / impairment	2,220,597,811	2,104,855,295
(c) Net Block	1,725,746,602	1,691,247,234
(d) Capital work-in-progress	210,951,869	79,606,752
	<u>1,936,698,471</u>	<u>1,770,853,986</u>
6. Investments	51,002	51,002
7. Current Assets, Loans and Advances		
(a) Inventories	813,123,347	914,451,960
(b) Sundry Debtors	253,786,805	271,314,770
(c) Cash and Bank Balances	24,506,787	17,562,587
(d) Other Current Assets	19,735	19,735
(e) Loans and Advances	243,147,277	341,156,021
	<u>1,334,583,951</u>	<u>1,544,505,073</u>
Less: Current Liabilities and Provisions		
(a) Liabilities	738,803,645	707,897,649
(b) Provisions	15,305,978	18,298,650
	<u>754,109,623</u>	<u>726,196,299</u>
Net Current Assets	580,474,328	818,308,774
8. Miscellaneous Expenditure	13,066,113	-
TOTAL	<u><u>2,530,289,914</u></u>	<u><u>2,589,213,762</u></u>
Significant Accounting Policies	20	
Notes to Accounts	21	

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached

For and on behalf of

Kalyaniwalla & Mistry

Chartered Accountants

Vinayak M Padwal

Partner

Mumbai, 31st July, 2009

Signatures to Balance Sheet and Schedules 1 to 14, 20 and 21

SHAPOOR P. MISTRY

Chairman

PALLONJI S. MISTRY

ASHOK BARAT

D. G. PRASAD

H. S. BHASKAR

C. G. SHAH

H. S. BILLIMORIA

RAMAOTAR GOYAL

R. N. JHA

S. RAGHUNATHAN

K. RAMANANDA PAI

Directors

Executive Director & CEO

Directors

Chief Financial Officer

Company Secretary

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

Schedule	For the year ended 31st March, 2009 Rupees	For the year ended 31st March, 2008 Rupees
INCOME		
Sales (Gross)	2,622,642,981	3,296,684,276
Less Excise duty	1,994,345	13,549,089
Sales (Net)	<u>2,620,648,636</u>	<u>3,283,135,187</u>
Income from Services	8,375,231	5,836,773
Other Income	15	128,808,393
	<u>2,717,289,239</u>	<u>3,417,780,353</u>
EXPENDITURE		
Materials consumed and purchase of goods	16	1,972,894,082
Manufacturing and other expenses	17	1,281,849,218
Inventory change	18	(73,059,585)
Interest and financial charges (net)	19	148,075,663
Depreciation (Net off Government Grant Rs 9,400)		122,301,329
	<u>2,956,172,109</u>	<u>3,452,060,707</u>
PROFIT / (LOSS) BEFORE TAXATION	(238,882,870)	(34,280,354)
Less: Provision For Taxation		
– Fringe Benefit Tax	3,558,300	2,314,349
– Deferred Tax	11,148,873	22,759,123
	<u>14,707,173</u>	<u>25,073,472</u>
PROFIT / (LOSS) AFTER TAXATION	(253,590,043)	(59,353,826)
Balance Brought Forward	69,618,084	(14,250)
Transferred under the Scheme of Demerger	–	128,986,160
Balance Carried To Balance Sheet	<u>(183,971,959)</u>	<u>69,618,084</u>
Basic & Diluted Earnings per share	(39.02)	(9.13)
Signifiacnt Accounting Policies	20	
Notes to Accounts	21	

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report attached
For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, 31st July, 2009

Signatures to Profit and Loss Account and Schedules 15 to 21

SHAPOOR P. MISTRY	}	<i>Chairman</i>
PALLONJI S. MISTRY		}
ASHOK BARAT		
D. G. PRASAD		
H. S. BHASKAR		<i>Executive Director & CEO</i>
C. G. SHAH	}	<i>Directors</i>
H. S. BILLIMORIA		
RAMAOTAR GOYAL		
R. N. JHA		
S. RAGHUNATHAN		<i>Chief Financial Officer</i>
K. RAMANANDA PAI		<i>Company Secretary</i>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
	Rupees	Rupees
A. Cash flow from operating activities:		
(Loss) Before Tax	(238,882,870)	(34,280,354)
Depreciation	124,378,479	122,456,428
Govt Grant	(9,400)	(155,099)
Misc exp written off	-	21,540
Voluntary retirement expenses	(20,688,007)	-
Deferred revenue expenditure written off	7,621,894	-
Interest expenses	175,653,994	41,340,908
Interest Income	(245,185)	(19,735)
Dividend Income	(542)	-
Provision for retirement benefits	(3,215,972)	28,225
Foreign exchange (gain)/loss	15,935,775	(8,857,392)
Profit on sale of fixed assets	(3,349,081)	(7,296,646)
Provision for doubtful debts	-	3,775,617
Operating Profit/(Loss) before Working capital changes	57,199,085	117,013,492
<u>Adjustment for</u>		
Inventory	101,328,613	(143,862,711)
Trade and other receivable	118,815,592	34,649,707
Trade payables	34,322,441	216,484,348
Cash generated from Operating activity	311,665,731	224,284,836
FBT Paid	(3,335,000)	(2,314,349)
Net cash used in operating activity	308,330,731	221,970,487
B. Cash flow from investing activity		
Purchase of fixed assets	(159,459,770)	(110,037,204)
Payments for Capital WIP	(131,345,117)	(41,259,669)
Proceeds from sale of fixed assets	3,931,005	18,206,059
Purchase of investments	-	(50,002)
Interest Income	245,185	-
Dividend received	542	-
Net cash used in investing activity after extraordinary items	(286,628,155)	(133,140,816)
C. Cash Flow from financing activities		
Proceeds/(repayment) of borrowings (Net)	164,312,064	(39,985,620)
Interest paid	(179,070,439)	(41,340,908)
Issue of fresh capital	-	-
Preliminary expenses	-	-
Net Cash from financing activities	(14,758,375)	(81,326,528)
Net increase in cash and cash equivalents (A+B+C)	6,944,201	7,503,143
Cash and Cash equivalents (Opening Balance)	17,562,587	498,702
Cash and Cash equivalents transferred as per demerger	-	9,560,742
Cash and cash equivalent (Closing Balance)	24,506,787	17,562,587
Notes:		
1 Cash and cash equivalent (Closing Balance)		
Cash, cheques on hand and remittances in transit	540,962	694,075
Balances with Scheduled Banks		
On Current Accounts	22,488,267	15,739,954
On Deposit Accounts	1,477,558	463,738
On Margin Accounts	-	664,820
	24,506,787	17,562,587
2 Figures in brackets indicate cash outflow.		

As per our Report attached

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

Vinayak M Padwal
Partner

Mumbai, 31st July, 2009

Signatures to Cash Flow Statement

SHAPOOR P. MISTRY		<i>Chairman</i>
PALLONJI S. MISTRY	}	<i>Directors</i>
ASHOK BARAT		
D. G. PRASAD		
H. S. BHASKAR		<i>Executive Director & CEO</i>
C. G. SHAH	}	<i>Directors</i>
H. S. BILLIMORIA		
RAMAOTAR GOYAL		
R. N. JHA		
S. RAGHUNATHAN		<i>Chief Financial Officer</i>
K. RAMANANDA PAI		<i>Company Secretary</i>

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
SCHEDULE – 1: SHARE CAPITAL		
AUTHORISED:		
70,00,000 Equity shares of Rs.10 each	<u>70,000,000</u>	<u>70,000,000</u>
ISSUED AND SUBSCRIBED:		
64,99,308 Equity Shares of Rs.10 each fully paid-up (64,49,308 shares issued pursuant to the Scheme of Demerger for consideration other than cash) Of the above .	64,993,080	64,993,080
(i) 41,63,176 (previous year 41,63,176) shares are held by Sterling Investment Corporation Private Limited, the Holding Company.		
(ii) 307,252 (previous year 307,252) shares are held by Shapoorji Pallonji & Company Limited, the Ultimate Holding Company.		
(iii) 50,000 (previous year 50,000) shares are held by Forbes & Company Limited, Fellow Subsidiary Company.		
(iv) 177,218 (previous year 177,218) shares are held by Cyrus Investment Ltd, Fellow Subsidiary Company.		
(v) 83,199 (previous year 82,431) shares are held by Forbes Finance Ltd., Fellow Subsidiary Company.	<u>64,993,080</u>	<u>64,993,080</u>
SCHEDULE – 2: RESERVES AND SURPLUS		
General Reserve		
Opening balance	716,031,686	–
Add: Transferred Under the Scheme of Demerger	–	879,867,718
Less: Transferred to Deferred Tax Liability under the Scheme of Demerger (Refer schedule 21 Note no. 1)–	–	163,836,032
	<u>716,031,686</u>	<u>716,031,686</u>
Profit and Loss Account Opening balance	69,618,084	(14,250)
Add: Transferred Under the Scheme of Demerger	–	128,986,160
Less: Loss as per Profit & Loss Account	253,590,043	59,353,827
	<u>(183,971,959)</u>	<u>69,618,084</u>
Closing balance	<u>53,20,59,727</u>	<u>78,56,49,770</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
SCHEDULE – 3: SECURED LOANS		
FROM BANKS:		
a) Rupee Term Loan from New India Co-operative Bank Limited under Technology Upgradation Fund Scheme (Secured by first pari passu (40%) charge over the fixed assets acquired out of the loan disbursed jointly with IDBI Limited) (Repayable within a year Rs.13,38,084;Previous year Rs.1,59,97,659)	1,338,084	17,335,743
b) Rupee Term Loan from New India Co-operative Bank Limited under Technology Upgradation Fund Scheme (Secured by exclusive charge of hypothecation of machinery alongwith accessories / spares acquired / to be acquired under the Scheme) (Repayable within a year Rs.1,20,00,000;Previous year Rs.30,00,000)	43,574,800	39,344,336
c) Foreign Currency Term Loan from Export-Import Bank of India Secured by first exclusive charge on specific movable fixed assets acquired under the loan. (Repayable within a year Rs.NIL;Previous year Rs.1,89,24,400)	–	18,924,400
d) Cash Credit and Packing Credit from Banks against hypothecation of all stocks including Raw Material, Stock-in-Process, Finished Goods, Stores and Book-Debts.		
(i) Cash Credit and Packing Credit	17,69,23,254	
(ii) Demand Loan	<u>36,20,00,000</u>	
	538,923,254	453,831,450
e) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme. (Secured by an exclusive and specific charge against movable fixed assets acquired under the scheme) (Repayable within a year Rs.1,70,000;Previous year Rs.1,95,60,000)	29,300,000	48,900,000
f) Long Term Working Capital Foreign Currency Loan from Export-Import Bank of India , secured by first charge on all the movable fixed assets (whether installed or not) of the Gokak Mills Division and Campbell Knitwear Division (Repayable within a year Rs.NIL;Previous year Rs.3,59,82,186)	68,826,805	89,955,627
g) Rupee Term Loan from IDBI Limited under Technology Upgradation Fund Scheme. (Secured by first pari passu (60%) charge over the fixed assets acquired out of the loan disbursed jointly with New India Co-operative Bank Limited) (Repayable within a year Rs.20,00,000;Previous year Rs.1,51,70,993)	2,000,000	17,170,993
h) Term Loan from Export Import Bank of India under Technology. Upgradation Fund Scheme (Secured by first hypothecation charge on specific moveable fixed assets acquired/to be acquired under the scheme and by equitable mortgage charge on land and building of Gokak Mills Division and Campbell Knitwear Division on a pari passu basis with State Bank of India) (Repayable within a year Rs.8,00,000;Previous year Rs.3,84,00,000)	184,202,435	221,734,546
i) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme (secured by exclusive charge by way of hypothecation of the specific moveable fixed assets acquired / to be acquired out of the loan and mortgage of immovable fixed assets of Gokak Mills Division and Campbell Knitwear Division.) (Repayable within a year Rs.2,00,000;Previous year Rs.1,92,00,000)	186,097,063	60,537,618
j) Rupee Term Loan from State Bank of India under Technology. Upgradation Fund Scheme (Secured by first Charge on the goods and specific movable assets acquired / to be acquired under the loan) (Repayable within a year Rs.NIL;Previous year Rs.3,36,00,000)	178,622,948	209,462,804
k) Term Loan from State Bank of India under Technology Upgradation Fund Scheme (Secured by first hypothecation charge on specific moveable fixed assets acquired/ to be acquired under the scheme and by equitable mortgage charge on Land Building of Gokak Mills Division and Campbell Knitwear Division Located at Gokak Falls and Marihal respectively on a pari passu basis with Exim Bank of India.) (Repayable within a year Rs.NIL;Previous year Rs.3,84,00,000)	175,572,362	213,972,362

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
l) Long Term Working Capital rupee loan from Export-Import Bank of India , (secured by pari passu first charge by way of hypothecation of entire moveable fixed assets of the company excluding assets exclusively charged and by way of pari passu first mortgage of the immovable fixed assets of the Gokak Mills Division and Campbell Knitwear Division.) (Repayable within a year Rs.NIL:Previous year Rs.3,75,00,000)	150,000,000	50,000,000
m) Term Loan from Export Import Bank of India under Technology Upgradation Fund Scheme for setting up of mini Hydel Power Plant of 4.5 MW at Gokak Mills Division, Gokak Falls, Belgaum, Karnataka. (Secured by exclusive charge over the entire movable fixed assets and immovable properties of the Hydel power plant and pari Passu first mortgage of the immovable fixed assets of Gokak Mills Division and Campbell Knitwear Division.) (Repayable within a year Rs. 1,43,750;Previous year Rs.NIL)	155,000,000	68,000,000
n) Federal Bank Vehicle Loan (Secured by Hypothecation of Vehicle) (Repayable within a year Rs.7,75,936;Previous year Rs.NIL)	2,504,208	
	1,715,961,959	1,509,169,879

SCHEDULE 4: UNSECURED LOANS

Sales Tax Deferment loan (Amount due within a year Rs 19,25,000; Previous year Rs.2,16,20,957)	5,825,120	26,590,478
Inter Corporate Borrowings	13,706,000	16,206,000
	19,531,120	42,796,478

SCHEDULES FORMING PART OF BALANCE SHEET SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SCHEDULE - 5: FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2008	Addition	Deduction	As on 31.03.2009	Upto 01.04.2008	During the year	Deductions during the year	Upto 31.03.2009	Balance as on 31.03.2009	Balance as on 31.03.2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Intangible Assets										
Computer Software	6,771,593	343,812	-	7,115,405	49,75,895	1,421,427	-	6,397,322	7,18,083	17,95,698
Tangible Assets										
Leasehold Land	150,000	-	-	150,000	1,50,000	-	-	150,000	-	-
Freehold Land	2,245,450	-	-	2,245,450	-	-	-	-	22,45,450	22,45,450
Factory Building	463,705,009	8,304,051	-	472,009,060	14,41,02,171	14,978,921	-	159,081,092	31,29,27,968	31,96,02,838
Residential Building	56,566,929	22,483,963	-	79,050,892	1,37,68,392	1,128,426	-	14,896,818	6,41,54,074	4,27,98,537
Canal Lining	122,884	-	-	122,884	1,16,740	-	-	116,740	6,144	6,144
Plant and Machinery	3,199,665,189	114,179,312	8,218,725	3,305,625,776	189,58,47,774	102,421,763	7,745,812	1,990,523,725	131,51,02,051	130,38,17,415
Furniture, Fixtures and Office Equipment	50,375,176	9,643,197	126,035	59,892,338	3,44,87,612	2,475,656	42,660	36,920,608	2,29,71,730	1,58,87,564
Vehicles	16,500,299	4,505,435	873,126	20,132,608	1,14,06,711	1,952,286	847,490	12,511,506	76,21,102	50,93,588
TOTAL	3,796,102,529	159,459,770	9,217,886	3,946,344,413	210,48,55,295	124,378,479	8,635,962	2,220,597,811	172,57,46,602	169,12,47,234
Previous year	3,720,644,960	110,037,204	34,579,636	3,796,102,529	200,60,69,087	122,456,428	23,670,219	2,10,48,55,295	169,12,47,234	-

NOTE: 1.The charge for depreciation in the Profit and Loss Account is net off Government grants Rs 9,400.

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
SCHEDULE – 6: INVESTMENTS		
LONG TERM INVESTMENTS: At Cost		
A. TRADE INVESTMENTS:		
Unquoted Equity Shares		
P.T. Gokak Indonesia	11,306,548	11,306,548
(1375 Equity shares of US\$ 1000 each)		
B. OTHER INVESTMENTS:		
Unquoted Equity Shares		
New India Co-operative Bank Ltd		
(5,000 equity shares of Rs 10 each)	50,002	50,002
	<u>11,356,550</u>	<u>11,356,550</u>
<i>Less: Provision for diminution in the value of investments</i>	<u>(11,305,548)</u>	<u>(11,305,548)</u>
	<u>51,002</u>	<u>51,002</u>
SCHEDULE – 7: INVENTORIES		
(At lower of cost and net realisable value)		
[Refer Schedule 20 Note 6]		
(i) Stores and Spares Parts	60,152,682	73,553,956
(ii) Raw Materials	222,535,730	383,226,425
(including goods in transit Rs.2,21,20,560 ;		
Previous year Rs.13,17,282)		
(iii) Stock-in-Process	98,443,857	93,886,612
(iv) Finished Goods		
(including goods in transit Rs.39,73,205 ;	431,991,078	363,784,967
Previous year Rs.3,44,66,955)		
	<u>813,123,347</u>	<u>914,451,960</u>
SCHEDULE – 8: SUNDRY DEBTORS		
(i) Debts Outstanding for a period exceeding six months:		
(a) Secured, Considered Good	–	17,145,172
(b) Unsecured, Considered Good	20,051,312	7,083,218
(c) Considered Doubtful	69,728,180	62,585,331
(ii) Other Debts:		
(a) Unsecured, Considered Good	233,735,493	247,086,380
(b) Considered Doubtful	–	181,146
	<u>323,514,985</u>	<u>334,081,247</u>
<i>Less: Provision for Doubtful Debts</i>	<u>69,728,180</u>	<u>62,766,477</u>
	<u>253,786,805</u>	<u>271,314,770</u>
SCHEDULE – 9: CASH AND BANK BALANCES		
(i) Cash on hand	540,962	694,075
(ii) Balances with Scheduled Banks		
on Current Accounts	22,488,267	15,739,954
on Deposit Accounts	1,477,558	463,738
on Margin Accounts	–	664,820
	<u>24,506,787</u>	<u>17,562,587</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	As at 31st March, 2009 Rupees	As at 31st March, 2008 Rupees
SCHEDULE – 10: OTHER CURRENT ASSETS		
Interest accrued on deposits	<u>19,735</u>	<u>19,735</u>
SCHEDULE – 11: LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received:		
Secured *	2,228,112	2,320,960
Unsecured, Considered Good	134,293,969	229,460,189
Considered Doubtful	<u>197,696</u>	<u>197,696</u>
	136,719,777	231,978,845
<i>Less:</i> Provision for Doubtful Advances	<u>197,696</u>	<u>197,696</u>
	136,522,081	231,781,149
Taxes paid less provision (other than deferred tax)	1,722,026	2,505,687
Balances with Central Excise, Customs and Port Trust	<u>104,903,170</u>	<u>106,869,185</u>
	<u>243,147,277</u>	<u>341,156,021</u>
* Includes Loans to Directors Rs. 1,170,000 (Previous Year Rs. 13,50,000)		
SCHEDULE – 12: CURRENT LIABILITIES		
Acceptances	248,577,510	477,476,565
Sundry Creditors (Refer note 4 of Schedule 21)	345,202,966	78,367,034
Customers'/Security Deposits, and advances from customers	27,403,226	16,362,956
Other Liabilities	110,856,951	125,511,657
Interest accrued but not due on loans	<u>6,762,992</u>	<u>10,179,437</u>
	<u>738,803,645</u>	<u>707,897,649</u>
(There is no amount due and outstanding to be credited to the Investor Education Protection Fund.)		
SCHEDULE – 13: PROVISIONS		
Retirement Benefits	15,080,329	18,296,301
Fringe Benefit Tax*	225,649	2,349
*Net of advance payment of Rs 56,47,000 (previous year 23,12,000)	<u>15,305,978</u>	<u>18,298,650</u>
SCHEDULE – 14: MISCELLANEOUS EXPENDITURE		
– Voluntary Retirement Compensation	13,066,113	–
[Refer Note 10 of Schedule 20]	<u>13,066,113</u>	<u>–</u>

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	Rupees	For the year ended 31st March, 2009 Rupees	For the year ended 31st March, 2008 Rupees
SCHEDULE – 15: OTHER INCOME			
Sale of Additional Licences		10,197,135	26,927,726
Duty Drawback on Export		44,960,162	44,141,144
Export Incentives		4,556,951	9,002,855
Other Income		25,202,043	41,440,022
Profit on sale of fixed assets (net)		3,349,081	7,296,646
		<u>88,265,372</u>	<u>128,808,393</u>
SCHEDULE – 16: MATERIAL CONSUMED AND PURCHASE OF GOODS			
Raw Materials Consumed:			
Opening Stock		383,226,425	307,224,326
Add: Purchases		1,422,693,236	2,035,267,776
Less: Closing Stock		222,535,730	383,226,425
		<u>1,583,383,931</u>	<u>1,959,265,677</u>
Purchases of Trading Stocks		34,462,489	13,628,405
		<u>1,617,846,420</u>	<u>1,972,894,082</u>
SCHEDULE – 17: MANUFACTURING AND OTHER EXPENSES			
Stores And Spares Consumed		90,933,044	137,960,059
Processing Charges		18,103,743	23,508,973
Power and Fuel		296,117,447	405,352,395
Payments to and Provisions for Employees:			
Salaries, Wages, Bonus and Commission	297,745,296		321,389,587
Contribution to Provident Fund and Other Funds	36,142,026		39,461,547
Staff Welfare Expenses	36,057,797		40,541,192
Voluntary Retirement Compensation Amortised	7,621,894	377,567,013	401,392,326
Commission to Dealers		26,829,792	35,525,516
Brokerage and Discount		9,079,511	5,141,296
Freight and Forwarding charges		93,221,464	112,624,622
Repairs to:			
– Plant and Machinery	25,277,781		43,189,276
– Buildings	3,763,757		4,611,780
– Others	31,595,210		35,048,800
		<u>60,636,748</u>	<u>82,849,856</u>
Rent		13,089,447	7,492,172
Rates and taxes		6,897,287	5,197,181
Insurance		5,527,857	9,507,149
Stamps, Telegrams, Stationery, Printing and Telephones		8,533,848	8,774,319
Legal and Professional Charges (Refer Note 24 of schedule 21)		12,903,345	7,731,223
Bad Debts/Advances written off		–	2,462
Provision for Doubtful Debts		4,630,457	3,905,897
Excise duty		1,754,369	4,225,529
Miscellaneous Charges		87,221,543	30,658,243
		<u>1,113,046,915</u>	<u>1,281,849,218</u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

	Rupees	For the year ended 31st March, 2009 Rupees	For the year ended 31st March, 2008 Rupees
SCHEDULE – 18: INVENTORY CHANGE			
Opening Stocks			
Stock-in-Process	93,886,612		87,752,074
Finished Goods	<u>363,784,967</u>	457,671,579	296,233,803
			383,985,877
Less: Closing Stocks			
Stock-in-Process	98,443,857		93,886,612
Finished Goods	<u>431,991,078</u>	530,434,935	363,784,967
Decrease/Increase in Excise Duty		(1,980,943)	626,117
(Increase)/Decrease in Inventory		<u>(74,744,299)</u>	<u>(73,059,585)</u>
SCHEDULE – 19: INTEREST AND FINANCIAL CHARGES (NET)			
Interest on fixed loans (Gross)		58,039,986	41,340,908
Other interest		105,846,409	93,983,188
Bank Charges /Finance Expenses		13,054,111	15,638,752
		<u>176,940,506</u>	<u>150,962,848</u>
Less: Interest received from customers		1,286,512	2,887,185
		<u>175,653,994</u>	<u>148,075,663</u>

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SCHEDULE – 20 : SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention:

The Financial Statements are prepared as per historical cost convention and in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the applicable accounting standards issued by The Institute of Chartered Accountants of India.

2. Use of Estimates:

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant fact and circumstances as on the date of financial statements. The actual outcome may diverge from the estimates.

3. Fixed Assets and Depreciation / Amortisation:

Fixed Assets are stated at cost or as revalued as the case may be, less accumulated depreciation. Cost includes expenses related to acquisition and installation of the concerned assets. Exchange differences arising on account of repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets from a country outside India is charged to profit and loss account.

Cost of leasehold land and building thereon are amortised over the period of the lease.

Depreciation is provided on pro-rata basis on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956, except for vehicle which is depreciated on written down value method. Items costing less than and up to Rs.5,000 are fully depreciated in the year of purchase.

4. Borrowing Cost:

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

5. Investments:

Investments are classified into long-term and current investments. Long-term investments are carried at cost. Provision for diminution, if any, in the value of each long-term investment is made to recognise a decline, other than of a temporary nature. The fair value of a long-term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

Current investments are stated at lower of cost and fair value.

6. Inventories:

Inventories are valued at lower of cost and net realisable value. Cost is determined as follows:

Sr. No.	Particulars	Method of determining cost
1.	Stores, Spare and Loose Tools	Weighted average
2.	Raw Materials:	
	(i) Cotton & other fibers	Specific identification for Mills unit and FIFO basis for Knitwear unit.
	(ii) Others	Weighted average
3.	Stock-in-Process	Aggregate of material cost and production overheads and other attributable expenses up to stage of completion.
4.	Finished Goods:	
	(a) Produced	Aggregate of material cost, production overheads and excise duty paid/payable thereon.
	(b) Traded Goods	
	(i) Yarn	First-In-First-Out
	(ii) Textile	Weighted average

Provision is made for the cost of obsolescence and other anticipated losses, wherever considered necessary.

7. Revenue Recognition:

Sales are accounted for on dispatch of goods to the customers and are net of sales tax, excise duty and sales returns.

Income from processing operations is recognised on completion of production/dispatch of the goods, as per the terms of contract.

Dividend income is recognised when the right to receive the same is established.

Interest income is recognised on a time proportion basis.

8. Foreign Currency Transactions:

- a. Foreign currency transactions are recorded at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled are translated at the year-end rate and difference in translation and realised gains and losses on foreign exchange transactions are recognised in the profit and loss account.
- b. Gains or losses arising in respect of forward foreign exchange contracts or on cancellation thereof are recognised as income or expense.

9. Research and development expenses:

No intangible asset arising from revenue expenditure pertaining to the research is recognised. Expenditure on research is charged to the revenue when incurred. Intangible assets arising from development are recognised if and only if expenditure attributable to the intangible assets are reliably measurable as under and all of the following are demonstrated.

- a. Technical feasibility of completing the asset for use or sale;
- b. Intention and ability to use or sell it;
- c. Utility of the asset if intended for internal use or the market for the asset for sale; and
- d. Availability of resources to complete the development.

Capital expenditure on research and development is capitalised in accordance with the policy stated in above.

10. Employee Benefits:

Short-term Employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, performance incentives, etc., are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the employee renders the related service.

Post Employment Benefits:

Defined Contribution Plans:

Employee benefits in the form of Provident Fund and Superannuation are considered as defined contribution plan and the contributions are charged to the Profit and Loss of the year when the contributions to the respective funds are due.

Defined Benefit Plans:

Retirement benefits in the form of Gratuity for eligible employees considered as defined benefit obligations and are provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet.

Other long-term benefits

Long-term compensated absence is provided for on the basis of an actuarial valuation, using the projected unit credit method, as at the date of the Balance Sheet. Actuarial gain/losses, if any, are immediately recognised in the Profit and Loss Account.

Termination benefit:

Compensation paid under voluntary retirement scheme is amortised over the period of 19 months i.e. upto March 31, 2010 in accordance with the provisions of Accounting Standard 15 (Revised).

11. Government Grants:

Government grants, which relate to specific fixed assets, are treated as deferred income and recognised in the Profit and Loss account over the useful life of the relevant fixed asset. The amount of Government grant allocated to income is netted off against the depreciation charge for the year and the amount allocable in subsequent years is shown as Deferred Government grants. Government grants / subsidies related to revenue are recognised in the Profit and Loss Account over periods matching them with the related costs which they intended to compensate.

12. Impairment:

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such condition exists, the company estimates the recoverable amount of the assets. If the recoverable amount of such assets or recoverable amount of cash generating units to which the assets belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at lower of historical cost or recoverable amount.

13. Provisions, Contingent Liabilities, Contingent Assets:

A provision is recognised when enterprise has present obligation as a result of past event; it is probable that an outflow of resources will be required to the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Reimbursement against a provision is recognised as a separate asset based on virtual certainty. Contingent Assets are not recognised.

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SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SCHEDULE - 21: NOTES TO ACCOUNTS

1. The Company was incorporated under the Companies Act, 1956 under the name of ANS Textiles (Bangalore) Limited on March 27, 2006. The name was changed to Gokak Textiles Limited, with effect from 23rd January 2007. Under the scheme of arrangement under the Companies Act, 1956 the Textile Division of Forbes Gokak Limited (known as Forbes & Company Limited) was transferred to Gokak Textiles Limited with effect from April 1, 2007.

2. Contingent Liabilities not provided for:

Sr No	Particulars	Current Year	Previous Year
(A)	Bills discounted Export bills discounted	79,328,218	245,474,985
(B)	Guarantees issued by bank Corporate Guarantee to Export Import Bank of India (on behalf of P.T.Gokak Indonesia) \$ 31,00,000	212,500	6,750,000
	Corporate Guarantee to Other	160,022,000	135,842,000
		129,472	129,472
(C)	Taxes in dispute :- Entry Tax/Special Entry tax	11,458,194	11,458,194
	Sales Tax	-	2,026,149
	Income tax matters	300,912	300,912
	Excise Demands	132,543,100	132,543,100
(D)	Labour Matters in Dispute	35,237,969	29,508,313
(E)	Bonds given by Company in favour of Customs Authorities Bonds given in respect of storage of goods	502,570,561	318,565,733
(F)	Other Demands Contested by the Company		
	Creditors Claim	71,471	71,471
	Electricity Duty	1,037,149	1,037,149

3. Estimated amount of contracts remaining to be executed on capital account and not provided Rs. 12,03,66,555 (net of Advances Rs. 1,31,36,321); [Previous Year Rs. 20,17,70,437 (net of advances Rs. 4,33,78,450)]

4. Due to Micro, Small and Medium enterprise:

Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force on October 2, 2006, the company is required to make certain disclosures relating to Micro, Small and Medium Enterprises. The company is in the process to compiling and assimilating the relevant information from its suppliers about their coverage under the Act. Since the relevant information is not readily available, no disclosures have been made in the Accounts.

5. The Company incurred the following expenditure on research and development, which has been certified by the Management.

a. On Fixed Assets Rs. Nil (Previous Year Rs Nil)

b. On items which have been expensed out during the year Rs. 70,74,937 (Previous Year Rs. 80,88,921)

6. The amount of exchange differences:

a. Included in the Profit and Loss Account is a Net Loss of Rs. 2,17,25,271 (Previous year net income of Rs. 1,92,11,527).

7. Earnings in foreign exchange for

	Current Year Rs.	Previous Year Rs.
Export of goods calculated on F.O.B. basis	90,07,12,004	129,49,70,146
Freight and insurance recoveries	3,10,92,419	4,93,23,216
	93,18,04,423	134,42,93,362

The above excludes exports to Nepal Rs. 11,788,643 (Previous Year Rs. 10,732,429), to Russia Rs. NIL (Previous Year Rs. 23,014,364), the proceeds in respect of which are recovered in Indian Rupees.

8. During the year no amounts has been remitted in foreign currencies on account of dividends during the year.

9. Value of Imports calculated on C.I.F. basis (Excluding value of items locally purchased):

	Current Year Rs.	Previous Year Rs.
(a) Raw Materials	98,166,036	38,890,817
(b) Stores, Spares and Tools	17,354,440	29,069,344
(c) Capital Goods	50,640,366	27,021,651
	<u>1,66,160,842</u>	<u>94,981,812</u>

10. Expenditure in foreign currency:

	Current Year Rs.	Previous Year Rs.
(a) Commission to Overseas Agents	13,201,146	17,966,473
(b) Interest	17,431,820	27,951,942
(c) Others	8,554,116	6,584,963
	<u>39,187,083</u>	<u>52,503,378</u>

11. Raw Materials consumed:

	Current Year			Previous Year		
	Quantity	Value	% to Total	Quantity	Value	% to Total
	M.T.	Rupees	Consumption	M.T.	Rupees	Consumption
A) Cotton						
(i) Locally Purchased						
Cotton & waste	17,595	1,158,859,476	83.96%	27,855	1,567,419,178	88.79%
Staple Fibre	2,306	190,407,532	13.79%	1,584	135,231,574	7.66%
Yarn		7,182,948	0.52%		33,701,361	1.91%
Fabric		926,250	0.07%		978,034	0.06%
Accessories #		22,924,805	1.66%		28,039,060	1.59%
	19,901	1,380,301,011	100.00%	29,439	1,765,369,207	100.00%
(ii) Direct Imports at landed cost						
Cotton	256	26,919,010	53.40%	157	19,080,528	43.33%
Staple Fibre	85	15,206,915	30.17%	134	18,315,871	41.59%
Fabric		-	0.00%		92,101	0.21%
Accessories #		8,282,855	16.43%		6,549,248	14.87%
	341	50,408,780	100.00%	291	44,037,748	100.00%
Total (A)	20,242	1,430,709,791		29,730	1,809,406,955	
(B) Dyes & Chemical						
(i) Local		152,674,140	100.00%		149,770,722	99.94%
(ii) Imported		-	0.00%		88,000	0.06%
Total (B)		152,674,140	100.00%		149,858,722	100.00%
Total (A+B)		1,583,383,931			1,959,265,677	

Comprise dissimilar items which cannot be aggregated

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12. Stores and Spare Parts consumed:

Particular	Current Year		Previous Year	
	Value	% to Total	Value	% to Total
	Rupees	Consumption	Rupees	Consumption
(i) Direct imports at landed cost	19,064,363	20.97%	22,844,298	16.56%
(ii) Others	71,868,681	79.03%	115,115,761	83.44%
Total	90,933,044	100.00%	137,960,059	100.00%

13. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Amounts receivable in foreign currency on account of the following:

	Current Year		Previous Year	
	INR Amount	Foreign Currency	INR Amount	Foreign Currency
Export of goods	21,011,091	USD 416,226	160,302,275	USD 4,061,370
	2,668,002	GBP 37,283	1,973,600	GBP 25,322
	5,293,716	Euro 79,497	24,252,375	Euro 394,333
Foreign Currency Loan	75,907,903	USD 1,470,517	144,852,376	USD 3,590,200
	21,615,049	Euro 314,172	-	Euro -

14. The outstanding Forward Exchange Contracts entered into by the Company as on March 31, 2009.

	Current Year		Previous Year	
	INR Amount	Foreign Currency	INR Amount	Foreign Currency
Export	-	US\$	Sell 307,709	US\$ 7602
Loans payable	-	US\$	Buy 27,932,243	US\$ 678,194

The Company has not entered into Interest Rate Swaps and Currency Swaps as at the year end March 31, 2009.

15. Licensed, Installed and Utilised Capacity

Sr. No.	Product Unit	Licensed	Installed Capacity	Actual Production			UOM
				Capacity	Current Year	Previous Year	
1	Yarn	SPINDLE	145,310	121,188	13,248	23,807	M.T.
2	Blended Yarn	SPINDLE			3,681	1,537	M.T.
3	Cotton Canvas	LOOMS	60	24	2,448,644	2,784,472	MTRS.
4	Terry Towel	LOOMS		4	90,522	188,653	PCS.
5	Knitted Garments	PCS.	6,000,000	4,256,000	2,010,634	2,396,460	PCS.

NOTES:

1. Installed capacity has been certified by the Management.
2. Actual production of yarn excludes internal consumption of 970.40 M.T. (Previous Year 1,842.70 M.T.)

16. Purchase of goods :

Sr. No.	Product	UOM	Current Year		Previous Year	
			Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
1.	Trading Sales of Yarn/Fabric	M.T.	20	2,633,148	116	12,127,016
2.	Trading (Cotton)	M.T.	291	31,443,019	2	989,524
3.	Textile Goods		-	386,322		511,865
				34,462,489		13,628,405

17. Turnover (net)

Sr. No.	Product	UOM	Current Year		Previous Year	
			Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
1.	Yarn	M.T.	13,046	1,643,642,483	23,255	2,497,164,826
2.	Blended Yarn	M.T.	2,923	346,938,733	1,260	165,913,253
3.	Cotton Canvas	MTRS.	2,515,890	226,343,583	2,722,095	207,147,067
4.	Fabric	MTRS.	220,070	20,830,743	262,653	25,044,304
5.	Terry Towel	PCS.	108,057	6,589,219	206,701	10,085,129
6.	Trading Sales of Yarn/Fabric	M.T.	20	2,897,947	153	16,498,314
7.	Trading (Cotton)	M.T.	290	33,168,937	2	271,800
8.	Textile Goods	#	-	9,122,167	-	897,644
9.	Other Sales	-	-	8,145,761	-	16,387,271
10.	Knitted Garments	PCS.	1,967,229	320,840,232	2,365,956	343,725,579
11.	Knitted Fabrics	KGS	26,019	2,128,831	-	-
	Total			2,620,648,636		3,283,135,187

18. Inventory Finished Goods

Sr No	Product	UOM	Current Year		Previous Year	
			Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
1	Yarn	M.T.	1,532	179,067,717	2,147	236,107,517
2	Blended Yarn	M.T.	1,140	126,941,309	401	54,453,179
3	Cotton Canvas And Duck	MTRS.	541,010	49,699,292	630,790	48,681,906
4	Fabric	MTRS.	152,782	18,093,058	11,196	643,129
5	Terry Towel	PCS.	280,206	7,428,462	295,787	3,476,055
6	Textile Goods	#		111,346		777,780
7	Garments	PCS.	465,052	50,649,894	319,365	19,645,401
	Total			431,991,078		363,784,967

Comprise dissimilar items, which cannot be aggregated.

19. Segment:

The Company manages its business on the basis of one reportable segment and the products and services share similar distribution channels and customers. Accordingly, in the opinion of management the information relating to Segmental Reporting as required by Accounting Standard 17 is not applicable.

20. Related Party Disclosures:

a. Name of Related Party and description of related party

i. Holding Company / Ultimate Holding Company

Shapoorji Pallonji & Company Limited (Ultimate Holding Company)

Sterling Investment Corporation Private Limited (Holding Company)

ii. Fellow Subsidiaries

Forbes & Company Limited

Forbes Doris & Naess Maritime Limited

Forbes Technosys Limit

Volkart Fleming Shipping & Services Limited

Eureka Forbes Ltd.

Forval International Services Ltd

iii. Key Management Personal

Mr. H. S. Bhaskar - Whole Time Director

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b. Transaction with related party (Amount in Rs)

Sr. No.	Name	Nature of Transactions				Balance Outstanding		
		Sales of goods	Expenses	Interest paid	Interest received	Remuneration paid	Receivable	Payable
1.	Forbes & Company Limited	36,608 (24,388,595)	5,682,372 (17,581,282)	- (90,030)	- -	- -	- -	2,347,503 (1,149,236)
2.	Volkart Fleming Shipping & Services Ltd.	- -	154,933 (3,953,442)	1,408,648 (1,561,770)	- -	- -	- -	15,892,049 (20,469,565)
3.	Eureka Forbes Ltd.	- (149,930)	37,900 (35,270)	- -	- -	- -	16,917 (34,667)	- -
4.	Shapoorji Pallonji & Co. Ltd.	2,121,134 (285,457)	- -	- -	- -	- -	436,915 (189,603)	- -
5.	Forbes Technosys Ltd.	- -	- -	- -	- -	- -	89,761 (150,744)	- -
6.	Fobes Doris & Naess Maritime	- -	- -	- -	- -	- -	- (23,685)	- -
7.	Forvol International Services Ltd	- -	3,309,682 (2,302,366)	- -	- -	- -	- -	- (10,608)
8.	Key management personnel	- -	- -	- -	50,709 -	3,326,400 (1,843,296)	- -	- -
	TOTAL	2,157,742 (24,823,982)	9,184,887 (23,872,360)	1,408,648 (1,651,800)	50,709 -	3,326,400 (1,843,296)	543,593 (398,699)	18,239,552 (21,629,409)

Note: Figures in bracket indicate previous year amounts.

21. Earning Per Share:

	Current Year	Previous Year
	Rs.	Rs.
a Calculation of weighted average number of equity shares		
Number of shares at the beginning of the year	6,499,308	50,000
Number of equity shares outstanding at the end of the year	6,499,308	6,499,308
Weighted average number of equity shares outstanding during the year	6,499,308	6,499,308
b Loss after tax available for equity shareholders	(253,590,043)	(59,353,827)
c Basic and diluted earnings per share of Rs 10 each	(39.02)	(9.13)

22. Deferred Tax:

Major components of deferred tax arising on account of timing differences as at the year end are as follows:

	Current Year	Previous Year
	Rs.	Rs.
Deferred Tax Assets		
Provision for Retirement Benefits	1,654,623	1,388,062
Provision for Doubtful debts	23,700,608	21,334,326
Provision for Leave Encashment	3,471,181	4,312,260
	<u>28,826,412</u>	<u>27,034,648</u>
Deferred Tax Liability		
Depreciation	<u>226,570,441</u>	<u>213,629,802</u>
Net Deferred Tax Liability	<u>197,744,028</u>	<u>186,595,154</u>

23. Directors' Remuneration:

	Current Year Rs.	Previous Year Rs.
Salary and Allowance	2,521,423	1,474,720
Benefits and perquisites	448,577	224,288
Bonus / Commission	800,000	700,000
Pension contribution to PF & Superannuation Fund	356,400	144,288
Total	<u>4,126,400</u>	<u>2,543,296</u>

Note: Directors' remuneration excludes contribution to Gratuity Fund and Provision for Leave Encashment provided on actuarial basis as separate figures are not available.

The Company has obtained approval from Central government for payment of Directors Remunerations

24. Auditors Remuneration: included in Legal and professional charges (excluding service tax):

	Current Year Rs.	Previous Year Rs.
Audit Fees (Including branch audit fees current year Rs. 135,000 previous year Rs. 1,35,000)	1,035,000	1,035,000
Audit under Other Statutes	120,000	120,000
Other Matters	10,789	-
Certification	600,000	150,000
Reimbursement of Expenses	53,077	31,936
	<u>1,818,866</u>	<u>1,336,936</u>

25. Employee Benefits:

a. Change in present value of obligation:

	Current Year Rs.
Opening balance as at 1st April, 2008	121,528,816
Benefits earned during the year	-
Current Service Cost	8,985,261
Interest Expenses	9,520,308
Paid Benefits	(30,232,813)
Actuarial (gain) / loss on obligations	22,043,838
Closing balance as at 31st March, 2009	131,845,410

b. Change in plan assets:

Particular	Current Year Rs.
Opening balance as at 1st April, 2008	109,982,803
Expected return on scheme assets	8,184,178
Contributions by the company	7,669,540
Paid Funds	(30,232,813)
Actuarial gain / (Loss)	2,492,063
Fair value of Plan assets as at end of year	98,095,771

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c. The amounts recognized in Balance Sheet are as follows:

	Current Year Rs.
Present Value of Commitments	131,845,410
Fair Value of Plans	-
Net Liability Recognised in Balance Sheet	131,845,410

d. The amounts recognized in Profit and Loss Account are as follows:

	Current Year Rs.
Current Service Cost	8,985,261
Interest expense	9,520,308
Expected return on Plan Assets	8,184,178
Net Acturial (gain)/Loss	19,551,775
Net periodic cost	29,873,166

e. Return on plan assets

	Current Year Rs.
Expected return on plan assets	8,184,178
Acturial gain / (Loss)	2,492,063
Actual return on plan assets	10,676,241

f. Actuarial Assumption

	Current Year
i) Discount Rate	8.00%
ii) Expected Rate of return on assets	8.00%
iii) Salary Escalation rate	4.00%
iv) Attrition rate	2.00%
v) Mortality	LIC 1994-96 Ultimate

26. Previous years' figures have been regrouped and rearranged wherever necessary.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No:	State Code.
L17116KA2006PLC038839	08
Balance Sheet Date	31 03 2009
	Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Thousands)

Total Liabilities	2,530,290	Total Assets	530,290
Sources of Funds		Application of Funds	
Paid up Capital	64,993	Net Fixed Assets	1,936,699
Reserves and Surplus	532,060	Investments	51
Secured Loan	1,715,962	Current Assets	80,474
Unsecured Loan	19,531	Miscellaneous	
		Expenditure	13,066
Deferred Government Grant	-		
Deferred Tax Liability (Net)	197,744		

IV. Performance of Company (Amounts in Rs. Thousand)

Turnover	2,717,289
Total Expenditure	2,956,172
Profit / Loss before tax	(238,883)
Profit / Loss after tax	(253,590)
Earning per share in Rs.	(39.02)
Dividend Rate %	-

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

Item Code No. (ITC Code)	5205110
Product Description	Cotton Yarn
Item Code No. (ITC Code)	52091250
Product Description	Cotton Canvas
Item Code No. (ITC Code)	61091000
Product Description	Knitted Garments

SHAPOOR P. MISTRY } *Chairman*
 PALLONJI S. MISTRY }
 ASHOK BARAT } *Directors*
 D. G. PRASAD }

H. S. BHASKAR *Executive Director & CEO*

C. G. SHAH } *Directors*
 H. S. BILLIMORIA }
 RAMAOTAR GOYAL }
 R. N. JHA }

S. RAGHUNATHAN *Chief Financial Officer*
 K. RAMANANDA PAI *Company Secretary*

Mumbai, 31st July, 2009



Registered Office : 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560 025.
THIRD ANNUAL GENERAL MEETING ON FRIDAY, THE 25TH SEPTEMBER, 2009 AT 2.00 P.M.
VENUE : Khincha Hall, Bharatiya Vidya Bhavan, Race Course Road, Bangalore - 560 001.

ATTENDANCE SLIP

1. I certify that I am a registered Shareholder of the Company.
2. I certify that I am a proxy appointed by the above-named shareholder(s)
3. Please strike out whichever is not applicable.

 (Shareholder's/Proxy's Full Name)
 Regd. Folio :

* DP ID No.

 (Shareholder's / Proxy's Signature)
 * Client ID No.

- (1) Shareholder/Proxy holder must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
 - (2) Shareholders are requested to advice change in their address, if any, to the Company's Registrar and Share Transfer Agents, TSR Darshaw Ltd. Unit : Gokak Textiles Ltd. 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai - 400 011.
- The information should be signed by all the shareholders registered under the Ledger Folio.
 *Applicable for Shareholder's holding shares in electronic form.



Registered Office : 1st Floor, 45/3, Gopalkrishna Complex, Residency Cross Road, Bangalore - 560 025.

PROXY FORM

I / We of
 in the district of being a member(s) of the above-named Company, hereby appoint
 of in the district of of failing him
 of in the district of
 as my/our proxy to attend and vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held on Friday. the
 25th September, 2009 and at any adjournment thereof.

Signed this day of2009.

FOR OFFICE USE ONLY

PROXY No. :

REGD. FOLIO :

No. OF SHARES :

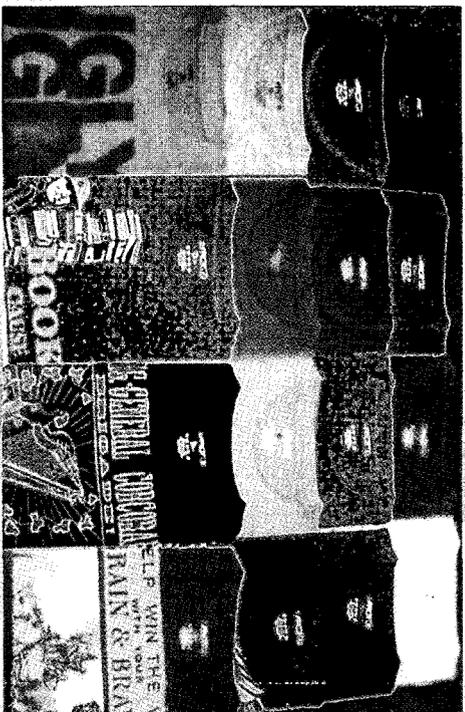
* DP ID No.

* Applicable for shareholder's holding shares in electronic form.

Please Affix
 Re.1
 Revenue
 Stamp

 (Signature(s) of the Shareholder(s))
 * Client ID No.

Note : Kindly deposit the Proxy Form at the Registered Office of the Company not later than 48 hours before the commencement of the Annual General Meeting. Proxy need not be a shareholder of the Company.



Products
Manufactured
from
our Yarn

